(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated April 16, 2026

Ratings:
Moody's: "Aa2"
Fitch: "AA"
(see "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative-minimum tax on certain corporations.

$94,020,000
GRAYSON COUNTY JUNIOR COLLEGE DISTRICT
(A political subdivision of the State of Texas located in Grayson County, Texas)
GENERAL OBLIGATION BONDS, SERIES 2026

Dated Date: May 1, 2026 **Due: February 15, as shown on page 2**
Interest Accrues from Delivery Date

Payment Terms . . . Interest on the $94,020,000 Grayson County Junior College District General Obligation Bonds, Series 2026 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas. See "THE BONDS – Paying Agent/Registrar."

Authority for Issuance . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Section 130.122, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 4, 2024, and an order authorizing the issuance of the Bonds adopted by the Board of Trustees (the "Board") of the Grayson County Junior College District (the "District" or the "College") on June 3, 2025 (the "Bond Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated to certain District officials (each a "Designated Financial Officer") the authority to effect the sale of the Bonds and to execute a certificate establishing the final pricing terms of the Bonds (the "Pricing Certificate"), subject to the parameters set forth in the Bond Order (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). The Pricing Certificate was executed on April 16, 2026. See "THE BONDS – Authority for Issuance."

Security . . . The Bonds constitute direct obligations of the District, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the District. See "THE BONDS – Security and Source of Payment and Tax Rate Limitation".

Purpose . . . Proceeds from the sale of the Bonds will be used to (i) design, construct, renovate, improve, upgrade, update, modernize, acquire, and equip college facilities (and any necessary or related removal of existing facilities) and (ii) pay the costs of issuance of the Bonds. See "THE BONDS – Purpose of the Bonds."

CUSIP PREFIX: 389712
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

Legality . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters thereof named below (the "Underwriters") and are subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Troutman Pepper Locke LLP, Dallas, Texas.

Delivery . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May 14, 2026 (the "Delivery Date").

JEFFERIES

FROST BANK **RAYMOND JAMES**

MATURITY SCHEDULE

CUSIP Prefix: 389712[(1)]

Amount	15-Feb Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
$ 515,000	2028	5.000%	2.500%	HS2
750,000	2029	5.000%	2.560%	HT0
1,960,000	2030	5.000%	2.680%	HU7
2,065,000	2031	5.000%	2.760%	HV5
2,170,000	2032	5.000%	2.880%	HW3
2,275,000	2033	5.000%	2.980%	HX1
2,395,000	2034	5.000%	3.060%	HY9
2,515,000	2035	5.000%	3.140%	HZ6
2,645,000	2036	5.000%	3.250%	JA9
2,780,000	2037	5.000%	3.350% [(2)]	JB7
2,925,000	2038	5.000%	3.420% [(2)]	JC5
3,075,000	2039	5.000%	3.540% [(2)]	JD3
3,235,000	2040	5.000%	3.630% [(2)]	JE1
3,395,000	2041	5.000%	3.680% [(2)]	JF8
3,570,000	2042	5.000%	3.760% [(2)]	JG6
3,760,000	2043	5.000%	3.880% [(2)]	JH4
3,950,000	2044	5.000%	3.980% [(2)]	JJ0
4,155,000	2045	5.000%	4.100% [(2)]	JK7
4,360,000	2046	5.000%	4.230% [(2)]	JL5

$41,525,000 5.000% Term Bond due February 15, 2051 at a Price of 103.426 to Yield 4.560% [(2)] CUSIP Suffix [(1)] JM3

(Interest to accrue from the Delivery Date)

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(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed by February 15, 2036, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption" herein.

MANDATORY SINKING FUND REDEMPTION . . .The Bonds maturing on February 15, 2051 (the "Term Bond") are subject to mandatory sinking fund redemption as described under "THE BONDS – Mandatory Sinking Fund Redemption".

This Official Statement, which includes the cover pages and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN TH IS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE DISTRICT, THE MUNICIPAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. SUCH STATESMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "ANTICIPATE," "BUDGET" OR OTHER SIMILAR WORDS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

The cover pages hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT .... The Grayson County Junior College District (the "District" or the "College") is a Texas political subdivision located in Grayson County (the "County"). The District was created by a vote of the citizens of Grayson County on April 15, 1963. The board members are elected for staggered six-year terms. The Board of Trustees (the "Board") formulates operating policy for the District and the President of the College is the chief administrative officer. The District is located in, and coterminous with the boundaries of, Grayson County, encompassing 979 square miles in area. The County's 2025 population is 154,325. See "INTRODUCTION."

THE BONDS .... The District's $94,020,000 General Obligation Bonds, Series 2026 (the "Bonds") are anticipated to be issued as serial bonds maturing on February 15 in each of the years 2028 through 2046 and as a Term Bond maturing on February 15, 2051 unless redeemed in accordance with the provisions described herein. See "THE BONDS – Description of the Bonds," "- Optional Redemption" and "- Mandatory Sinking Fund Redemption".

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PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery to the Underwriters (expected to occur on or about May 14, 2026) and will be payable on February 15 and August 15 of each year commencing February 15, 2027, until stated maturity or prior redemption. See "THE BONDS – Description of the Bonds."

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Section 130.122, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 4, 2024, and an order authorizing the issuance of the Bonds adopted by the Board of Trustees (the "Board") of the District on June 3, 2025 authorizing the issuance of the Bonds (the "Bond Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated to certain District officials (each a "Designated Financial Officer") the authority to effect the sale of the Bonds and to execute a certificate establishing the final pricing terms of the Bonds (the "Pricing Certificate"), subject to the parameters set forth in the Bond Order (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). The Pricing Certificate was executed on April 16, 2026. See "THE BONDS – Authority for Issuance."

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the District, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the District. See "THE BONDS – Security and Source of Payment and Tax Rate Limitation".

OPTIONAL REDEMPTION .... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption" herein.

MANDATORY SINKING FUND REDEMPTION .... The Bonds maturing on February 15, 2051 are also subject to mandatory sinking fund redemption as described herein under "THE BONDS – Mandatory Sinking Fund Redemption".

TAX EXEMPTION .... In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative-minimum tax on certain corporations.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to (i) design, construct, renovate, improve, upgrade, update, modernize, acquire, and equip college facilities (and any necessary or related removal of existing facilities) and (ii) pay the costs of issuance of the Bonds. See "THE BONDS – Purpose."

RATINGS .... The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA" by Fitch Rating Services ("Fitch"), without regard to credit enhancement. See "OTHER INFORMATION – Ratings."

BOOK-ENTRY-ONLY SYSTEM...... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds

PAYMENT RECORD .... The District has never defaulted in payment of its general obligation tax debt.

PAYING AGENT/REGISTRAR .... The initial Paying Agent/Registrar of the Bonds is U.S. Bank Trust Company, National Association, Houston, Texas.

For additional information regarding the District, please contact:

Dr. Jeremy P. McMillen	Dennis Westman		Jorge Delgado	Andre Ayala
President	Vice President for Business Services		Senior Vice President	Managing Director
Grayson College	Grayson College	or	Hilltop Securities Inc.	Hilltop Securities Inc.
6101 Grayson Drive	6101 Grayson Drive		717 N. Harwood Street, Suite 3400	717 N. Harwood Street, Suite 3400
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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Length of Service	Term Expires	Occupation
Mrs. Jackie Butler Member	14 Years	November 2028	Retired
Dr. Debbie Barnes-Plyler Member	14 Years	November 2030	Retired
Mrs. Paula Cavender Secretary	4 Years	November 2030	Retired
Mr. Ronnie Cole Member	14 Years	November 2030	Realtor
Mr. Jared Johnson Member	4 years	November 2028	Bank President
Dr. John Spies Chairman	6 Years	November 2026	Retired
Mr. Terrence Steele Vice-Chairman	6 Years	November 2026	Assistant City Manager

SELECTED ADMINISTRATIVE STAFF

Name	Position
Dr. Jeremy McMillen	President
Mr. Dennis Westman	Vice President for Business Services
Mr. Robbie Trissell	Vice President for Information Technology
Dr. Dava Washburn	Vice President for Instruction
Dr. Logan Maxwell	Vice President of Student Services
Dr. Molly Harris	Vice President of Community Engagement

CONSULTANTS AND ADVISORS

Auditors .... Whitley Penn LLP
Plano, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Municipal Advisor .... Hilltop Securities Inc.
Dallas, Texas

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OFFICIAL STATEMENT

RELATING TO

$94,020,000

GRAYSON COUNTY JUNIOR COLLEGE DISTRICT

(A political subdivision of the State of Texas located in Grayson County, Texas)

GENERAL OBLIGATION BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance of the $94,020,000 Grayson County Junior College District General Obligation Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined herein), except as otherwise indicated herein.

The Grayson County Junior College District (the “District” or the “College”) is a Texas political subdivision located in Grayson County (the “County”). The District was created by a vote of the citizens of Grayson County on April 15, 1963. The Board of Trustees (the “Board”) of the District formulates operating policy for the District and the President of the College is the chief administrative officer. Board members are elected for staggered six-year terms. The District is located in, and coterminous with the boundaries of, Grayson County, encompassing 979 square miles in area. The County’s 2025 population is 154,325.

There follows in this Official Statement descriptions of the Bonds, the Order, and security for the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District’s Municipal Advisor, Hilltop Securities Inc. (“HilltopSecurities”), Dallas, Texas by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access (“EMMA”) System. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

THE BONDS

PURPOSE OF THE BONDS. . . Proceeds from the sale of the Bonds will be used to (i) design, construct, renovate, improve, upgrade, update, modernize, acquire, and equip college facilities (and any necessary or related removal of existing facilities) and (ii) pay the costs of issuance of the Bonds.

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 1, 2026 and mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the date of initial delivery of the Bonds to the Underwriters (expected to occur on or about May 14, 2026), will be payable on February 15 and August 15 of each year, commencing February 15, 2027, until stated maturity or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one stated maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including, Section 130.122, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), an election held in the District on May 4, 2024, and an order authorizing the issuance of the Bonds adopted by the Board of Trustees (the “Board”) of the District on June 3, 2025 authorizing the issuance of the Bonds (the “Bond Order”). As permitted by Chapter 1371, the Board, in the Bond Order, delegated to certain District officials (each a “Designated Financial Officer”) the authority to effect the sale of the Bonds and to execute a certificate establishing the final pricing terms of the Bonds (the “Pricing Certificate”), subject to the parameters set forth in the Bond Order (the Bond Order and the Pricing Certificate are collectively referred to herein as the “Order”). The Pricing Certificate was executed on April 16, 2026.

SECURITY AND SOURCE OF PAYMENT AND TAX RATE LIMITATION. . . The Bonds are direct obligations of the District payable from a continuing direct annual ad valorem tax, within the limits prescribed by law, on all taxable property in the District. Section 130.122 of the Texas Education Code, as amended, is applicable to the District, and limits its maximum ad valorem tax rate to $1.00 per $100 taxable assessed valuation for all District purposes (of which a maximum of $0.50 may be pledged for bond debt service), and the District is further restricted by local referendum which limits the tax rate for local maintenance and general obligation debt service to $0.70 per $100 of assessed valuation.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

MANDATORY SINKING FUND REDEMPTION . . .In addition to the optional redemption provisions described above, the Bonds maturing on February 15, 2051 (the "Term Bond") are subject to mandatory sinking fund redemption on the dates and in the principal amounts shown below at a price of par plus accrued interest to the redemption date.

Term Bonds Due February 15, 2051		
Redemption Date		Principal Amount
February 15, 2047		$ 4,585,000
February 15, 2048		4,825,000
February 15, 2049		5,070,000
February 15, 2050		13,185,000
February 15, 2051	(maturity)	13,860,000

The principal amount of Term Bonds required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of the Term Bond which, at least forty-five (45) days prior to a mandatory redemption date (1) shall have been acquired by the District at a price not exceeding the principal amount of such Bond plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such Bond plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

SELECTION OF BONDS FOR REDEMPTION . . . If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) will determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption given, such Bond (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . At least thirty (30) days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first class postage, prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the forty-fifth (45th) day prior to such redemption date. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the District, all as provided in the Order.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state that the District may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled or sufficient funds are not received, the notice shall be of no force and effect, the District shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

ANY NOTICE OF REDEMPTION SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION

SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED BONDS WILL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

As long as the Book-Entry-Only System is being used for the Bonds, the Paying Agent/Registrar and the District will send notices of redemption to DTC only. Any failure by DTC to so advise any Participants (defined herein), or of any Participants to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Participants in accordance with its rules or other agreements with Participants, and then Participants may implement a redemption of beneficial interests in such Bonds from the Beneficial Owners. Any such selection of the specific Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the Participants or the Beneficial Owners, with respect to the payments on the Bonds or the providing of notice to Participants or Beneficial Owners of the selection of portions of the Bonds for redemption. Neither the District nor the Paying Agent/Registrar shall have any responsibility or obligation with respect to the accuracy of the records of DTC, Cede & Co. or any Participants with respect to any ownership interest in the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date by reason of stated maturity, redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof, or (2) shall have been have been provided for on or before such due date by irrevocably depositing with a paying agent, or other eligible escrow agent, in trust (i) money in an amount sufficient to make such payment or (ii) Defeasance Securities, that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all such defeased Bonds shall have become due and payable. The District has additionally reserved the right, subject to satisfying the requirements of (2)(i) and (ii) above, to substitute other Defeasance Securities for those originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner that would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, despite the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes, or that ratings for any of the other Defeasance Securities, will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purpose of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceeding to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that, the District's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the District: (i) in the proceeding providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Municipal Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules *applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each stated maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com. Please note that the information contained on (or accessed through) this website is not incorporated herein and should not be construed as part of this Official Statement.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, the Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates representing each Stated Maturity of the Bonds, as appropriate, will be printed and delivered to the holder of such Bonds and will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System with respect to the Bonds is discontinued, printed Bonds will be issued to the DTC Participants or the owner, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

MUTILATED, DESTROYED, LOST, OR STOLEN BONDS . . . Upon discontinuance of the Book-Entry-Only System, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges, and other expenses in connection with such replacement.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas. In the Order, the District covenants to maintain and provide a Paying Agent/Registrar until the Bonds are duly paid; however, the District reserves the right to change the Paying Agent/Registrar at any time upon giving notice in accordance with the Order. Any successor Paying Agent/Registrar shall be a bank, trust company, financial institution, or other agency, duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice will also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer will be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

LIMITATION ON TRANSFER OF THE BONDS. . . Neither the District nor the Paying Agent/Registrar shall be required to exchange any Bonds to an assignee of the owner of the Bonds (i) during the period commencing with the close of business on the Record Date and ending with the opening of business on the next interest payment date, or (ii) with respect to any Bond subject to redemption, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the month next preceding the date that each interest payment is due.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES. . . If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondowners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under "THE BONDS – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, registered owners may not be able to bring such a suit against the District for breach of the Bond or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

SOURCES OF FUNDS:	
Principal Amount of the Bonds	$ 94,020,000.00
Reoffering Premium	6,873,506.90
TOTAL SOURCES:	$ 100,893,506.90
USES OF FUNDS:	
Deposit to Construction Fund	$ 100,000,000.00
Underwriters' Discount	496,755.87
Costs of Issuance	396,751.03
TOTAL USES:	$ 100,893,506.90

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors *are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

VALUATION OF TAXABLE PROPERTY…The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Grayson Appraisal District ("Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

Unless extended by the State Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.16 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – District and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS…State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS…The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED…The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY…Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the State legislature and signed by the Governor during the 89th Legislature will provide a person with an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS…Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY…Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER…The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

TAX INCREMENT REINVESTMENT ZONES…A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS…Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

DISTRICT AND TAXPAYER REMEDIES…Under certain circumstances, taxpayers and taxing units, including the District, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES…The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM PROPERTY TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster" for a discussion of the applicability of this section of the Property Tax Code.

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES…Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS…The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.08, plus the debt service tax rate.

By the later of September 30th or 60 days after the date the certified appraisal roll is received by the District, the Board adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service.

Under the Property Tax Code, the District must annually calculate and publicize its "No-New Tax Revenue Rate" and "Voter-Approval Tax Rate". The Board may not adopt a tax rate that exceeds the prior year's levy until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the voter-approval tax rate, the District must hold an election on the next uniform election date. If the proposition is passed, the tax rate is the adopted rate. If the proposition fails, the District may not adopt tax rate that exceeds the voter-approval tax rate.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

TAX RATE LIMITATIONS… Section 130.122 of the Texas Education Code limits a community college district's tax rate to $1.00 per $100 taxable assessed valuation (of which a maximum of $0.50 may be pledged for bond debt service), and the District is further restricted by local referendum which limits the tax rate for local maintenance and general obligation debt service to $0.70 per $100 of assessed valuation.

DISCUSSION OF STATE APPROPRIATIONS AND IMPACT TO THE DISTRICT… Historically, the State has provided funding to support junior and community college districts, including the District, through a biennial appropriation of general revenues. Under current law, the amount of State funding that the District receives is generally determined by (i) State funding formulas that distribute appropriated general revenues to junior and community college districts in the State based on each district's contact hours and enrollment and (ii) the aggregate amount appropriated by the State legislature for funding all junior and community college districts in the State. In particular, for each State fiscal biennium, each junior and community college district's proportionate share of the appropriated general revenues is calculated using an outcomes-based model consisting of three funding components: (i) Core Operations; (ii) Success Points; and (iii) Contact Hours. Core Operations funding is a base amount given to each junior and community college district in the State to help cover basic operating costs, regardless of the districts size or geographic location. Success Points consist of a junior and community college district's student achievements based on eleven individual metrics, the three (3) year average of a junior and community college's Success Points are multiplied by a flat rate to determine Success Point funding for an individual district. A Contact Hour, is a time unit of measure that represents an hour of scheduled academic or technical class time 50 minutes of which must be instructional. Contact Hour funding is allocated to each junior and community college district based on each junior and community college district's proportionate share of total Contact Hours (adjusted for certain statutory exceptions) for the summer, fall, and spring semesters preceding a legislative session.

The State Legislature appropriated $8,842,196, $9,077,485 and $10,917,604 to the District for fiscal years 2022, 2023 and 2024, respectively.

Amounts received by the District from State appropriations, generally, may not be used to pay debt service on bonds (including the Bonds) or any other indebtedness of a district.

DISTRICT APPLICATION OF TAX CODE. . . The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $15,000; the disabled are granted an exemption.

The District has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property; and Grayson County Tax Assessor Collector collects taxes for the District.

The District does not permit split payments, and discounts are not allowed.

The District does not tax Freeport property (exemption granted).

The District has adopted a tax abatement policy. The value of the property subject to abatement is shown on Table 1

The District has established a "tax freeze" on residence homesteads of the disabled and persons 65 years of age or older.

TAX ABATEMENT AGREEMENTS. . .The District is authorized by Chapter 312 of the Property Tax Code to enter into property tax abatement agreements. In accordance with this law, the District has passed a resolution that establishes guidelines and criteria for the administration of its tax abatement agreements. Among other things, the guidelines and criteria specify:

1. That an agreement may not require extraordinary capital improvement financing by the District.
2. That the percentage of tax abated must not be less than 10% nor more than 100% of the appraised value of the property.
3. That the District will receive an economic impact study which shows that the project and tax abatement are in the District's economic interest.
4. That taxes may not be abated on equipment that has already been ordered or received.
5. That taxes may not be abated on real property if construction on the property to be abated has already begun.
6. That the Board is the sole judge as to whether the District will enter into an agreement.

The District has entered into property tax abatement agreements with Texas Instruments, GlobiTech, Ruiz Food Products and various other industrial and commercial entities. The abatement agreements generally call for a maximum term of 10 years and property tax abatements in the amount of 50% of the appraised value of the property. The District expects that the direct benefits of such agreements include property tax revenue, the addition of high-paying jobs and the community reputation in the US and global technology circles. Indirect benefits include the "spillover" effects of complementary primary job creation, new residential properties being built in the community and increased demand for higher education in the District. The District is preparing for a significant increase in demand for higher education in the District's service area as a result of growth stemming from such direct and indirect benefits.

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Table 1 – Assessed Valuation and Exemption

2025/2026 Market Valuation Established by Grayson County Appraisal District		$	47,505,868,366
Less Exemptions/Reductions at 100% Market Value:			
Productivity Loss	$ 11,538,796,575		
Disabled Veterans Exemption Loss	434,321,533		
Disabled/Over-65 Loss	228,314,922		
Abatement Value Loss	2,238,056,785		
Pollution Control	69,158,335		
Homestead Cap Loss	1,011,105,015		
Non-Homestead Cap Loss	271,347,993		
Freeport Exemption	253,602,325		
Solar	3,477,829		
Other Exemptions and Totally Exempt Property	4,388,723,392		20,436,904,704
2025/2026 Net Taxable Assessed Valuation		$	27,068,963,662
Debt Payable from Ad Valorem Taxes (as of 4/15/2026)			
General Obligation Refunding Bonds, Series 2016	$ 5,195,000		
General Obligation Bonds, Series 2024	104,150,000		
The Bonds	94,020,000	$	203,365,000
Ratio Funded Tax Debt to Taxable Assessed Valuation			0.75%

2026 Estimated Population - 154,325

Per Capita 2025/2026 Taxable Assessed Valuation $175,402

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $1,318

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TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 13,849,246,049	29.15%	$ 13,055,367,114	31.05%	$ 12,970,827,019	34.15%
Real, Residential Multi-Family	1,031,882,037	2.17%	866,207,444	2.06%	717,366,672	1.89%
Real, Vacant Lots/Tracts	690,366,002	1.45%	649,154,226	1.54%	610,011,747	1.61%
Real, Acreage (Land Only)	11,714,430,807	24.66%	10,656,439,057	25.35%	10,340,247,800	27.22%
Real, Farm and Ranch Improvements	3,743,481,997	7.88%	3,602,197,076	8.57%	2,796,128,573	7.36%
Real, Commercial and Industrial	7,756,437,384	16.33%	5,912,719,080	14.06%	3,428,524,228	9.03%
Real, Oil, Gas and Other Minerals Reserves	166,809,236	0.35%	186,007,917	0.44%	222,615,221	0.59%
Real Property, Inventory	397,380,541	0.84%	246,523,900	0.59%	237,224,204	0.62%
Real and Tangible Personal, Utilities	693,297,886	1.46%	661,639,531	1.57%	633,265,658	1.67%
Tangible Personal, Commercial	967,443,215	2.04%	912,079,659	2.17%	841,677,158	2.22%
Tangible Personal, Industrial	1,827,746,415	3.85%	949,437,859	2.26%	947,685,549	2.49%
Tangible Personal, Other, Mobile Homes	101,849,007	0.21%	101,803,818	0.24%	108,090,220	0.28%
Totally Exempt Property	4,496,029,687	9.46%	4,173,940,670	9.93%	4,060,706,358	10.69%
Special Inventory Tax	69,468,103	0.15%	66,483,123	0.16%	69,995,664	0.18%
Total Appraised Value Before Exemptions	$ 47,505,868,366	100.00%	$ 42,040,000,474	100.00%	$ 37,984,366,071	100.00%
Less: Total Exemptions/Reductions	(20,436,904,704)		(17,352,772,928)		(17,213,154,128)	
Adjustments	-		-		(42,307,943)	
Taxable Assessed Value	$ 27,068,963,662		$ 24,687,227,546		$ 20,728,904,000 (1)	

	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	$ 10,731,884,840	38.39%	$ 7,791,542,740	38.45%
Real, Residential Multi-Family	596,683,798	2.13%	476,547,443	2.35%
Real, Vacant Lots/Tracts	472,482,463	1.69%	302,162,065	1.49%
Real, Acreage (Land Only)	6,391,902,255	22.86%	3,846,652,643	18.98%
Real, Farm and Ranch Improvements	2,123,441,664	7.60%	1,548,615,545	7.64%
Real, Commercial and Industrial	2,980,212,672	10.66%	2,488,414,409	12.28%
Real, Oil, Gas and Other Minerals Reserves	170,223,786	0.61%	95,357,026	0.47%
Real Property, Inventory	118,489,640	0.42%	78,086,148	0.39%
Real and Tangible Personal, Utilities	581,236,323	2.08%	559,008,358	2.76%
Tangible Personal, Commercial	751,073,611	2.69%	632,338,120	3.12%
Tangible Personal, Industrial	839,479,614	3.00%	755,234,307	3.73%
Tangible Personal, Other, Mobile Homes	96,115,630	0.34%	67,061,521	0.33%
Totally Exempt Property	2,036,217,137	7.28%	1,565,005,043	7.72%
Special Inventory Tax	67,352,621	0.24%	59,591,846	0.29%
Total Appraised Value Before Exemptions	$ 27,956,796,054	100.00%	$ 20,265,617,214	100.00%
Less: Total Exemptions/Reductions	(10,632,650,870)		(6,323,328,881)	
Adjustments	(162,872,184)		(21,373,333)	
Taxable Assessed Value	$ 17,161,273,000 (1)		$ 13,920,915,000 (1)	

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(1) Taxable Assessed Valuation, except for Fiscal Years 2025 and 2026, is as reported in the District's FYE 2024 Audited Financial Report.

NOTE: Taxable Assessed Valuation shown for Fiscal Years 2025 and 2026 are certified taxable assessed values reported by the Grayson Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	143,131	$ 13,920,915,000	$ 97,260	$ 18,945,000	0.14%	$ 132
2023	146,907	17,161,273,000	116,817	16,610,000	0.10%	113
2024	150,532	20,728,904,000	137,704	112,060,000	0.54%	744
2025	154,325	24,687,227,546	159,969	112,060,000	0.45% (3)	726 (3)
2026	154,325	27,068,963,662	175,402	203,365,000 (3)	0.75% (3)	1,318 (3)

(1) Source: The District's FYE 2024 Audited Annual Financial Reports and U.S Census Bureau.
(2) Taxable Assessed Valuation, except for Fiscal Years 2025 and 2026, is as reported in the District's FYE 2024 Audited Annual Financial Report.
(3) Includes the Bonds.

NOTE: Taxable Assessed Valuation shown for Fiscal Years 2025 and 2026 are certified taxable assessed values reported by the Grayson Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Total Tax Rate	Distribution M&O Fund	Distribution Debt Service Fund	Tax Levy	% Current Collections[(1)]	% Total Collections[(1)]
2022	$ 0.16805	$ 0.14150	$ 0.02655	$ 23,449,690	98.26%	99.54%
2023	0.14670	0.12488	0.02182	24,354,970	98.04%	99.11%
2024	0.14599	0.11941	0.02658	28,367,169	97.84%	97.84%
2025	0.14599	0.11941	0.02658	33,041,181	97.62%	97.62%
2026	0.14598	0.11683	0.02915	37,427,455	73.91% (2)	74.94% (2)

(1) As reported in the District's Audited Financial Report, except for Fiscal Year 2026.
(2) Collections as of January 31, 2026.

TABLE 5 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Texas Instruments Inc	Semiconductor Manufacturer	$ 1,769,241,516	6.54%
Global Wafers America LLC	Semiconductor Manufacturer	762,377,293	2.82%
Rayburn Energy Station LLC	Electric Utility	300,490,505	1.11%
UHS of Texoma, Inc.	Healthcare Services	193,199,779	0.71%
Oncor Electric Delivery Co. LLC	Electric Utility	191,826,290	0.71%
Ameritex Pipe & Products LLC	Pipe Manufacturer	114,682,933	0.42%
Finisar Sherman Re Holdco LLC	Real Estate Developer	91,302,290	0.34%
Seaway Crude Pipeline LP	Oil & Gas Producer	79,153,109	0.29%
Atmos Energy/Mid-Tex Distribution	Electric Utility	77,270,459	0.29%
Union Pacific Railroad Co.	Railroad	74,290,195	0.27%
		$ 3,653,834,369	13.50%

Source: Appraisal District

TABLE 6 – TAX ADEQUACY [1]

Fiscal Year 2026 Principal and Interest Requirements	$	7,851,175
$.03000 Tax Rate at 97% Collection Produces	$	7,877,068
Average Annual Principal and Interest Requirements, 2026-2051 [2]	$	13,847,724
$.05280 Tax Rate at 97% Collection Produces	$	13,863,640
Maximum Annual Principal and Interest Requirements, 2039 [2]	$	14,208,250
$.05420 Tax Rate at 97% Collection Produces	$	14,231,237

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(1) Tax Rate calculated based on the current Taxable Assessed Value.
(2) Includes the Bonds.

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TABLE 7 – ESTIMATED OVERLAPPING DEBT[1]

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Body	2025/2026 Taxable Assessed Valuation	2025/2026 Tax Rate	Total G.O. Tax Debt as of 4/15/2026	Estimated % Overlapping	Total Overlapping Tax Debt as of 4/15/2026
Grayson County Junior College District	$ 27,068,963,662	$ 0.1460	$ 203,365,000 (2)	100.00%	$ 203,365,000
Bells ISD	388,334,574	1.1363	39,621,000	100.00%	39,621,000
Celina ISD	6,228,800,678	1.2089	656,205,000	0.00%	-
Collinsville ISD	362,989,101	1.1352	22,297,000	99.01%	22,076,260
Collinsville, City of	219,630,882	0.5911	4,362,000	100.00%	4,362,000
Denison ISD	3,163,035,799	1.1550	221,135,000	100.00%	221,135,000
Denison, City of	3,392,977,561	0.7120	233,015,000	100.00%	233,015,000
Grayson County	23,020,264,039	0.3051	28,075,000	100.00%	28,075,000
Gunter ISD	1,095,962,180	1.1872	86,680,000	100.00%	86,680,000
Gunter, City of	548,284,958	0.5257	2,385,000	100.00%	2,385,000
Howe ISD	565,267,631	1.2340	50,142,191	100.00%	50,142,191
Howe, City of	305,917,196	0.4845	925,000	100.00%	925,000
Pilot Point ISD	1,617,469,991	0.9382	43,125,000	4.28%	1,845,750
Pilot Point, City of	1,102,639,182	0.6050	78,145,000	2.94%	2,297,463
Pottsboro ISD	1,628,733,494	0.9344	59,342,000	100.00%	59,342,000
Pottsboro, City of	400,503,044	0.5444	985,000	100.00%	985,000
S & S CISD	749,252,394	1.0070	18,860,000	100.00%	18,860,000
Sherman ISD	10,416,308,115	1.2342	618,575,000	100.00%	618,575,000
Sherman, City of	7,744,880,346	0.5080	211,975,000	100.00%	211,975,000
Tioga ISD	217,759,503	1.2269	13,085,829	100.00%	13,085,829
Tioga, City of	187,396,061	0.4932	7,765,000	100.00%	7,765,000
Tom Bean ISD	414,195,892	0.9239	10,479,197	100.00%	10,479,197
Trenton ISD	520,468,372	1.2072	60,280,000	2.58%	1,555,224
Van Alstyne ISD	2,117,545,662	1.1748	244,560,000	93.92%	229,690,752
Van Alstyne MUD # 1	186,156,884	1.0000	18,880,000	100.00%	18,880,000
Van Alstyne MUD # 3	83,583,218	1.0000	9,210,000	0.04%	3,684
Van Alstyne, City of	1,096,715,738	0.5537	75,185,000	100.00%	75,185,000
Whitesboro ISD	1,407,395,082	1.1312	114,230,000	89.90%	102,692,770
Whitesboro, City of	487,530,600	0.5858	-	100.00%	-
Whitewright ISD	465,063,353	0.9781	17,475,000	85.43%	14,928,893
			$ 3,150,364,217		$ 2,279,928,012

Rattio of Direct and Consolidated Overlapping Tax Debt to Taxable Assessed Valuation 8.42%

Per Capita Consolidated Overlapping Debt . . . . $ 14,773.55

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(1) Source: Municipal Advisory Council of Texas.
(2) Includes the Bonds.

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 8/31	All Outstanding General Obligation Bonds Principal	Interest	Total	The Bonds Principal	Interest	Total	Total General Obligation Debt Service	% of Principal Retired
2026	$ 2,715,000	$ 5,136,175	$ 7,851,175	$ -	$ -	$ -	$ 7,851,175	
2027	2,835,000	5,011,600	7,846,600	-	5,889,308	5,889,308	13,735,908	
2028	2,760,000	4,897,700	7,657,700	515,000	4,688,125	5,203,125	12,860,825	
2029	2,890,000	4,768,250	7,658,250	750,000	4,656,500	5,406,500	13,064,750	
2030	3,035,000	4,620,125	7,655,125	1,960,000	4,588,750	6,548,750	14,203,875	8.47%
2031	3,190,000	4,464,500	7,654,500	2,065,000	4,488,125	6,553,125	14,207,625	
2032	3,355,000	4,300,875	7,655,875	2,170,000	4,382,250	6,552,250	14,208,125	
2033	3,530,000	4,128,750	7,658,750	2,275,000	4,271,125	6,546,125	14,204,875	
2034	3,710,000	3,947,750	7,657,750	2,395,000	4,154,375	6,549,375	14,207,125	
2035	3,900,000	3,757,500	7,657,500	2,515,000	4,031,625	6,546,625	14,204,125	22.60%
2036	4,100,000	3,557,500	7,657,500	2,645,000	3,902,625	6,547,625	14,205,125	
2037	4,310,000	3,347,250	7,657,250	2,780,000	3,767,000	6,547,000	14,204,250	
2038	4,530,000	3,126,250	7,656,250	2,925,000	3,624,375	6,549,375	14,205,625	
2039	4,765,000	2,893,875	7,658,875	3,075,000	3,474,375	6,549,375	14,208,250	
2040	5,005,000	2,649,625	7,654,625	3,235,000	3,316,625	6,551,625	14,206,250	40.73%
2041	5,265,000	2,392,875	7,657,875	3,395,000	3,150,875	6,545,875	14,203,750	
2042	5,535,000	2,122,875	7,657,875	3,570,000	2,976,750	6,546,750	14,204,625	
2043	5,815,000	1,839,125	7,654,125	3,760,000	2,793,500	6,553,500	14,207,625	
2044	6,115,000	1,540,875	7,655,875	3,950,000	2,600,750	6,550,750	14,206,625	
2045	6,395,000	1,260,100	7,655,100	4,155,000	2,398,125	6,553,125	14,208,225	64.00%
2046	6,660,000	999,000	7,659,000	4,360,000	2,185,250	6,545,250	14,204,250	
2047	6,930,000	727,200	7,657,200	4,585,000	1,961,625	6,546,625	14,203,825	
2048	7,210,000	444,400	7,654,400	4,825,000	1,726,375	6,551,375	14,205,775	
2049	7,505,000	150,100	7,655,100	5,070,000	1,479,000	6,549,000	14,204,100	
2050	-	-	-	13,185,000	1,022,625	14,207,625	14,207,625	93.27%
2051	-	-	-	13,860,000	346,500	14,206,500	14,206,500	100.00%
	$ 112,060,000	$ 72,084,275	$ 184,144,275	$ 94,020,000	$ 81,876,558	$ 175,896,558	$ 360,040,833	

TABLE 9 – OTHER OBLIGATIONS

PENSION FUND. . . The College participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the Grayson County Junior College District Annual Financial Report" – Note #8.)

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Detailed information about the SRHP'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 on the Internet at https://ers.texas.gov/about-ers/reports-and-studies/gasbrequirements or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

Funding Policy. 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.

For more information concerning the College's post-employment benefits, see the financial statements of the College, and the notes thereto.

TABLE 10 – AUTHORIZED BUT UNISSUED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued (1)	Unissued Balance
Design, construct, renovate, improve, upgrade, update, modernize, acquire, and equip college facilities (and any necessary or related removal of existing facilities)	May 4, 2024	$ 456,500,000	$ 110,000,000	$ 100,000,000	$ 246,500,000

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(1) The "Amount Being Issued" consists of the par amount of the Bonds plus any premium on the Bonds which will be deposited to the Project Fund and allocated against voted authorization.

ANTICIPATED ISSUANCE OF ADDITIONAL DEBT . . . The District anticipates the issuance of up to $40,000,000 general obligation debt within the next twelve months.

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FINANCIAL INFORMATION

TABLE 11 – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION [(1)]

	Fiscal Year Ended August 31,				
	2025	2024	2023	2022	2021
Operating Revenues:					
Tuition & Fees	$ 5,169,598	$ 5,365,905	$ 4,917,431	$ 4,963,631	$ 5,138,177
Federal Grants and Contracts	1,694,830	3,841,915	9,556,573	13,958,509	8,224,399
State Grants and Contracts	2,670,486	2,257,296	1,429,699	2,116,159	1,181,796
Nongovernmental Grants and Contracts	281,004	208,347	226,785	147,625	62,697
Sales & Service of Educational Activities	70,916	73,501	57,935	45,095	6,972
Auxiliary Enterprises	1,433,183	1,758,911	1,494,320	1,291,464	373,280
Other Operating Revenues	521,633	510,614	304,607	225,512	209,924
Total Current Funds Revenue	$ 11,841,650	$ 14,016,489	$ 17,987,350	$ 22,747,995	$ 15,197,245
Operating Expenses:					
Instruction	$ 18,713,102	$ 19,419,544	$ 19,156,677	$ 18,251,333	$ 14,637,826
Public Service	679,673	928,091	992,019	890,685	978,810
Academic Support	4,775,431	4,054,614	2,866,005	2,874,684	2,585,657
Student Services	4,415,913	3,312,180	2,967,382	2,674,076	2,571,769
Institutional Support	10,168,329	8,606,134	8,044,912	9,004,163	7,200,063
Operation and Maintenance of Plant	5,484,802	6,044,495	6,181,832	3,999,012	3,983,031
Scholarships & Fellowships	4,622,763	3,846,745	3,689,341	5,710,102	5,125,663
Auxiliary Enterprises	4,032,762	4,151,418	3,626,165	3,001,808	1,643,566
Depreciation Expenses	3,287,854	3,092,225	2,829,685	2,584,356	2,557,416
Total Educational & General Expenditures	$ 56,180,629	$ 53,455,446	$ 50,354,018	$ 48,990,219	$ 41,283,801
Operating Income (Loss)	(44,338,979)	(39,438,957)	(32,366,668)	(26,242,224)	(26,086,556)
Non-operating Revenues (Expenses):					
State Appropriations	$ 12,775,140	$ 10,917,604	$ 9,077,485	$ 8,842,196	$ 9,101,775
Ad-Valorem Taxes for Maintenance and Operations	28,312,377	23,839,264	20,920,625	18,977,558	17,487,416
Ad-Valorem Taxes for General Obligation Bonds	6,383,558	5,412,481	3,754,013	3,650,898	3,657,103
Federal Grants and Contracts, Non-Operating	8,660,579	7,051,911	5,918,467	5,810,407	5,820,473
Gifts	-	-	22,975	33,245	13,285
Investment Income (Net of Investment Expenses)	6,415,384	3,084,265	1,989,071	400,065	304,889
Interest on Capital Related Debt	(4,954,509)	(513,211)	(591,047)	(701,312)	(873,369)
Gain (Loss) of Disposition of Property	(108,794)	(12,284)	(189,467)	(8,814)	-
Other Non-Operating Revenues (Expenses)	-	-	(83,545)	-	-
Net Nonoperating Revenues	$ 57,483,735	$ 49,780,030	$ 40,818,577	$ 37,004,243	$ 35,511,572
Other Revenues, (Expenses), Gains, (Losses)					
Income Before Transfers	$ 13,144,756	$ 10,341,073	$ 8,451,909	$ 10,762,019	$ 9,425,016
Transfer from GCC Foundation	$ -	$ -	$ -	$ -	$ -
Federal Grant - Capital Contribution	-	-	-	-	-
Increase (Decrease in Net Position)	$ 13,144,756	$ 10,341,073	$ 8,451,909	$ 10,762,019	$ 9,425,016
Net Position - Beginning of Year	$ 85,628,133	$ 75,287,060	$ 66,835,151	$ 56,073,132	$ 46,648,116
Prior Period Adjustment	-	-	-	-	-
Net Position - End of Year	$ 98,772,889	$ 85,628,133	$ 75,287,060	$ 66,835,151	$ 56,073,132

(1) Audited financial operations in accordance with GASB 34/35.

TABLE 12 – STATEMENT OF NET POSITION[1]

	Fiscal Year Ended August 31,				
	2025	2024	2023	2022	2021
Current Assets:					
Cash and Cash Equivalents	$ 37,243,729	$ 55,928,587	$ 51,565,286	$ 46,778,815	$ 35,653,040
Short-Term Investments	112,826,861	280,093	265,593	254,476	253,306
Receivables (Net of Allowance for Uncollectible Accounts)	4,769,323	2,412,236	2,867,071	3,578,975	4,237,654
Prepaid Expenses	834,422	297,196	160,383	192,233	142,495
Total Current Assets	$ 155,674,335	$ 58,918,112	$ 54,858,333	$ 50,804,499	$ 40,286,495
Non Current Assets:					
Other Long-Term Investments	$ -	$ -	$ 2,260,020	$ 2,187,983	$ 4,176,170
Capital Assets (net of accumulated depreciation)	108,001,663	80,574,107	75,138,369	74,913,150	76,285,665
Total Noncurrent Assets	$ 108,001,663	$ 80,574,107	$ 77,398,389	$ 77,101,133	$ 80,461,835
Total Assets	$ 263,675,998	$ 139,492,219	$ 132,256,722	$ 127,905,632	$ 120,748,330
Deferred Outflows of Resources					
Deferred Outflows - Pension Plan	$ 4,833,464	$ 6,045,316	$ 6,677,020	$ 2,587,368	$ 3,332,927
Deferred Outflows - OPEB	2,738,552	2,651,211	4,046,236	4,311,464	1,689,732
Deferred Charge on Bond Refundings	413,663	691,047	808,170	917,848	1,019,973
Total Deferred Outflows of Resources	$ 7,985,679	$ 9,387,574	$ 11,531,426	$ 7,816,680	$ 6,042,632
Current Liabilities:					
Accounts Payable	$ 7,690,831	$ 3,539,548	$ 1,462,848	$ 2,004,592	$ 1,105,509
Accrued Liabilities	617,647	268,829	1,289,378	523,361	438,697
Compensated Absences	107,077	62,678	59,768	-	50,397
Funds Held for Others	512,903	491,913	455,017	376,522	370,733
Construction Contracts Payable	-	-	-	-	-
Unearned Revenues	3,327,628	3,073,251	2,787,865	3,203,810	2,889,638
Deposits Payable	31,944	26,830	22,161	24,870	23,600
Notes and Leases Payable (current portion)	-	-	-	-	-
Bonds Payable (current portion)	2,715,000	2,910,318	3,362,318	3,599,318	3,897,318
OPEB Liability	652,283	575,295	576,753	551,751	845,088
Total Current Liabilities	$ 15,655,313	$ 10,948,662	$ 10,016,108	$ 10,284,224	$ 9,620,980
Noncurrent Liabilities:					
Accrued Compensated Absences	$ 281,844	$ 250,712	$ 239,072	$ 206,858	$ 201,588
Notes and Leases Payable (Net of Current Portion)	-	-	-	-	-
Bonds Payable (Net of Current Portion)	116,952,226	11,351,108	15,641,426	19,003,744	22,603,062
Pension Liability	9,678,746	10,495,751	8,957,127	3,556,635	7,492,808
OPEB Liability	22,326,656	19,991,980	21,607,891	26,295,300	24,490,016
Total Noncurrent Liabilities	$ 149,239,472	$ 42,089,551	$ 46,445,516	$ 49,062,537	$ 54,787,474
Total Liabilities	$ 164,894,785	$ 53,038,213	$ 56,461,624	$ 59,346,761	$ 64,408,454
Deferred Inflows of Resources					
Deferred Inflows - Pension Plan	$ 2,455,232	$ 2,291,836	$ 3,498,132	$ 4,415,175	$ 1,655,247
Deferred Inflows - OPEB	5,538,771	7,921,611	8,541,332	5,125,225	4,654,129
Total Deferred Inflows of Resources	$ 7,994,003	$ 10,213,447	$ 12,039,464	$ 9,540,400	$ 6,309,376
NET POSITION					
Invested in Capital Assets, Net of Related Debt	$ 69,825,349	$ 62,938,129	$ 56,937,460	$ 53,389,075	$ 50,966,397
Restricted for:					
Student Financial Aid Programs	351,353	384,686	391,872	403,671	388,992
Instructional Programs	-	-	19,527	44,324	63,972
Loans	47,598	47,598	47,598	47,598	47,598
Debt Service	3,362,531	6,339,483	5,596,676	5,070,734	4,634,342
Other	3,203	3,203	2,268	3,203	3,203
Unrestricted	25,182,855	15,915,034	12,291,659	7,876,546	(31,372)
Total Net Position	$ 98,772,889	$ 85,628,133	$ 75,287,060	$ 66,835,151	$ 56,073,132

(1) Audited financial operations in accordance with GASB 34/35.

FINANCIAL POLICIES

Report Guidelines . . . The significant accounting policies followed by the District in preparing its financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges and are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP). The District applies all applicable GASB pronouncements.

Tuition Discounting . . . Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances and discounts in the statements of revenues, expenses, and changes in net position. Scholarship allowances and discounts are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance and discount. The District's tuition discounting is classified as follows:

> Texas Public Education Grant: 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 (TEC §56.033). When the award is used by the student for tuition and fees, the College records the amount as tuition discount. If the amount is dispersed directly to the student, the College records the amount as a scholarship expense.
>
> Title IV, Higher Education Administration (HEA) Program Funds: Certain Title IV HEA Program funds are received by the College to pass through to the students. When the award is used by the student for tuition and fees, the College records the amount as tuition discount. If the amount is dispersed directly to the student, the College records the amount as a scholarship expense.
>
> Other Tuition Discounts: The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the 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.

Basis of Accounting . . . The financial statements of the District have been prepared on the accrual basis, whereby all revenues are recorded when earned and expenses are recorded when they become a legal or contractual obligation to pay. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

RELEVANT GASB PRONOUNCEMENTS

The District prepares its financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). As the GASB issues new pronouncements, the District evaluates the new standards to assess the accounting and financial reporting implications on its accounting records and financial statements. Please refer to Note 1 of the District's FY 2025 Annual Comprehensive Financial Report (ACFR) for a list of GASB pronouncements that have been recently implemented and for additional GASB pronouncements that were issued as of the time of ACFR publication and that will be implemented by the District in the future, if applicable.

COORDINATING BOARD . . . The District is subject to the supervisory powers of the Texas Higher Education Coordinating Board (the "THECB"). The THECB is an agency of the State established to promote the efficient use of State resources by providing coordination and leadership for the State's higher education systems, institutions and governing boards. The THECB is the highest authority in the State in matters of public higher education and exercises general control of the public junior colleges of Texas. The THECB has the responsibility for adopting policies, enacting regulations, and establishing general rules necessary for carrying out the duties with respect to public junior colleges as prescribed by the State Legislature. The THECB periodically reviews all degree and certificate programs offered by the State's junior colleges and annually reviews the academic courses offered by such institutions.

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board. The District's current investment policy is more narrow in scope than permitted by State law. Both State law and the District's investment policies are subject to change. The Board retains the option to revise the investment policies, to permit investment of District funds in the manner permitted, from time to time, by State law, as reviewed and approved annually.

LEGAL INVESTMENTS…Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

In addition to the authorized investments permitted by the Texas Public Funds Investment Act, institutions of higher education, such as the District, may purchase, sell, and invest its funds and funds under its control in the following: (1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f)); (2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and (3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

TABLE 13 – CURRENT INVESTMENTS (1)

As of November 30, 2025, the District's funds available for investments were invested in the following categories.

Investment Description	Book Value	Market Value	% of Total Portfolio (Market Value)
Checking Account	$ 7,656,916	$ 7,656,916	5.84%
Local Investment Pools	99,130,977	99,130,977	75.66%
Money Market Account	23,737,443	23,737,443	18.12%
Certificates of Deposit	499,749	499,749	0.38%
	$ 131,025,085	$ 131,025,085	100.00%

(1) Unaudited.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "Appendix C - Form of Bond Counsel's Opinion".

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represent its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds. Bond Counsel's opinion is not binding on the Internal Revenue Service. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the holders of the Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bonds, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased an Original Issue Discount Bonds in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bonds equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bonds prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Tax-Exempt Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the bond bears to the number of days between the acquisition date and the final maturity date.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

LITIGATION

In the opinion of District officials, the District is not a party to any litigation or other proceeding pending or to their knowledge threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition or operations of the District.

At the time of the initial delivery of the Bonds, the District provided to the Underwriters with a certificate to the effect that except as disclosed in the Official Statement, no litigation of any nature had been filed or is then pending challenging the issuance of the Bonds or that affected the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org/.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 13 (the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and (ii) audited, if the District commissions and audit of such Financial Statement and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC").

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES. . . The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not later than 10 business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of any trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District believes that it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA" by Fitch Rating Services ("Fitch"), without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price or marketability of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District will cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The District will furnish a complete transcript of proceedings to the Underwriters incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel with respect to the Bonds issued in compliance with the provisions of the Order to like effect and to the effect that the interest on the Bonds will be excludable from gross income for Federal income tax purposes under Section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. A form of Bond Counsel's opinion is attached to this Official Statement as Appendix C. Though it represents the Municipal Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions and subcaptions "THE BONDS" (excluding the information under the subcaptions "Book-Entry-Only System", "Bondholders' Remedies", and "Use of Bond Proceeds", as to which no opinion is expressed), "TAX MATTERS", "AD VALOREM PROPERTY TAXATION – Tax Rate Limitations", "OTHER INFORMATION – Registration and Qualification of Bonds for Sale", "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION – Legal Matters (excluding the last sentence of the first paragraph) and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings", as to which no opinion is expressed), and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the information purported to be described therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Troutman Pepper Locke LLP, Dallas, Texas, whose fee is contingent on the delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

MUNICIPAL ADVISOR

Hilltop Securities Inc. is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

CYBERSECURITY RISK MANAGEMENT

The District, like other public and private entities, relies on large and complex technology systems to conduct operations. As a user of technology and a recipient of personal, private and sensitive information, the District faces multiple cybersecurity threats on its technology systems, including, but not limited to hacking, phishing, viruses, malware and ransomware attacks, which could result in financial loss, data loss or other breaches. Although the District carries cyber insurance, it may not be sufficient to cover all possible claims, and the District may suffer losses that could have a material adverse effect on its operations or financial condition. The District has made several significant investments in its cybersecurity risk mitigation efforts, including the acquisition of an upgraded firewall, both hardware and software improvements, the implementation of an endpoint monitoring system, and a complete overhaul of the District's wired network with next-generation switchgear. In addition, the District has personnel dedicated to network security in its information technology department.

While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts described above, no assurance can be given that current security and operational control measures will ensure against any and all cybersecurity threats and attacks. A cybersecurity incident or breach could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyberattacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at the purchase price of $100,396,751.03 (representing the par amount of the Bonds, plus a reoffering premium of $6,873,506.90, less an underwriting discount of $496,755.87). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Bond Order authorized the Designated Financial Officer to approve, and in the Pricing Certificate, the Designated Financial Officer did approve, the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters.

/s/ DR. JEREMY MCMILLEN
Designated Financial Officer

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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GENERAL INFORMATION REGARDING THE DISTRICT

GRAYSON COUNTY JUNIOR COLLEGE DISTRICT

INTRODUCTION . . . Located in Grayson County, Texas, Grayson County Junior College District (the “District”) provides a vital link for higher education. The District makes it easy for high school graduates to obtain an affordable education within Grayson County, or for adults to begin or continue a college-bound track and/or meet professional licensing requirements.

The District’s strongest calling cards are small classes for personalized instruction, affordable tuition, caring, professional instructors, and the convenience of day, evening or online classes. The District provides a variety of cultural and recreational opportunities for its students and the community.

Unique course and program offerings are among the District’s diverse curriculum, including Viticulture and Enology (grape growing and wine making). The District also offers a highly respected nursing program as well as traditional one- and two-year degrees in general academic, business, technical and other health-related fields. Students may select courses in more than 60 academic and technical programs.

The Main Campus and West Extension are located midway between Sherman, TX and Denison, TX on Highway 691 and the South Campus is located in Van Alstyne, TX. The District offers a multitude of academic and technical programs to approximately 5,000 students annually. The District’s reputation is highly respected by surrounding universities and industries as an excellent source of quality graduates who bring specialized, skilled and much-needed talents to the workplace. The District also has dormitories, computer laboratories and modern health science labs.

HISTORICAL HEADCOUNT ENROLLMENT

Certified Enrollment Trends		
Fiscal Year Ended 8/31	Fall Semester	Spring Semester
2021	3,952	3,630
2022	4,014	3,608
2023	4,165	3,633
2024	4,348	3,908
2025	4,452	4,053

GENERAL INFORMATION REGARDING THE COUNTY OF GRAYSON, TEXAS

LOCATION . . . Created in 1846 from Fannin County and encompassing an area of 954 square miles, Grayson County (the “County”) is located in north central Texas and adjoins the southern border of the State of Oklahoma. Lake Texoma comprises much of the County’s northern border. The County is traversed by United States Highway 75 and 82. The county seat is Sherman, which is the largest city in the County with 46,000 residents. There are 16 cities in the County and 14 school districts (2 school districts from neighboring counties include a small percentage of the local population) as well as 2 colleges. The area makes up the Sherman-Denison Metropolitan Statistical Area and the County is represented by the Grayson County Metropolitan Planning Organization for state and federal transportation decisions. The County’s 2025 population was 154,325, an increase of 14% over the 2020 population of 135,543.

ECONOMY . . . In 2021, Grayson County along with City of Sherman, Grayson College and Sherman ISD, partnered to achieve the largest economic development project in the history of the State of Texas. Texas Instruments is planning on a 4 phase, $30 billion dollar project to produce chips from 300mm wafers. Global Wafers plans to produce silicon to manufacture 300mm wafers (as used by Texas Instruments). This will be the largest silicon wafer manufacturing plant in the United States and is seen as a critical element to insure the US supply chain for semi-conductors. The plant value will be just over $5 billion dollars over 4 phases. An analysis of projected tax revenues (after incentives) include almost $75 million dollars in new revenues during the first 10 years. During the 50 years in which each phase comes on line and the incentives expire, Grayson County will receive over $1.79 billion dollars in tax revenues. These revenues are projected from the two facilities alone and don’t include the economic impact of approximately 4,000 new employees, new residential properties needed, ancillary and support business to supply the companies or the multitudes of new retail and restaurants to support the larger population.

HEALTH CARE . . . The area is served by two major hospitals with capacity of 739 beds. In addition there are three specialty hospitals and numerous outpatient clinics. The County operates a clinic for indigent care, as well as the health department which was the oversight of WIC programs and food establishments. There are currently over 400 doctors practicing in the County.

LABOR FORCE STATISTICS FOR GRAYSON COUNTY[1]

	September	Average Annual				
Grayson County	2025	2024	2023	2022	2021	2020
Labor Force	73,086	71,462	69,425	67,033	65,711	63,568
Employed	70,101	68,698	66,861	64,573	62,721	59,830
Unemployed	2,985	2,764	2,564	2,460	2,990	3,738
% of Unemployed	4.08%	3.87%	3.69%	3.67%	4.55%	5.88%

(1) Source: Texas Employment Commission.

MAJOR EMPLOYER'S IN GRAYSON COUNTY

Company	Product	Employment
Texoma Medical Center	Health Services	4,000
Tyson Fresh Meats	Meath Processing and Distribution	1,700
Ruiz Foods	El Monterey Frozen Foods	1,137
Sherman ISD	Public Education	1,193
Walmart / Sam's	Retail	900
CIGNA	Insurance Claims Processing	800
Denison ISD	Public Education	757
Carrus Specialty Hospital	Health Services	650
Texas Instruments	Semiconductors	600
Coherent	Vertical Cavity Surface Lasers	577
Grayson County	County Government	575
Wilson N. Jones Regional Health System	Health Services	489
City of Sherman	City Government	486
Alorica	Call Center	452
Capio	Call Center	400
Globitech	Silicon-epitax Coating Services	390
Royal Case	Carrying Cases	371
Emerson Process/Fischer Controls	Rotary Control Valves	350
Austin College	Higher Education	322
Spectrum Brands - Kwikset	Door Locks	320
Grayson College	Higher Education	312
City of Denison	City Government	303

APPENDIX B

EXCERPTS FROM THE

GRAYSON COUNTY JUNIOR COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2025

The information contained in this Appendix consists of excerpts from the Grayson County Junior College District Annual Financial Report for the Year Ended August 31, 2025 and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Annual Financial Report for further information.

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GRAYSON COLLEGE
DENISON, TEXAS

Annual Financial Report
Years Ended August 31, 2025 and 2024

GRAYSON COLLEGE
TABLE OF CONTENTS

Board of Trustees

Officers		Term Expires
Dr. John Spies	Chairman	2026
Mr. Terrence Steele	Vice-Chairman	2026
Mrs. Paula Cavender	Secretary	2030

Members	Term Expires
Mrs. Jackie Butler	2028
Dr. Debbie Barnes Plyer	2030
Mr. Ronnie Cole	2030
Mr. Jared Johnson	2028

Principal Administrative and Business Officers

Dr. Jeremy McMillen	President
Dennis L. Westman	Vice President of Business Services
Mr. Robbie Trissell	Vice President of Information Technology
Dr. Dava Washburn	Vice President of Instruction
Dr. Molly Harris	Vice President of Community Engagement
Dr. Logan Maxwell	Vice President of Student Services
Robyn Voight	Vice President of People & Culture

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grayson College

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Grayson 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of August 31, 2025 and 2024, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Grayson College Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards.*

We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension information, and other-post employment benefit information, as listed in the table of contents, 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.

To the Board of Trustees
Grayson College

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. Supplemental Schedules A through D, as required by the Texas Higher Education Coordinating Board's (THECB) *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*; the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the Schedule of Expenditures of State Awards, as required by the Texas Comptroller of Public Accounts *Texas Grant Management Standards* (TxGMS), are also presented for 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, Supplemental Schedules A through D, the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of State Awards 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 statistical supplement information 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 12, 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.

Whitley Penn LLP

Plano, Texas
December 12, 2025

GRAYSON
COLLEGE

The discussion and analysis of Grayson College's (the "College") financial statements provides an overview of the College's financial activities for the years ended August 31, 2025, 2024 and 2023. Management has prepared the financial statements along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

The College's financial report includes three financial statements: the statement of net position, the statement of revenue, expenses and change in net position, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. The College's foundation has also been discretely presented within these financial statements in accordance with GASB Statement No. 39; Determining Whether Certain Organizations are Component Units, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

The annual financial report includes the independent auditor's report, the management's discussion and analysis, the basic financial statements, notes to the financial statements, and supplemental information.

Activities of the College are reported as either operating or non-operating in accordance with GASB Statement No. 35. Charges for services are recorded as operating revenues. Essentially all other types of revenue, including state appropriations, property tax levies, and federal grants and contracts, are non-operating. The College's reliance on state funding, local property taxes, and the Federal Pell Grant assistance to students result in reporting an operating deficit.

Increases or decreases in net position provide one indication of the financial health of an organization. To assess the overall health of the College, many other non-financial factors need to also be considered, such as trends in enrollment, condition of facilities, success of graduates, and the strength of the faculty and staff.

As of August 31, 2018, Grayson College implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension (OPEB). This standard had a profound negative effect on the college's financial statements. The Statement of Revenues, Expenses, and Changes in Net Position for the year ended August 31, 2018 contained a negative restatement of $30,001,644. While conformity with this statement is necessary to comply with generally accepted accounting principles (GAAP), the financial analysis performed by the college's accreditation agency, Southern Association of Colleges and Schools – Commission on Colleges, and its primary state regulator, the Texas Higher Education Coordinating Board, removed the effect of this statement in order to arrive at the financial condition of institutions of higher education. More information about OPEB can be found in Note 11.

Calculating unrestricted net assets, exclusive of plant and plant-related debt, is critical in determining adjusted unrestricted net assets because it provides a clearer and more accurate measure of Grayson College's financial flexibility and operational resources.

Unrestricted Net Position exclusive of Plant and Plant related Debt (UNAEP Calculation).

	2025	2024	2023
Unrestricted Net Assets	$ 25,182,855	$ 15,915,034	$ 12,291,659
Add Back Compensated Absences - Current	107,077	62,678	1,316,352
Add Back Compensated Absences - Noncurrent	281,844	250,712	239,072
Add Back OPEB liability - Current	652,283	575,295	576,753
Add Back OPEB liability - Noncurrent	22,326,656	19,991,980	21,607,891
Less Deferred Outflows of Resources - OPEB	(2,738,552)	(2,651,211)	(4,046,236)
Add Deferred Inflows of Resources - OPEB	5,538,771	7,921,611	8,541,332
Add Liability - Noncurrent Pension	9,678,746	10,495,751	8,957,127
Less Deferred Outflows of Resources - Pension	(4,833,464)	(6,045,316)	(6,677,020)
Add Deferred Inflows of Resources - Pension	2,455,232	2,291,836	3,498,132
Unrestricted Net Assets, Adjusted	$ 58,651,448	$ 48,808,370	$ 46,305,062
Net Effect of Pensions	7,300,514	6,742,271	5,778,239
Net Effect of OPEB	25,779,158	25,837,675	26,679,740
Net Effect of Compensated Absences	388,921	313,390	1,555,424

Financial Highlights

The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College as a whole. These statements report the College's financial position as of August 31, 2025, 2024 and 2023 and the change in net position for the years then ended. The College's financial position remained strong at August 31, 2025, with assets and deferred outflows of $271,661,677 and liabilities and deferred inflows of $172,888,788. Net position, which represents the residual interest in the College's total assets and deferred outflows of resources after total liabilities and deferred inflows of resources are deducted, increased by $13,144,756 or 15.4%.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current year's revenue and expenses are recorded as incurred regardless of when cash is received or paid. Revenue and expenses are separated into the categories of operating and non-operating.

	2025	2024	2023
Assets			
Current Assets	$ 155,674,335	$ 58,918,112	$ 54,858,333
Capital Assets (Net of Accumulated Depreciation)	108,001,663	80,574,107	75,138,369
Noncurrent Assets	-	-	2,260,020
Total Assets	263,675,998	139,492,219	132,256,722
Deferred Outflows of Resources	7,985,679	9,387,574	11,531,426
Liabilities			
Current Liabilities	15,655,313	10,948,662	10,016,108
Noncurrent Liabilities	149,239,472	42,089,551	46,445,516
Total Liabilities	164,894,785	53,038,213	56,461,624
Deferred Inflows of Resources	7,994,003	10,213,447	12,039,464
Net Position			
Unrestricted	25,182,855	15,915,034	12,291,659
Restricted - Expendable	3,764,685	6,774,970	6,057,941
Invested in Capital Assets	69,825,349	62,938,129	56,937,460
Total Net Position	$ 98,772,889	$ 85,628,133	$ 75,287,060

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2025 were the result of the following:

- Current assets increased by $96 million or 164.2%. This was due to a continued increase in cash and cash equivalent including an increase in state appropriations, county ad-valorem, and higher interest rates offsetting previous College expenses and the largest portion being funding related to ongoing construction and renovation projects.
- Capital assets net of accumulated depreciation increased by $27 million or 34% as the college continues to invest in renovations to meet the growing needs of the campus community including instructional renovations, and athletic improvements including artificial turf for the softball and baseball fields.
- Deferred Outflows of Resources is a consumption of net assets that is applicable to a future reporting period. Deferred Outflows of Resources decreased by $1.4 million or 14.93% primarily due to GASB 68. GASB 68 requires government entities who provide defined benefit pensions to recognize their long-term obligation for pension benefits as a liability including the amount of pension expense within the reporting period. Additional information about the College's Deferred Outflows of Resources can be found in Note 2.
- Current liabilities increased by $5.3 million or 48.5% including a $4.1 million increase to accounts payable as a result of construction activities and construction in progress.
- Non-current liabilities increased by $106.5 million or 253% with the vast majority related to the issuance of new construction bonds.
- Deferred Inflows of Resources is an acquisition of net assets that is applicable to a future reporting period. Deferred Inflows of Resources decreased by $2.2 million or 21.7% with the vast majority coming from OPEB resource addition. Additional information about the College's Deferred Inflows of Resources can be found in Note 2.
- Net Position includes unrestricted, restricted, and invested in capital assets amounts.
    - The unrestricted net position is the residual amount of the net position not included in the net investment in capital assets or the restricted net position. Unrestricted net position increased by $9.26 million or 58.2%.
    - Restricted – expendable is the difference between assets, deferred outflows, deferred inflows, and liabilities that may have constraints placed on their use. Restricted expendable decreased by $3 million or 44.4%.
    - The component of net position titled Net Investment in Capital Assets is the difference between assets, deferred outflows, deferred inflows and liabilities of funds that consists of capital assets less accumulated depreciation, accumulated amortization, the outstanding balance of debt directly attributable to the acquisition, construction or improvement of those assets, deferred outflows and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt. Invested in Capital Assets increased $6.88 million or 10.94%.
    - Total net position increased by $13,144,756 or 15.35%.

Operating Revenue

Operating revenue includes charges for all exchange transactions such as tuition and fees, room and board, and the sale of books and supplies. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating Revenue	**2025**	**2024**	**2023**
Net Tuition & Fees	$ 5,169,598	$ 5,365,905	$ 4,917,431
Federal Grants and Contracts	1,694,830	3,841,915	9,556,573
State Grants and Contracts	2,670,486	2,257,296	1,429,699
Non Governmental Grants	281,004	208,347	226,785
Sales and Services of Educational Activities	70,916	73,501	57,935
Auxiliary Income	1,433,183	1,758,911	1,494,320
Other Operating Revenues	521,633	510,614	304,607
Total Operating Revenue	$ 11,841,650	$ 14,016,489	$ 17,987,350

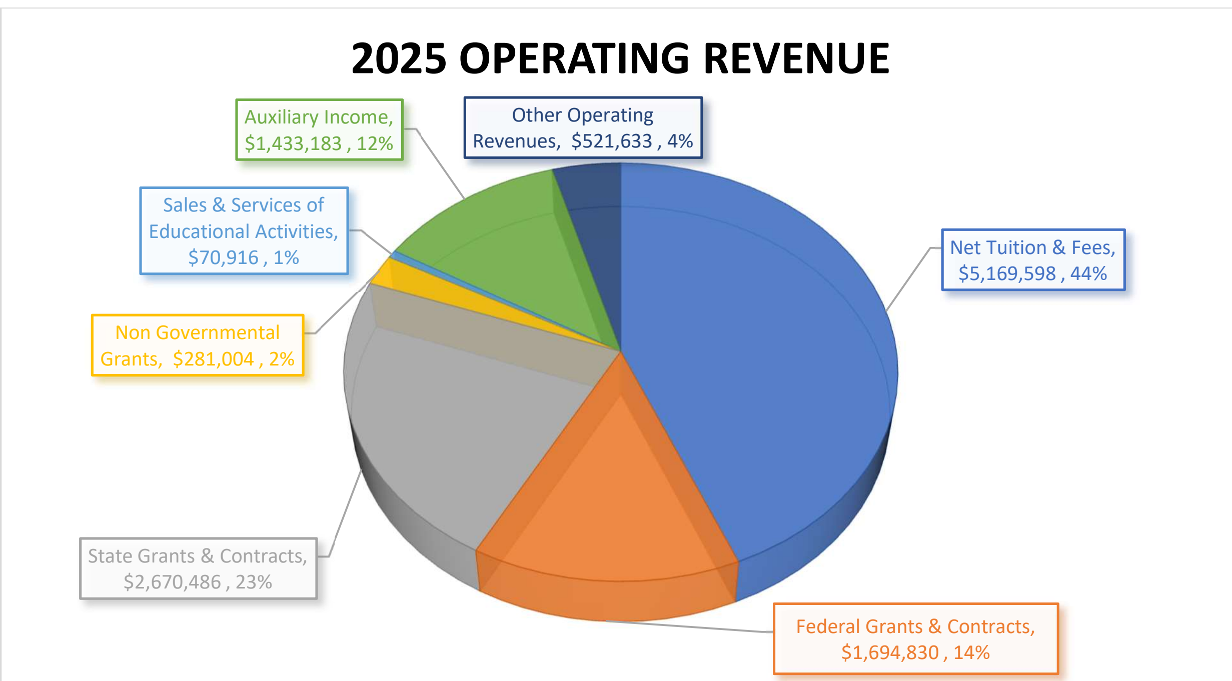
Operating revenue changes for fiscal year 2025 were the result of the following:

- Net tuition and fees decreased by $196,307.
- Federal Grants and Contracts decreased by $2.1 million due to the ending of several grants including an Adult Education grant.
- State Grants and Contracts increased by $413,190 while Non-Governmental Grants increased by $72,657.
- Sales and Services of Educational Activities remained relatively flat.
- Auxiliary revenue decreased by $325,728. This was primarily due to a decrease in the student residential population.
- Other Operating Revenues remained relatively flat.

Operating revenue changes for fiscal year 2024 were the result of the following:

- Net tuition and fees increased by $448,475 due to an increase in enrollment.
- Federal Grants and Contracts decreased by $5.71 million due to the discontinuation of the HEERF grant.
- State Grants and Contracts increased by $827,597 due to a TEOG increase of $350,000 coupled with an overall increase in state grants.
- Non-Governmental Grants remained relatively flat.
- Sales and Services of Educational Activities remained relatively flat.
- Auxiliary revenue increased by $264,592. This was primarily due to an increase in enrollment.
- Other Operating Revenues increased by $206,007 due to an increase in testing services, tower rental fees, departmental generated revenue and auctions held on behalf of surplus property.

The following is a graphic illustration of operating revenues by source for fiscal year 2025.



Operating Expenses

Operating expenses are all the costs necessary to provide services and conduct the programs of the College.

Operating Expenses	**2025**	**2024**	**2023**
Educational Services:			
Instruction	$ 18,713,102	$ 19,419,544	$ 19,156,677
Public Service	679,673	928,091	992,019
Academic Support	4,775,431	4,054,614	2,866,005
Student Services	4,415,913	3,312,180	2,967,382
Institutional Support	10,168,329	8,606,134	8,044,912
Operation and Maintenance of Plant	5,484,802	6,044,495	6,181,832
Scholarships and Fellowships	4,622,763	3,846,745	3,689,341
Auxiliary Enterprises	4,032,762	4,151,418	3,626,165
Depreciation & Amortization	3,287,854	3,092,225	2,829,685
Total Operating Expenses	$ 56,180,629	$ 53,455,446	$ 50,354,018

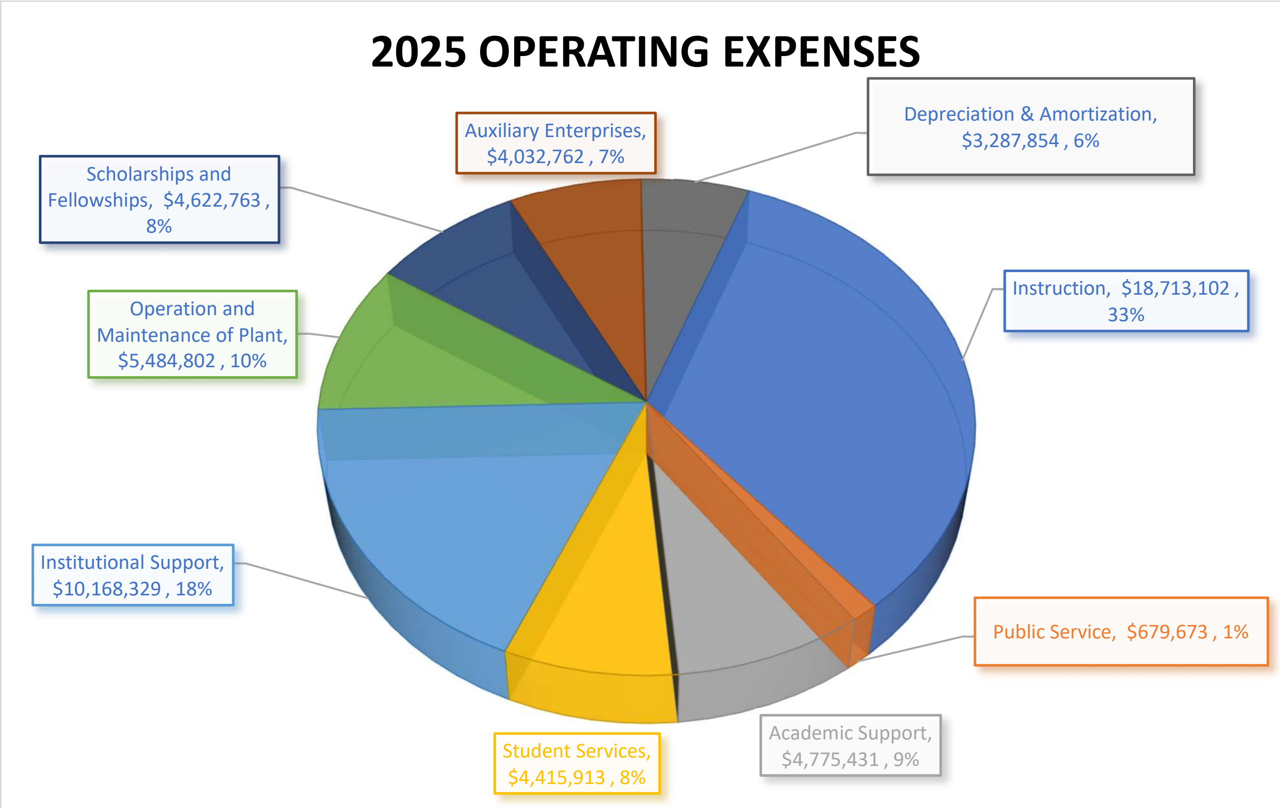
Operating expense changes for fiscal year 2025 were the result of the following:

- Instructional expenses decreased by $706,442 due to changes in the Adult Education grant.
- Public Service expenses decreased by $248,418 due to internal reorganizations.
- Academic Support increased by $720,817 million due to a continued investment in faculty and adjunct salaries and corresponding fringe benefits coupled with the expansion of programs.
- Student Services increased by $1,103,733 primarily due to an increase in staff salaries and corresponding fringe benefits.
- Institutional Support increased by $1,562,195 due to an increase in staff salaries and benefits.
- Operation and Maintenance expenses decreased by $559,693 as repair and renovation project timings were adjusted.
- Scholarships and Fellowships increased by $776,018.
- Auxiliary Enterprises decreased by $118,656 due to changes in the residential student population.
- Depreciation and Amortization increased by $195,629 due to an increase of in capitalized assets.

Operating expense changes for fiscal year 2024 were the result of the following:

- Instructional expenses remained increased by $262,867 due to a continued investment in faculty and adjunct salaries and corresponding fringe benefits.
- Public Service expenses decreased by $63,928 due to a reduction in Continuing Education expenses and open positions.
- Academic Support increased by $1.19 million due to a continued investment in faculty and adjunct salaries and corresponding fringe benefits coupled with the expansion of new programs including Electronics Certification, Automation Certification, Electrical Engineering Technology Associates Degree, and Surgical Technician Associates Degree
- Student Services increased by $344,797 primarily due to an increase in staff salaries and corresponding fringe benefits.
- Institutional Support increased by $561,222 due to an increase in staff salaries and benefits.
- Operation and Maintenance expenses remained relatively unchanged.
- Scholarships and Fellowships increased by $157,404 due to an increase in enrollment.
- Auxiliary Enterprises increased by $525,253 million due to an increase in enrollment.
- Depreciation and Amortization increased by $262,541 due to a significant increase of almost $1.2 million in capitalized assets compared to fiscal year 2023.

The following is a graphic illustration of operating expenses by source for fiscal year 2025.



Non-Operating Revenue (Expenses)

Non-operating revenue represents all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, ad-valorem for maintenance, operations and general obligation bonds, investment income (including realized and unrealized gains and losses), interest on capital related debt, gifts and non-operating federal grants.

Non-operating revenues (expenses) were comprised of the following:

Non-Operating Revenues (Expenses)	**2025**	**2024**	**2023**
State Appropriations	$ 12,775,140	$ 10,917,604	$ 9,077,485
Ad-Valorem Taxes for M&O	28,312,377	23,839,264	20,920,625
Ad-Valorem Taxes for General Obligation Bonds	6,383,558	5,412,481	3,754,013
Federal Grants and Contracts, Non Operating	8,660,579	7,051,911	5,918,467
Gifts	-	-	22,975
Investment Income (Net of Investment Expenses)	6,415,384	3,084,265	1,989,071
Interest on Capital Related Debt	(4,954,509)	(513,211)	(591,047)
Gain (Loss) of Disposition of Property	(108,794)	(12,284)	(189,467)
Other non-operating expenses	-	-	(83,545)
Total Non-Operating Revenues (Expenses)	$ 57,483,735	$ 49,780,030	$ 40,818,577

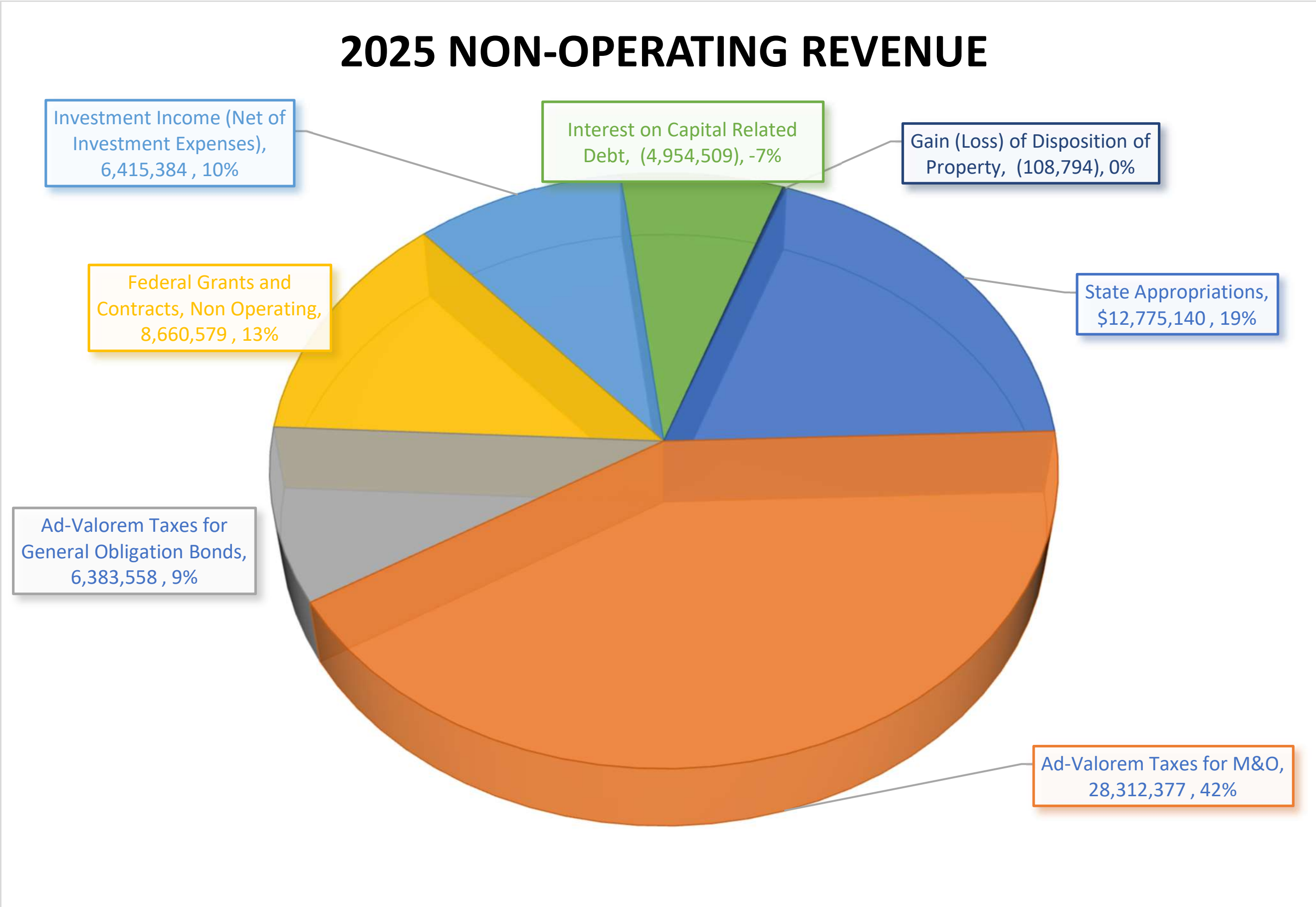
Non-operating revenue (expense) changes for fiscal year 2025 were the result of the following factors:

- State appropriations increased by $1.86 million due to additional funds as a result of student outcomes, increase for retirement and insurance benefits, coupled with an increase in GASB 68 and 75 calculations.
- Ad-Valorem for M&O increased by $4.4 million due to an increase in property values and low delinquency rate.
- Ad-Valorem for General Obligation Bonds increased by $971,077 due to increased collections and property values.
- Federal Grants and Contracts, Non-Operating increased by $1.6 million due to an increase student credit hours and changes to student financial aid eligibility.
- Investment income (net of investment expenses) increased by $3.3 million due to rising interest rates.
- Interest on Capital Related Debt decreased by $4.4 million due to reducing the outstanding bond balances.
- Gain (loss) of Disposition of Property decreased by $96,510 due to additional write-off calculations of the old student residence hall.

Non-operating revenue (expense) changes for fiscal year 2024 were the result of the following factors:

- State appropriations increased by $1.84 million due to an additional $1.10 million as a result of student outcomes, $182,957 increase for retirement and insurance benefits, coupled with a $554,731 increase in GASB 68 and 75 calculations.
- Ad-Valorem for M&O increased by $2.92 million due to an increase in property values and low delinquency rate.
- Ad-Valorem for General Obligation Bonds increased by $1.66 million due to defeasing 2016 bonds.
- Federal Grants and Contracts, Non-Operating increased by $1.13 million due to an increase in enrollment which is correlated with Federal Pell funds received.
- Gifts decreased by $22,975 due to moving athletic fundraising activities from the College to the Foundation.
- Investment income (net of investment expenses) increased by $1.10 million due to rising interest rates.
- Interest on Capital Related Debt decreased by $77,836 due to reducing the outstanding bond balances.
- Gain (loss) of Disposition of Property decreased by $177,183 due to the write off of FY23 buildings located on the west campus that no longer exist.
- Other non-operating expenses are increased to $0 due to moving fund 49 athletic fund balances to the Foundation in FY23.

The following is a graphic illustration of non-operating revenues by source for fiscal year 2025.



Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. A cash flow statement tells the user how much cash is entering and leaving the College in a fiscal year. The statement of cash flows also may help users assess the following:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its need for external financing

Cash flows for the year consist of the following:

	2025	2024	2023
Cash (used in) Provided by			
Operating Activities	$ (33,550,626)	$ (31,579,180)	$ (27,551,994)
Noncapital Financing Activities	52,817,663	44,231,649	38,043,621
Capital and Related Financing Activities	69,627,087	(13,795,776)	(7,434,736)
Investing Activities	(107,578,982)	5,506,608	1,729,580
Net Increase (Decrease) in Cash and Cash Equivalents	(18,684,858)	4,363,301	4,786,471
Cash and Cash Equivalents - Beginning of Year	55,928,587	51,565,286	46,778,815
Cash and Cash Equivalents - End of Year	$ 37,243,729	$ 55,928,587	$ 51,565,286

Net cash used for operating activities in 2025 totaled $33.7 million. This was financed by $52.8 million of net cash flows from non-capital financing activities such as property taxes and state appropriations. Net cash provided for capital and related financing activities totaled $69.8 million and investing activities resulted in net cash used of $107.6 million. The net result of all cash flows is a decrease of $18.7 million for 2025.

	2025	2024	2023
Cash Flows from Operating Activities			
Receipts from students and other customers	$ 6,931,969	$ 7,667,657	$ 7,301,562
Receipts from grants and contracts	4,021,284	6,652,765	10,936,583
Payments to or on behalf of employees	(30,411,205)	(30,030,310)	(26,551,629)
Payments to suppliers for goods and services	(10,768,654)	(12,772,253)	(15,376,179)
Payments of scholarships	(4,622,763)	(3,846,745)	(3,689,341)
Other cash payments	1,298,743	749,704	(172,990)
Net Cash Used in Operating Activities	$ (33,550,626)	$ (31,579,182)	$ (27,551,994)
Cash Flows from Noncapital Financing Activities			
Ad-Valorem tax revenues	$ 34,412,701	$ 29,005,265	$ 24,588,823
Receipts of state appropriations	9,723,393	8,137,577	7,518,406
Receipts of grants and contracts	8,660,579	7,051,911	5,918,467
Receipts from Student Organizations and other agencies	-	-	(83,545)
Payments to Student Organizations and other agencies	20,990	36,896	78,495
Receipts of gifts	-	-	22,975
Net Cash Provided by Noncapital Financing Activities	$ 52,817,663	$ 44,231,649	$ 38,043,621
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	$ (30,824,204)	$ (8,540,247)	$ (3,244,371)
Proceeds from issuance of capital debt	110,451,886	-	-
Payments on capital debt and leases	(10,000,595)	(5,255,527)	(4,190,365)
Net Cash Used in Capital and Related Financing Activities	$ 69,627,087	$ (13,795,774)	$ (7,434,736)
Cash Flows from Investing Activities			
Proceeds from sale and maturity of investments	$ -	$ 2,260,020	$ -
Investment earnings	2,421,018	3,246,588	1,729,580
Purchase of Investments	(110,000,000)	-	-
Net Cash Provided by Investing Activities	$ (107,578,982)	$ 5,506,608	$ 1,729,580

In 2025, cash flows from operating activities included receipts from students, grants, and contracts in the amount of $12.1 million less payments to employees, suppliers, scholarships and other cash payments of $45.9 million for a total outflow of $33.7 million.

Cash flows from non-capital financing activities include ad-valorem tax revenues, state appropriations, grants and contracts, and gifts less payments to students' organizations leaving a net cash provided by non-capital financing activities in the amount of $52.8 million which allows the $33.7 million outflow in operating activities to be covered.

Cash flows from capital and related financing activities include purchases of capital assets in the amount of $30.8 million and payments on capital debt and leases of $9.8 million and proceeds from issuance of capital debt of $110.5 million for a total inflow of $69.8 million.

Cash flows from investing activities include purchase of investments and investment earnings for a total outflow of $107.6 million.

In 2024, cash flows from operating activities included receipts from students, grants, and contracts in the amount of $14.32 million less payments to employees, suppliers, scholarships and other cash payments of $45.90 million for a total outflow of $31.58 million.

Cash flows from non-capital financing activities include ad-valorem tax revenues, state appropriations, grants and contracts, and gifts less payments to students' organizations leaving a net cash provided by non-capital financing activities in the amount of $44.23 million which allows the $31.58 million outflow in operating activities to be covered.

Cash flows from capital and related financing activities include purchases of capital assets in the amount of $8.54 million and payments on capital debt and leases of $5.26 million for a total outflow of $13.80 million.

Cash flows from investing activities include proceeds from sale and maturity of investments and investment earnings of $5.51 million for a total inflow of $5.51 million.

Capital Asset and Debt Administration

Capital Assets

Capital Assets can be found listed among the non-current assets on the Statement of Net Position. At August 31, 2025, the College had approximately $108.0 million invested in capital assets, net of accumulated depreciation of $42.5 million. Capital assets net of accumulated depreciation increased by $27.4 million or 34%. Depreciation charges totaled $3.3 million for the year. The increase in capital assets is mainly due to significant additions to construction in progress.

Additional information about the College's capital assets can be found in Note 6.

Debt

Below is a summary of bonded debt at August 31, 2025 and the activity for the year:

	Balance September 1, 2024	Additions	Reductions	Balance August 31, 2025
Bonds Payable				
General obligation bonds	$ 12,775,000	$ 104,150,000	$ (4,865,000)	$ 112,060,000
Issuance premiums	1,486,426	6,301,886	(541,772)	7,246,540
Total Bonds Payable	$ 14,261,426	$ 110,451,886	$ (5,406,772)	$ 119,306,540

Additional information about the College's debt can be found in Note 7.

Economic Factors That Will Affect the Future

Grayson College continues to see an increase in enrollment annually coupled with an increase in property assessments impacting the continued growth of county ad valorem. The future economic factors also include the addition of new programs to meet the economic needs of the community including Electronics Certification, Automation Certification, Electrical Engineering Technology associate degree, and Surgical Technician associate degree.

In May 2024, Grayson College passed a $456,500,000 bond authorization to address additions, renovations, and other improvements with a focus on industrial technologies, health sciences, residence halls, and infrastructure and support. The plan is to issue bonds as growth allows. Phase 1 scheduled for a 2027 completion is projected to cost approximately $230,000,000. The first tranche of bonds was issued in October 2024 in the amount of $110,000,000.

Grayson College receives funding from three major sources – property taxes, tuition and fees, and state appropriations.

Property taxes provide the largest proportion of revenues for operations.

Fiscal Year	M&O Ad-Valorem Property Taxes	% Change by Year
2025	$ 28,312,377	18.76%
2024	23,839,264	13.95%
2023	20,920,625	10.24%
2022	18,977,557	8.52%
2021	17,487,416	9.49%

Property taxes have increased over the past five years as taxable values on properties have increased and delinquent rates have decreased. The College is projecting an increase in future projections of property taxes due to the economic impact of Texas Instruments, Global Tech and influx of Texans moving to north Texas.

Although the state of Texas economic condition has improved, recent state appropriation revenues have also changed as a new funding formula based on outcomes has begun.

State Appropriations

Fiscal Year	Operations	% Change by Year
2025	$ 12,775,140	17.01%
2024	10,917,604	20.27%
2023	9,077,485	2.66%
2022	8,842,196	-2.85%
2021	9,101,775	-2.61%

With limited growth in revenue, tuition and fees have been increased to maintain programs and services.

Tuition and Fees

Fiscal Year	In-District	% Change by Year
2025	$ 100	3.09%
2024	97	3.19%
2023	94	3.30%
2022	91	2.25%
2021	89	2.30%

Tuition and Fees

Fiscal Year	Out of District	% Change by Year
2025	$ 150	6.38%
2024	141	3.68%
2023	136	3.82%
2022	131	2.34%
2021	128	2.40%

Tuition and Fees

Fiscal Year	Non Resident	% Change by Year
2025	$ 210	7.69%
2024	195	3.72%
2023	188	3.87%
2022	181	2.84%
2021	176	2.92%

Since 2021, in-state tuition rates have increased $11 per credit hour, or 12%. Tuition increases implemented since 2021 have remained relatively unchanged and affordable. Tuition charged to Grayson College students remains below the state and national average.

Institutional efforts to increase faculty staff and salaries continue to be a high priority of administration. Grayson College realizes an investment in its employees attracts and retains an excellent workforce. Management continues to be strategic by assessing cost cutting initiatives as much as possible. GC continues to maintain affordable tuition for our community while providing outstanding educational programs and services in an inviting learning environment with qualified instructional and support faculty and staff.

Grayson College maintains a healthy reserve. Short-term unanticipated expenses coupled with possible enrollment challenges, and changes in the state appropriation model to include funding based on outcomes may threaten that strong position. However, the College expects to maintain positive changes in enrollment due to regional growth. Grayson College maintains strong communication efforts and is prepared for whatever may come. The characteristics that comprise GC's unique student experience will not be compromised. Finally, GC remains the best option for current and prospective students in north Texas.

Additional information concerning the financial statements or the financial status of the College can be obtained by contacting the Vice President for Business Services, Grayson College, 6101 Grayson Dr. Denison, TX 75020.

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Dennis L. Westman, MBA
Vice President for Business Services and
Chief Financial Officer
Grayson College

BASIC FINANCIAL STATEMENTS

GRAYSON

COLLEGE

GRAYSON COLLEGE

Exhibit 1

STATEMENTS OF NET POSITION
August 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and Cash Equivalents	$ 37,243,729	$ 55,928,587
Investments	112,826,861	280,093
Receivables (Net of Allowance for Doubtful /Uncollectible Accounts)	4,769,323	2,412,236
Prepaid Expenses	834,422	297,196
Total Current Assets	155,674,335	58,918,112
Noncurrent Assets		
Capital Assets (Net of Accumulated Depreciation)	108,001,663	80,574,107
Total Noncurrent Assets	108,001,663	80,574,107
Total Assets	263,675,998	139,492,219
Deferred Outflows of Resources		
Deferred Outflows - Pension Plan	4,833,464	6,045,316
Deferred Outflows - OPEB	2,738,552	2,651,211
Deferred Charge on Bond Refundings	413,663	691,047
Total Deferred Outflows of Resources	7,985,679	9,387,574
Liabilities		
Current Liabilities		
Accounts Payable	7,690,831	3,539,548
Accrued Liabilities	617,647	268,829
Compensated Absences	107,077	62,678
Funds Held for Others	512,903	491,913
Unearned Revenues	3,327,628	3,073,251
Deposits Payable	31,944	26,830
Bonds Payable (Current Portion)	2,715,000	2,580,000
OPEB Liability	652,283	575,295
Total Current Liabilities	15,655,313	10,618,344
Noncurrent Liabilities		
Compensated Absences	281,844	250,712
Bonds Payable (Net of Current Portion)	116,952,226	11,681,426
Pension Liability	9,678,746	10,495,751
OPEB Liability	22,326,656	19,991,980
Total Noncurrent Liabilities	149,239,472	42,419,869
Total Liabilities	164,894,785	53,038,213
Deferred Inflows of Resources		
Deferred Inflows - Pension Plan	2,455,232	2,291,836
Deferred Inflows - OPEB	5,538,771	7,921,611
Total Deferred Inflows of Resources	7,994,003	10,213,447
Net Position		
Net Investment in Capital Assets	69,825,349	62,938,129
Restricted for:		
Expendable:		
Student Financial Aid Programs	351,353	384,686
Loans	47,598	47,598
Debt Service	3,362,531	6,339,483
Other	3,203	3,203
Unrestricted	25,182,855	15,915,034
Total Net Position (Schedule D)	$ 98,772,889	$ 85,628,133

GRAYSON COLLEGE

AFFILIATED ORGANIZATIONS - STATEMENTS OF FINANCIAL POSITION

GRAYSON COLLEGE FOUNDATION

August 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and Cash Equivalents	$ 802,589	$ 910,336
Short-Term Investments	913,003	603,644
Accrued Interest Receivable	24,982	32,697
Total Current Assets	1,740,574	1,546,677
Noncurrent Assets		
Notes Receivable	189,846	194,470
Long-Term Investments	23,622,515	20,899,563
Capital Assets (Net of Accumulated Depreciation)	1,084,980	1,090,418
Total Noncurrent Assets	24,897,341	22,184,451
Total Assets	$ 26,637,915	$ 23,731,128
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 3,569	$ 9,851
Total Current Liabilities	3,569	9,851
Net Assets		
Without Donor Restrictions	351,285	341,063
With Donor Restrictions	26,283,061	23,380,214
Total Net Assets	26,634,346	23,721,277
Total Liabilities and Net Assets	$ 26,637,915	$ 23,731,128

GRAYSON COLLEGE

STATEMENTS OF FIDUCIARY NET POSITION

August 31, 2025 and 2024

	Custodial Funds	
	2025	**2024**
Assets		
Cash and Cash Equivalents	$ 418,332	$ 365,787
Total Assets	418,332	365,787
Net Position		
Restricted for:		
Individuals, Organizations and Other Governments	418,332	365,787
Total Net Position	$ 418,332	$ 365,787

GRAYSON COLLEGE *Exhibit 2*

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended August 31, 2025 and 2024

	2025	2024
Operating Revenues		
Tuition and fees (net of discounts		
of $7,174,485 and $6,136,612)	$ 5,169,598	$ 5,365,905
Federal Grants and Contracts	1,694,830	3,841,915
State Grants and Contracts	2,670,486	2,257,296
Non Governmental Grants and Contracts	281,004	208,347
Sales and services of educational activities	70,916	73,501
Auxiliary enterprises (net of discounts		
of $1,409,268 and $1,131,726)	1,433,183	1,758,911
Other operating revenues	521,633	510,614
Total Operating Revenues	11,841,650	14,016,489
Operating Expenses		
Instruction	18,713,102	19,419,544
Public service	679,673	928,091
Academic support	4,775,431	4,054,614
Student services	4,415,913	3,312,180
Institutional support	10,168,329	8,606,134
Operation and maintenance of plant	5,484,802	6,044,495
Scholarships and fellowships	4,622,763	3,846,745
Auxiliary enterprises	4,032,762	4,151,418
Depreciation	3,287,854	3,092,225
Total Operating Expenses	56,180,629	53,455,446
Operating loss	(44,338,979)	(39,438,957)
Nonoperating Revenues (Expenses)		
State appropriations	12,775,140	10,917,604
Ad valorem taxes for maintenance and operations	28,312,377	23,839,264
Ad-Valorem taxes for general obligation bonds	6,383,558	5,412,481
Federal grants and contracts, non-operating	8,660,579	7,051,911
Investment income	6,415,384	3,084,265
Interest on capital asset-related debt	(4,954,509)	(513,211)
Loss on disposition of property	(108,794)	(12,284)
Net Nonoperating Revenues (Expenses)	57,483,735	49,780,030
Increase in net position	13,144,756	10,341,073
Net Position - Beginning of Year	85,628,133	75,287,060
Net Position - End of Year	$ 98,772,889	$ 85,628,133

See notes to the financial statements.

GRAYSON COLLEGE

AFFILIATED ORGANIZATIONS - STATEMENT OF ACTIVITIES

GRAYSON COLLEGE FOUNDATION

For the Year Ended August 31, 2025

With Comparative totals for the August 31, 2024

	Without Donor Restrictions	With Donor Restrictions	2025	2024
Revenues, Gains, and Other Support				
Gifts and Contributions	$ -	$ 1,468,362	$ 1,468,362	$ 1,504,026
Other Grants	-	64,343	64,343	51,500
Investment Income, Net	15,660	2,153,610	2,169,270	2,621,434
Net Assets Released from Restrictions	783,468	(783,468)	-	-
Total Revenues, Gains, and Other Support	799,128	2,902,847	3,701,975	4,176,960
Expenses				
Program Services:				
Services and Supplies	34,415	-	34,415	34,253
Scholarships	645,809	-	645,809	589,080
Total Program Services	680,224	-	680,224	623,333
Supporting Services:				
General Administration:				
Services and Supplies	13,766	-	13,766	13,701
Total General Administration	13,766	-	13,766	13,701
Fundraising:				
Services and Supplies	89,478	-	89,478	89,057
Total Fundraising	89,478	-	89,478	89,057
Total Supporting Services	103,244	-	103,244	102,758
Depreciation	5,438		5,438	5,438
Total Expenses	788,906	-	788,906	731,529
Change in Net Assets	10,222	2,902,847	2,913,069	3,445,431
Net Assets- Beginning of Year	341,063	23,380,214	23,721,277	20,275,846
Net Assets - End of Year	$ 351,285	$ 26,283,061	$ 26,634,346	$ 23,721,277

GRAYSON COLLEGE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended August 31, 2025 and 2024

	Custodial Funds	
	2025	**2024**
Additions		
Contributions	$ 104,293	$ 45,303
Dues	126,000	126,000
Total Additions	230,293	171,303
Deductions		
Operating expenses	177,748	134,891
Total Deductions	177,748	134,891
Change in fiduciary net position	52,545	36,412
Total Net Position - (Beginning)	365,787	329,375
Total Net Position - (Ending)	$ 418,332	$ 365,787

GRAYSON COLLEGE

Exhibit 3

STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Receipts from students and other customers	$ 6,931,969	$ 7,667,657
Receipts of grants and contracts	4,021,284	6,652,765
Payments to or on behalf of employees	(30,411,205)	(30,030,310)
Payments to suppliers for goods and services	(10,768,654)	(12,772,251)
Payments of scholarships	(4,622,763)	(3,846,745)
Other cash receipts	1,298,743	749,704
Net Cash Used In Operating Activities	(33,550,626)	(31,579,180)
Cash Flows From Noncapital Financing Activities		
Ad-Valorem tax revenues	34,412,701	29,005,265
Receipts of state appropriations	9,723,393	8,137,577
Receipts of grants and contracts	8,660,579	7,051,911
Receipts (payments) to student organizations and other agency transactions	20,990	36,896
Net Cash Provided By Noncapital Financing Activities	52,817,663	44,231,649
Cash Flows From Capital And Related Financing Activities		
Purchases of capital assets	(30,824,204)	(8,540,247)
Proceeds from issuance of capital debt	110,451,886	-
Payments on capital debt and leases	(10,000,595)	(5,255,529)
Net Cash Provided By (Used In) Capital And Related Financing Activities	69,627,087	(13,795,776)
Cash Flows From Investing Activities		
Proceeds from sale and maturity of investments	-	2,260,020
Investment Earnings	2,421,018	3,246,588
Purchase of investments	(110,000,000)	-
Net Cash (Used In) Provided By Investing Activities	(107,578,982)	5,506,608
Net change in cash and cash equivalents	(18,684,858)	4,363,301
Cash and Cash Equivalents - Beginning of Year	55,928,587	51,565,286
Cash and Cash Equivalents - End of Year	$ 37,243,729	$ 55,928,587
Reconciliation of Operating Income Loss to Net Cash		
Used In Operating Activities:		
Operating loss	$ (44,338,979)	$ (39,438,957)
Adjustments to Reconcile Operating Income Loss		
to Net Cash Used in Operating Activities:		
Depreciation	3,287,854	3,092,225
State paid employee benefits	3,051,747	2,780,027
Change in assets, deferred outflows of resources, liabilities,		
and deferred inflows of resources:		
(Increase) decrease in receivables, net	(626,255)	524,492
(Increase) decrease in prepaid expenses	(537,226)	(136,813)
(Increase) decrease in deferred outflows of resources	1,401,895	2,143,852
Increase (decrease) in accounts payable	4,151,283	2,076,700
Increase (decrease) in accrued liabilities	348,818	(1,020,549)
Increase (decrease) in accrued compensated absences	75,531	14,550
Increase (decrease) in unearned revenue	254,377	285,386
Increase (decrease) in deposits payable	5,114	4,669
Increase (decrease) in deferred inflows of resources	(2,219,444)	(1,826,017)
Increase (decrease) in net pension liability	(817,005)	1,538,624
Increase (decrease) in net OPEB liability	2,411,664	(1,617,369)
Total Adjustments	10,788,353	7,859,777
Net Cash Flows Used In Operating Activities	$ (33,550,626)	$ (31,579,180)

GRAYSON COLLEGE

AFFILIATED ORGANIZATIONS - STATEMENTS OF CASH FLOWS

GRAYSON COLLEGE FOUNDATION

For the Years Ended August 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Change in net assets	$ 2,913,069	$ 3,445,431
Adjustments to reconcile change in net position to net cash		
Flows from operating activities:		
Depreciation	5,438	5,438
Net (gains) losses on investments	4,624	2,060
Change in operating assets and liabilities:		
Accrued interest receivable	7,715	(3,756)
Accounts payable	(6,282)	9,357
Net Cash Flows Provided By (Used In) From Operating Activities	2,924,564	3,458,530
Cash Flows from Investing Activities		
Purchases of investments	(16,433,061)	(10,326,692)
Proceeds from sale of investments	13,400,750	7,011,452
Net Cash Flows Provided By (Used In) Investing Activities	(3,032,311)	(3,315,240)
Net change in cash	(107,747)	143,290
Cash - Beginning of Year	910,336	767,046
Cash - End of Year	$ 802,589	$ 910,336

Note 1 - Nature of Operations and Reporting Entity

Grayson College (the College) was established in 1963, in accordance with the laws of the State of Texas, to serve the education needs of Grayson County and the surrounding areas. The College is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: An Amendment of GASB Statements No. 14 and No. 34*. While the College receives funding from local, state, and federal sources and must comply with the spending, reporting, and record-keeping requirements of these entities, it is not a component unit of any other governmental entity. The accompanying financial statements present the College and its component unit. The discretely presented component unit (described below) is reported separate to emphasize that it is legally separate from the College.

The Grayson College Foundation (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the College and enhancing the educational opportunities of residents in the geographical area the College serves. The College does not control the timing or amount of receipts from the Foundation. The Foundation is considered a component unit of the College and is discretely presented in the College's financial statements due to the following:

- The majority of resources, or income thereon that the Foundation holds and invests, are for the benefit of the College or its constituents.
- The net position of the Foundation compared to the College is significant.
- Substantially all resources held by the Foundation can only be used by, or for the benefit of, the College.
- The Foundation has historically provided resources to the College or its constituents.

The College is reported as a special-purpose government engaged in business-type activities. The significant accounting policies followed by the College in preparing these financial statements are in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements are also in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*.

Note 2 - Summary of Significant Accounting Policies

A. 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The College distinguishes operating revenues and expenses from non-operating items. The primary consideration in classifying revenues and expenses is how individual transactions are categorized for purposes of preparing the statement of cash flows. Transactions for which cash flows are reported as capital and related financial activities, non-capital financing activities, or investing activities are reported as components of non-operating income. The principal operating revenues of the College result from providing educational services to students, and consist of tuition and fees, as well as sales of auxiliary goods and services (i.e. bookstore merchandise, meals, and housing). Operating expenses include the cost of providing educational services, auxiliary goods and services, and administrative expenses. All revenues and expenses not meeting this definition - including gifts, contributions, and grants from non-exchange and exchange-like transactions - are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Accounting (continued)

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31; and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

C. Tuition Discounting

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances and discounts in the statements of revenues, expenses, and changes in net position. Scholarship allowances and discounts are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance and discount.

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 (TEC §56.033). When the award is used by the student for tuition and fees, the College records the amount as tuition discount. If the amount is dispersed directly to the student, the College records the amount as a scholarship expense.

Title IV, Higher Education Act Program Funds: Certain Title IV HEA Program funds are received by the College to pass through to the students. When the award is used by the student for tuition and fees, the College records the amount as tuition discount. If the amount is dispersed directly to the student, the College records the amount as a scholarship expense.

Other Tuition Discounts: The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the 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.

D. Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting except that depreciation expense is not budgeted. A copy of the approved budget and subsequent amendments must be filed with the Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

E. Cash and Cash Equivalents

The College considers cash and cash equivalents as cash on hand, demand deposits and certificates of deposit.

Note 2 - Summary of Significant Accounting Policies (continued)

F. Investments

The College's investments are reported at fair value in accordance with accounting standards. The information for determining the fair value of investments is derived from published sources, if available, and from professional investment advisors. Short-term investments have an original maturity greater than three months but less than one year at the time of purchase. Public funds investment pools are also considered to be short-term investments. Long term investments have an original maturity of greater than one year at the time of purchase.

G. Property Taxes

The College's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within the taxing district of the College. The assessed value of the roll on January 1, 2025, was $41,998,245,000. Exemptions and abatements of $17,376,308,000 are allowed, resulting in a taxable value of $24,621,937. The tax levy of $34,256,293 is the result of multiplying the value of the tax roll by the tax rates set by the Board. The tax rates assessed for the year ended August 31, 2025 to finance Unrestricted Current Fund operations and debt service for general obligation bonds were $0.11941 and $0.02658 per $100 valuation, respectively.

Property tax collections during the year ended August 31, 2025 were $33.1 million for current taxes and $0.33 million for delinquent taxes, penalties, interest, and attorney fees. Tax collections for the year ended August 31, 2025 were 97.62% of the current tax levy.

Property taxes are due on October 1 each year and become delinquent on February 1. The allowance for uncollectible taxes is based upon historical experience of the College.

H. Capital Assets

Capital assets, which include land, collections, buildings, library books, furniture and equipment and other improvements, are defined by the College as assets with an initial, individual cost of more than $5,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of such assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are charged to operating expense in the year in which the expense is incurred. The College reports depreciation under a single line item as a business-type unit.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	50 years
Other improvements	20 years
Library books	8 years
Furniture and equipment	5 - 10 years

I. Unearned Revenue

Unearned revenue relates to student tuition, fees and other revenues received during the current fiscal period for classes or activities to be held in the following period.

Note 2 - Summary of Significant Accounting Policies (continued)

J. Deferred Inflows of Resources

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

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

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

K. Deferred Outflows of Resources

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

Deferred outflows of resources for refunding - This deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

L. Pensions

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

M. 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.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, and certain accrued liabilities. Accordingly, the College is aware that actual results could differ from those estimates.

O. Operating and Non-Operating Revenues and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports 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. The major non-operating revenues are state appropriations, Title IV grant revenue, and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

P. Implementation of New Standards

GASB issued Statement No. 101, *Compensated Absences,* was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were assessed and implemented in 2025, but do not have a material impact to the financial statements.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were assessed and implemented in 2025, but do not have a material impact to the financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Reclassifications

Certain accounts in the prior year financial statements have been classified for comparative purposes to conform to the presentation in the current year financial statements.

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 College is also required to follow specific investment practices prescribed by the Public Funds Investment Act (the Act) related to establishment of appropriate investment policies and management reports.

Under its local policy, the College is authorized to invest in (1) obligations of the United States or its agencies, (2) certificates of deposit, (3) savings and loan deposits, (4) prime commercial paper that has a stated maturity of 270 days or less and is rated not less than A-1 or P-1 by at least two nationally recognized credit rating agencies, and (5) investment grade obligations of state and local governments, and public authorities.

In accordance with generally accepted accounting principles, inputs to valuation techniques used to measure fair value are prioritized according to a fair value hierarchy, as follows:

- Level I - Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level II - Fair values are based on generally indirect information such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level III - Fair values are based on inputs other than quoted prices included within Level I that are unobservable and include the College's own assumptions about pricing.

This fair value hierarchy gives the highest priority to Level I inputs and the lowest priority to Level III inputs. The College's certificate of deposit investments are classified in Level I of the hierarchy. The investment pools are measured at amortized cost, and are not required to be reported by levels.

The Foundation, as a nonprofit organization, is not subject to the Public Funds Investment Act. As a result, the Foundation can and does invest in other types of investments, including corporate equities, corporate debt instruments, mutual funds, and common investment trusts investing in corporate equities and debt, and land and other property.

Note 4 - Deposits and Investments

Cash and deposits at August 31, 2025 and 2024, as reported on the Statement of Net Position, consists of the following items:

	2025	2024
Cash - demand deposits	$ 37,240,304	$ 55,928,237
Cash - petty cash on hand	3,425	350
Total Cash Deposits	$ 37,243,729	$ 55,928,587

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. The College's policy requires deposits to be 100% secured by collateral valued at market less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2025 and 2024, the College's deposits are not exposed to custodial credit risk.

Note 4 - Deposits and Investments (continued)

The following schedule summarizes the College's investments on a recurring basis as of August 31, 2025:

			Investment Maturities (in Years)		
Type of Security	**Fair value**	**Credit Rating**	**Less Than 1**	**1 to 2 Years**	**More than 2**
Investment Pools	$ 112,826,861	AAA	$ 112,826,861	$ -	$ -
Total Investments	$ 112,826,861		$ 112,826,861	$ -	$ -

The following schedule summarizes the College's investments on a recurring basis as of August 31, 2024:

			Investment Maturities (in Years)		
Type of Security	**Fair value**	**Credit Rating**	**Less Than 1**	**1 to 2 Years**	**More than 2**
Investment Pools	$ 280,093	AAA	$ 280,093	$ -	$ -
Total Investments	$ 280,093		$ 253,306	$ -	$ -

The College has investments with the Texas Short-Term Asset Reserve Program (TexStar), an investment pool organized in conformity with the Interlocal Cooperation Act and the Public Funds Investment Act of the Texas Government Code. A governing board manages the business and affairs of TexStar, and it has appointed an advisory board consisting of representatives of participants and other persons who do not have a business relationship with the pool. TexStar operates in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940 and are rated AAA by Standard and Poors. All investments are stated at amortized cost, which generally approximates the fair value of the securities. There are no limitations or restrictions on withdrawals from TexStar. The College's investment in TexStar is not subject to custodial credit risk. TexStar's audited financial statements can be obtained at 1201 Elm Street, Dallas, Texas 75270.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. In accordance with State law and the College's investment policy, investments in mutual funds and external 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.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Certificates of Deposits were covered by depository insurance or by pledged securities held in the College's name. Investments in external investment pools are considered unclassified as to credit risk because they are not evidenced securities that exist in physical or book entry form.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The College's policy provides that investments to be purchased must have final maturities of five years or less.

Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investments in a single issuer. The College's policy does not place a limit on the amount that may be invested in any one issuer. This risk does not apply to U.S. Government securities or investments in an external investment pool. At August 31, 2025 and 2024, the College did not have a concentration of credit risk in its investment portfolio.

The Public Funds Investment Act (discussed on previous pages) also requires the College to have independent auditors perform test procedures related to investment practices as prescribed by that legislation. The College is in compliance with the requirements of the Public Funds Investment Act.

Note 4 - Deposits and Investments (continued)

The following table reconciles Deposits and Investments presented with this note and amounts reported in the Statement of Net Position:

	2025	2024
Cash and Deposits	$ 37,243,729	$ 55,928,587
Investments	112,826,861	280,093
Total Deposits and Investments	$ 150,070,590	$ 56,208,680
Cash and Cash Equivalents (Exhibit 1)	$ 37,243,729	$ 55,928,587
Other Long-Term Investments (Exhibit 1)	112,826,861	280,093
Total Deposits and Investments	$ 150,070,590	$ 56,208,680

Note 5 - Accounts Receivable

Accounts receivable at August 31, 2025 and 2024, consist of the following:

	2025	2024
Tuition and fees	$ 3,819,623	$ 3,413,425
Ad valorem property taxes	1,757,905	1,595,015
Federal and state grants	1,304,625	551,098
Interest	1,447,597	-
Auxiliary and other	27,360	34,589
	8,357,110	5,594,127
Less allowance for doubtful accounts	(3,587,787)	(3,181,891)
Accounts Receivable, Net	$ 4,769,323	$ 2,412,236

Note 6 - Capital Assets

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

	Balance September 1, 2024	Additions	Transfers and Retirements	Balance August 31, 2025
Capital Assets, Not Being				
Depreciated:				
Land	$ 1,343,562	$ -	$ -	$ 1,343,562
Construction in process	4,226,739	27,819,020	(840,040)	31,205,719
Total Capital Assets, Not Being Depreciated	5,570,301	27,819,020	(840,040)	32,549,281
Capital Assets, Being Depreciated:				
Buildings and building improvements	86,599,384	1,066,190	(555,239)	87,110,335
Facilities and other improvements	12,932,048	84,333	(22,162)	12,994,219
Total Buildings and Other Improvements	99,531,432	1,150,523	(577,401)	100,104,554
Library books	1,301,418	-	-	1,301,418
Furniture and equipment	13,872,685	2,694,700	(42,802)	16,524,583
Total Capital Assets, Being Depreciated	114,705,535	3,845,223	(620,203)	117,930,555
Less Accumulated Depreciation:				
Buildings and building improvements	(23,460,447)	(1,533,713)	451,228	(24,542,932)
Facilities and other improvements	(6,389,331)	(577,542)	19,380	(6,947,493)
Total Buildings and Other Real Estate Improvements	(29,849,778)	(2,111,255)	470,608	(31,490,425)
Library books	(1,175,076)	(15,153)	-	(1,190,229)
Furniture and equipment	(8,676,875)	(1,161,446)	40,802	(9,797,519)
Total Accumulated Depreciation	(39,701,729)	(3,287,854)	511,410	(42,478,173)
Total Capital Assets, Being Depreciated (Net)	75,003,806	557,369	(108,793)	75,452,382
Total Capital Assets, Net	$ 80,574,107	$ 28,376,389	$ (948,833)	$ 108,001,663

Note 6 - Capital Assets (continued)

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

	Balance September 1, 2023	Additions	Transfers and Retirements	Balance August 31, 2024
Capital Assets, Not Being				
Depreciated:				
Land	$ 1,343,562	$ -	$ -	$ 1,343,562
Construction in process	185,050	4,226,739	(185,050)	4,226,739
Total Capital Assets, Not Being Depreciated	1,528,612	4,226,739	(185,050)	5,570,301
Capital Assets, Being Depreciated:				
Buildings and building improvements	86,599,384	-	-	86,599,384
Facilities and other improvements	9,970,754	2,961,294	-	12,932,048
Total Buildings and Other Improvements	96,570,138	2,961,294	-	99,531,432
Library books	1,301,418	-	-	1,301,418
Furniture and equipment	12,501,618	1,537,264	(166,197)	13,872,685
Total Capital Assets, Being Depreciated	110,373,174	4,498,558	(166,197)	114,705,535
Less Accumulated Depreciation:				
Buildings and building improvements	(21,936,495)	(1,523,952)	-	(23,460,447)
Facilities and other improvements	(5,842,271)	(547,060)	-	(6,389,331)
Total Buildings and Other Real Estate Improvements	(27,778,766)	(2,071,012)	-	(29,849,778)
Library books	(1,157,542)	(17,534)	-	(1,175,076)
Furniture and equipment	(7,827,109)	(1,003,679)	153,913	(8,676,875)
Total Accumulated Depreciation	(36,763,417)	(3,092,225)	153,913	(39,701,729)
Total Capital Assets, Being Depreciated (Net)	73,609,757	1,406,333	(12,284)	75,003,806
Total Capital Assets, Net	$ 75,138,369	$ 5,633,072	$ (197,334)	$ 80,574,107

Note 7 - Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2025 was as follows:

	Balance September 1, 2024	Additions	Reductions	Balance August 31, 2025	Due Within One Year
Bonds Payable					
General obligation bonds	$ 12,775,000	$ 104,150,000	$ (4,865,000)	$ 112,060,000	$ 2,715,000
Issuance premiums	1,486,426	6,846,006	(725,206)	7,607,226	-
Total Bonds Payable	14,261,426	110,996,006	(5,590,206)	119,667,226	2,715,000
Other Liabilities:					
Net pension liability	10,495,751	-	(817,005)	9,678,746	-
Net OPEB liability	20,567,275	2,411,664	-	22,978,939	652,283
Compensated absences	313,390	75,531	-	388,921	107,077
	$ 45,637,842	$ 113,483,201	$ (6,407,211)	$ 152,713,832	$ 3,474,360

Long-term liability activity for the year ended August 31, 2024 was as follows:

	Balance September 1, 2023	Additions	Reductions	Balance August 31, 2024	Due Within One Year
Bonds Payable					
General obligation bonds	$ 16,610,000	$ -	$ (3,835,000)	$ 12,775,000	$ 2,580,000
Revenue bonds	577,000	-	(577,000)	-	-
Issuance premiums	1,816,744	-	(330,318)	1,486,426	-
Total Bonds Payable	19,003,744	-	(4,742,318)	14,261,426	2,580,000
Other Liabilities:					
Net pension liability	8,957,127	1,538,624	-	10,495,751	-
Net OPEB liability	22,184,644	-	(1,617,369)	20,567,275	575,295
Compensated absences	298,840	14,550	-	313,390	62,678
	$ 50,444,355	$ 1,553,174	$ (6,359,687)	$ 45,637,842	$ 3,217,973

Note 7 - Long-Term Liabilities (continued)

Bonds Payable

On October 11, 2016, the College issued General Obligation Refunding Bonds, Series 2016 in the amount of $27,640,000 for the purpose of advance refunding $29,480,000 of the College's general obligation bonds (Series 2007 and 2008). These bonds are payable from a continuing direct annual ad valorem tax levied by the College on all taxable property to provide for the payment of principal and interest. Principal payments from $250,000 to $3,070,000 are due beginning on February 15, 2017 through 2029. Semiannual interest payments at interest rates ranging from 3% to 5% are due beginning February 15, 2017. The balance outstanding on this bond issue as of August 31, 2025 and 2024 was $7,910,000 and $12,775,000, respectively.

On October 15, 2024, the College issued General Obligation Bonds, Series 2024 in the amount of $104,150,000. The proceeds of the bonds will be used to design, construct, renovate, improve, upgrade, update, modernize, acquire, and equip college facilities. These bonds are payable from a continuing direct annual ad valorem tax levied by the College on all taxable property to provide for the payment of principal and interest. Principal payments from $400,000 to $6,115,000 are due beginning on February 15, 2028 through 2044. Semiannual interest payments at an interest rate of 5% are due beginning February 15, 2026. The balance outstanding on this bond issue as of August 31, 2025 was $104,150,000.

The principal and interest requirements related to the bonded indebtedness is listed below:

For the Year Ended	General Obligation Bonds		
August 31,	Principal	Interest	Total
2026	$ 2,715,000	$ 5,227,575	$ 7,942,575
2027	2,835,000	5,103,000	7,938,000
2028	2,760,000	4,977,200	7,737,200
2029	2,890,000	4,802,050	7,692,050
2030	3,035,000	4,620,125	7,655,125
2031-2035	17,685,000	20,599,375	38,284,375
2036-2040	22,710,000	15,574,500	38,284,500
2041-2045	29,125,000	9,155,850	38,280,850
2046-2050	28,305,000	2,320,700	30,625,700
	$ 112,060,000	$ 72,380,375	$ 184,440,375

During the year, the College defeased general obligation bonds by placing the College’s own resources into an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, that trust account assets and the liabilities for those defeased bonds are not included in the College’s financial statements. At August 31, 2025, $3,665,000 of defeased bonds remain outstanding.

Compensated Absences

The sole component of the compensated absences liability as of August 31, 2025 is accrued annual (vacation) leave for employees. This obligation will be paid by the fund or department for which the employee works at the time of utilization. As of August 31, 2025 and 2024 was $388,921 and $313,390, respectively, and it is expected to be paid by the Current Unrestricted Fund.

Note 8 - Employees' Retirement Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report, including financial statements and required supplementary information. That report may be obtained online at TRS 2025 Annual Comprehensive Financial Report or write to TRS at 1000 Red River Street, Austin, TX 78701-2698.

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 grandfathered members; 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 the date of employment or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic cost of living adjustments ("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.

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.

Note 8 - 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.

	Contribution Rates Plan Fiscal Year	
	2025	**2024**
Member (Employee)	8.25%	8.25%
District (Employer) / Non-Employer Contributing Entity (State)	8.25%	8.25%

	Current Fiscal Year Contributions
Employer (District)	$ 2,659,135
Employee (Member)	844,917
Non-employer Contributing Entity On-behalf Contributions (State)	1,548,828

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).

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

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

Note 8 - Employees' Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2024 actuarial valuation 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
Single Discount Rate	7.00%
Long-Term Expected Investment Rate of Return*	7.00%
Municipal Bond Rate*	3.87% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last Year Ending August 31 in the Projection period (100 Years)	2123
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad HOC post-employment benefit change	None

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

The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four-year period ending August 31, 2021 and were adopted in July 2022. The actuarial 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

The discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Note 8 - Employees' Retirement Plan (continued)

Discount Rate (continued)

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

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 TRS's target asset allocation as of August 31, 2024, are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Arithmetic 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%
Absolute Return *	5.00%	3.00%	0.20%
Stable Value Hedge Funds	0.00%	4.00%	0.00%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources, and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation	0.00%		2.40%
Volatility Drag ****	0.00%		-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 conversions between arithmetic and geometric mean returns

Note 8 - Employees' Retirement Plan (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the net pension liability for the years ended August 31, 2025 and 2024, respectively.

	2025		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportional share of the net pension liability	$ 15,459,411	$ 9,678,746	$ 4,889,055

	2024		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportional share of the net pension liability	$ 15,691,729	$ 10,495,751	$ 6,175,293

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

At August 31, 2025 and 2024, the College reported a liability of $9,678,746 and $10,495,751, 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
District's proportion of the net pension liability	0.0158449%	0.0152798%
District's proportional share of the net pension liability	$ 9,678,746	$ 10,495,751
State's proportionate share of the net pension liability associated with the District	6,194,330	6,019,202
Total	$ 15,873,076	$ 16,514,953

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

At August 31, 2024 and 2023, the College's proportion of the collective net pension liability was 0.0158449% and 0.0152798%, respectively, which was an increase of 0.000565% and 0.000192%, respectively, from its proportion measured as of August 31, 2023 and 2022.

Changes Since the Prior Actuarial Valuation

The actuarial 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.

Note 8 - Employees' Retirement Plan (continued)

Changes Since the Prior Actuarial Valuation (continued)

For the year ended August 31, 2025 and 2024, the College recognized pension expense of $1,443,139 and $946,032, respectively. The College also recognized an additional on-behalf revenue and expense of $740,326 and $908,847, respectively, representing for support provided by the State.

At August 31, 2025 and 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:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 533,479	$ (75,567)	$ 373,967	$ (127,092)
Changes of assumptions	499,734	(66,997)	992,692	(242,934)
Difference between projected and actual earnings on pension plan investments	2,323,937	(2,265,104)	3,279,605	(1,752,218)
Changes in proportion and differences between District contributions and proportionate share of contributions	599,007	(47,564)	513,723	(169,592)
District contributions subsequent to the measurement date	877,307	-	885,329	-
Total	$ 4,833,464	$ (2,455,232)	$ 6,045,316	$ (2,291,836)

Contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions for the years ended August 31, 2025 and 2024, respectively, will be recognized in pension expense as follows:

2025		2024	
Year Ending August 31,	**Amount**	**Year Ending August 31,**	**Amount**
2026	$ 198,177	2025	$ 561,882
2027	1,194,144	2026	422,908
2028	228,052	2027	1,383,602
2029	(185,741)	2028	450,557
2030	66,293	2029	49,202
	$ 1,500,925		$ 2,868,151

Note 8 - Employees' Retirement Plan (continued)

Optional Retirement Plan

Plan Description. The State has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Section 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 are 6.6% and by each participant are 6.65% for both fiscal years 2025 and 2024. The College contributes 1.31% 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 1812, 83rd Texas Legislature Regular Session, effective September 1, 2013 limits the amount of the State's contribution to 50% of the College's eligible employees.

Contribution I Payroll Information. The retirement expense to the state for the College was $134,477 and $127,757 for the fiscal years ended August 31, 2025 and 2024, respectively. This amount represents the portion of expended appropriations made by the Legislature on behalf of the College.

The total payroll for all College employees was $24,726,828 and $23,609,689 for the years ended August 31, 2025 and 2024, respectively. The total payroll of employees covered by the TRS was $18,268,558 and $17,916,030, and the total payroll of employees covered by the optional retirement program was $4,065,668 and $3,847,632 for the fiscal years ended August 31, 2025 and 2024, respectively.

Note 9 - Compensated Absences

Full-time employees who work twelve months during the year are allowed to accumulate annual leave based upon the number of hours required for the workweek and the number of years employed at the College. For employees with a 35-hour regular workweek, 2.70 hours per bi-weekly payroll are accrued for those employees with less than 15 years of service and 4.04 hours per bi-weekly payroll are accrued for those employees with more than 15 years of service. For employees with a 40-hour regular workweek, 3.08 hours per bi-weekly payroll are accrued for those employees with less than 15 years of service and 4.62 hours per bi-weekly payroll are accrued for those employees with more than 15 or more years of service. The maximum number of hours that may be carried forward to the next fiscal year is 105 and 120 for employees with 35-hour and 40-hour workweeks, respectively. A calculated percentage is applied to part-time contractual employees to determine their accrual rates.

The College has recognized the accrued liability for the unpaid annual leave in the fund in which the employee works. Accrued compensated absences payable of $352,305 and $313,390 is recorded in the financial statements as of August 31, 2025 and 2024, respectively. These amounts are payable to the employees (or their beneficiaries) upon termination or death.

Full-time employees who work twelve months during the year are allowed to accumulate sick leave based upon the number of hours required for the workweek. Employees with a 35-hour workweek accrue 2.70 hours per bi-weekly payroll and employees with a 40-hour workweek accrue 3.08 hours per bi-weekly payroll. Sick leave for instructional employees with nine-month or ten-and-one-half month contracts is accrued over the length of the contract. Full-time instructional employees shall accrue a maximum of 480 hours. Full-time non-instructional employees may accrue a maximum of 420 hours for those employees whose regular workweek is 35 hours and 480 hours for those employees whose regular workweek is 40 hours. A calculated percentage is applied to part-time employees to determine their accrual rates. The College's policy is to recognize sick leave when paid. No liability has been recorded in the financial statements since the College's experience indicates the expenditure for sick leave to be minimal.

Note 9 - Compensated Absences (continued)

Additionally, the College has established a sick leave pool to benefit employees who suffer or are affected by a catastrophic injury or illness. Employees may contribute up to ten percent of accumulated sick leave to the pool. Receipt of benefits from the pool is not contingent upon prior contributions. The Human Resource department makes benefit payment decisions. No liability for the sick leave pool has been recorded in these financial statements.

Note 10 - Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for workers' compensation insurance, the College carries commercial insurance for all risks of loss. The College accounts for risk management issues in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.*

The College participates in the Workers' Compensation Fund of the Texas Educational Insurance Association (Fund) administered by Claims Administrative Services, Inc. The College is responsible for the payment of all claims until a certain threshold is reached. Whenever the claims exceed the threshold, a commercial insurance policy pays the excess claims. The Fund's specific retention of loss is $1,000,000, with an aggregate limit of $5,000,000; the College's maximum fund loss is $121,431. Premiums of $46,283 and $46,188 for this insurance were allocated to the College for the years ended August 31, 2025 and 2024, respectively.

The following schedule summarizes the changes in claims liabilities for the years ended August 31, 2025 and 2024:

	2025	2024
Claims Liabilities - Beginning of Year	$ 105,808	$ 114,251
Incurred Claims	81,025	98,014
Change in Prior Year Claim Estimates	(9,540)	(8,100)
Payment on Claims	(70,216)	(98,357)
Claims Liabilities - End of Year	$ 107,077	$ 105,808

The claims liability is reported in accrued liabilities in the financial statements and includes $82,938 and $84,282 of estimated claims incurred but not reported, as determined actuarially by the administrator at August 31, 2025 and 2024, respectively.

Note 11 - Defined Other Post-Employment Benefits (OPEB)

Plan Description

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

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

OPEB Plan Fiduciary Net Position

Detailed information about the SRHP'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 on the Internet at https://ers.texas.gov/about-ers/reports-and-studies/gasb-requirements or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

Benefits Provided

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

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. 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.

	2025/2024 Contributions	
	Employee	State/Employer
Retiree Only	$ -	$ 625
Retiree & Spouse	358.00	982.82
Retiree & Children	239.70	864.52
Retiree & Family	597.70	1,222.52

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

	2025	2024
Employers	$ 2,659,135	$ 2,643,265
Members (Employees)	844,917	808,109
Nonemployer Contributing Entity (State of Texas)	1,548,828	1,501,884

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

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	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. Health Select Medicare Advantage: 36.00% for FY26, 8.00% for FY27, 5.25% for FY28, 5.00% for FY29, 4.75% for FY30, 4.50% for FY2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY33 and later years. Pharmacy: 11.50% for FY26. 11.00% for FY27, 10.00% for FY28, 8.50% for FY29, 7.00% for FY30 decreasing 100 basis points per year to 5.00% for FY32 and 4.30% for FY33 and later years.
Inflation Assumption Rate	2.30%
Ad hoc Post-employment Benefit Changes	None
Mortality Assumptions:	
Service retirees, survivors and other inactive members	Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018.
Disability retirees	Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

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 September 1, 2010 to August 31, 2017 for higher education members.

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

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 was the Bond Buyer Index of tax-exempt general obligation bonds with 20 years to maturity with an average credit quality that 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.

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 the plan be invested in cash and equivalent securities.

Discount Rate Sensitivity Analysis

The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87% and 3.81% for 2024 and 2023, respectively) in measuring the net OPEB Liability

	2025		
	1% Decrease	**Current Discount Rate**	**1% Increase**
Rate	2.87%	3.87%	4.87%
District's proportionate share of the net OPEB liability	$ 26,736,127	$ 22,978,939	$ 19,963,752

	2024		
	1% Decrease	**Current Discount Rate**	**1% Increase**
Rate	2.81%	3.81%	4.81%
District's proportionate share of the net OPEB liability	$ 23,865,367	$ 20,567,275	$ 17,914,534

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 5.60% and the ultimate rate is 4.30%. The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (5.60% decreasing to 4.30% for both 2024 and 2023) in measuring the net OPEB Liability.

	2025		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Rate	4.60% decreasing to 3.30%	5.60% decreasing to 4.30%	6.60% decreasing to 5.30%
District's proportionate share of the net OPEB liability	$ 19,717,084	$ 22,978,939	$ 27,136,922

	2024		
	1% Decrease	Current Healthcare Cost Trend	1% Increase
Rate	4.60% decreasing to 3.30%	5.60% decreasing to 4.30%	6.60% decreasing to 5.30%
District's proportionate share of the net OPEB liability	$ 17,690,715	$ 20,567,275	$ 24,220,520

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

At August 31, 2025 and 2024, the College reported a liability of $22,978,939 and $20,567,275, respectively, for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the College. 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
District's proportion of the net OPEB liability	0.07841145%
District's proportionate share of the collective net OPEB liability	$ 22,978,939
State's proportionate share that is associated with the District	14,883,661
	$ 37,862,600

	2024
District's proportion of the net OPEB liability	0.07698045%
District's proportionate share of the collective net OPEB liability	$ 20,567,275
State's proportionate share that is associated with the District	13,455,504
	$ 34,022,779

Note 11 - Defined Other Post-Employment Benefits (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (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, 2023 through August 31, 2024.

At the measurement date of August 31, 2024 and 2023, the employer's proportion of the collective net OPEB liability was 0.07841145 and 0.07698045%, respectively, which was an increase of 0.001431% and a decrease of 0.00089602%, respectively, from its proportion measured as of August 31, 2023 and 2022.

For the fiscal year ended August 31, 2025 and 2024, the College recognized OPEB expense of $450,990 and negative $385,613 and an additional expense of $1,735 and $399,318, respectively, of expense incurred by the State on behalf of the College.

At August 31, 2025 and 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:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (379,126)	$ -	$ (544,015)
Changes of assumptions	1,258,085	(4,577,578)	686,102	(6,423,433)
Difference between projected and actual earnings on OPEB plan investments	-	(878)	1,662	-
Changes in proportion and differences between District contributions	972,292	(581,189)	1,508,164	(954,163)
District contributions subsequent to the measurement date	508,175	-	455,283	-
Total	$ 2,738,552	$ (5,538,771)	$ 2,651,211	$ (7,921,611)

Contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB for the years ended August 31, 2025 and 2024, respectively, will be recognized in OPEB expense as follows:

2025		2024	
Year Ending August 31,	**Amount**	**Year ending August 31,**	**Amount**
2026	$ (1,280,860)	2025	$ (1,353,144)
2027	(1,344,664)	2026	(1,502,008)
2028	(842,950)	2027	(1,568,563)
2029	23,296	2028	(1,075,807)
2030	136,784	2029	(226,161)
	$ (3,308,394)		$ (5,725,683)

Note 12 - Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The College had no unrelated business income tax liability for 2025 or 2024.

The Foundation is an organization generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Note 13 - Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the College expects any such amounts to be immaterial.

Note 14 - Grants and Contracts

Contract and grant revenues are recognized in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. Contract and grant awards that are not yet funded and for which the College has not yet performed services are not included in the financial statements.

Note 15 - Transactions with Component Unit

The Foundation made contributions to the College in the amount of $722,368 and $673,939 in fiscal year 2025 and 2024, respectively, including scholarships of $645,809 and $589,080, respectively, and $76,559 and $84,859, respectively, in support of various other activities at the College.

Note 16 - Tax Abatements

The College is authorized by Texas Tax Code 312 to enter into property tax abatement agreements. In accordance with this law, the College has passed a resolution that establishes guidelines and criteria for the administration of its tax abatements. Among other things, the guidelines and criteria specify:

1. That an agreement may not require extraordinary capital improvement financing by the College;
2. That the percentage abated must not be less than 10% nor more than 100% of the appraised value of the property;
3. That the College will receive an economic impact study which shows that the project and abatement are in the College's economic interest;
4. That taxes may not be abated on equipment that has already been ordered or received;
5. That taxes may not be abated on real property if construction on the property to be abated has already begun; and
6. That the Board of Trustees for the College is the sole judge as to whether the College will enter into an agreement.

The College grants tax abatements to primary employers in conjunction with other local taxing entities for the purpose of stimulating the local economy. The amount to be abated is determined by the number and type of jobs to be created, the amount of taxable value to be created by new construction or equipment, or a combination of these factors.

The College currently does not have any active tax abatement agreements.

Note 17 - Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AI CPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multiyear awards, or funds awarded during fiscal years August 31, 2025 and 2024 for which monies have not been received nor funds expended totaled $1,907,503 and $1,174,238, respectively. Of these amounts, $485,898 and $676,430 were from Federal Contract and Grant Awards; and $1,421,605 and $497,808 were from State Contract and Grant Awards for the fiscal years ended August 31, 2025 and 2024, respectively.

The College receives a portion of its revenues from government grants and contracts, all of which are subject to audit by federal and state agencies. The determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the respective agencies. As a result, there exists a contingency to refund any amount received in excess of allowable costs. The amount, if any, of expenses which may be disallowed by the grantor agencies cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

Note 18 - Pending Lawsuits and Claims

As of August 31, 2025, there are no known material lawsuits and claims pending or threatened against the College.

Note 19 - Related Party Disclosure Required by the U.S. Department of Education

A board member of Grayson College is the spouse to the owner of a construction company that periodically performs projects for the College. Said board member abstains from discussions and votes related to construction projects.

A board member of the Grayson College serves as an officer of a banking institution that holds certain financial accounts for the college. The said board member abstains from discussions and votes related to these matters.

Note 20 - Grayson College Foundation

The Foundation was established as a separate nonprofit organization in 1991 to raise funds to provide student scholarships and assistance in the development and growth of the College. Under GASB standards, the Foundation is a component unit of the College because: 1) the College provides financial resources to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the College; 2) the College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation; and 3) the economic resources held by the Foundation that the College is entitled or has the ability to otherwise access are significant to the College.

Accordingly, the Foundation's financial statements are included in the College's annual report as a discretely presented component unit (see table of contents). Separate financial statements of the Foundation are not prepared; therefore, selected disclosures are included in the College's financial statements.

Note 20 - Grayson College Foundation (continued)

Basis of Presentation

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

The Foundation maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the Foundation classifies net position and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net position of the Foundation and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grant) restrictions. The governing board may designate from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
- **Net Assets with Donor Restrictions-** Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents-For purposes of reporting cash flows, the Foundation considers all bank deposits, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The carrying amounts of other investments (real estate) are based upon the historical cost of those investments. Realized and unrealized gains and losses are reported in the statement of activities.

In accordance with generally accepted accounting principles, investment in financial and nonfinancial assets are reported in a three-tiered hierarchy as follows:

- Level I - Assets are based on quoted prices or unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the Foundation's year end.
- Level II - Assets are based on other than quoted prices or adjusted quoted prices of similar assets or liabilities in markets that are not active.
- Level III-Assets are based on unobservable inputs and shall reflect the Foundation's own assumptions about the assets or liabilities.

This fair value hierarchy gives the highest priority to Level I assets and the lowest priority to Level III assets.

Note 20 - Grayson College Foundation (continued)

Capital Assets and Depreciation

Capital assets are recorded at cost or at estimated fair market value at the date of the gift if donated. Such donations are reported without donor restrictions support unless the donor has restricted the asset to a specific purpose. Assets donated with specific restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies with donor restrictions net assets to without donor restrictions net assets at that time.

Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The estimated net assets useful lives are fifty years for buildings and improvements and ten years for equipment.

Collections: In accordance with guidance issued by the Texas Comptroller of Public Accounts, collections are capitalized but not depreciated. Collections are valued at their historical cost or fair value at the date of donation. The Foundation has a statue which it capitalizes as a collection. This collection is not depreciated due to the inexhaustible nature of this asset.

Revenue and Revenue Recognition

Revenue is recognized when earned. The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promise to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions received with donor stipulations that limit their use are recorded as restricted support.

Contributions

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributed Services

The services of the Foundation employees and certain operating costs have been donated by the College. The estimated value of these contributed services is $482,296 and $510,434 for the years ended August 31, 2025 and 2024, respectively, and has been included in revenues and expenses in the accompanying financial statements.

Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents in bank deposit accounts which frequently exceed federally insured limits. However, the Foundation does not believe that it is exposed to any significant credit risk in connection with these accounts.

Functional Allocation of Expenses

The costs of program, support services, and fundraising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs, support services, and fundraising activities benefited on the basis of estimates of time and effort.

Note 20 - Grayson College Foundation (continued)

Federal Income Taxes

The income of the Foundation, except for unrelated business income, is exempt from federal income taxes under Section 50l{c)(3) of the Internal Revenue Code. The Foundation had no unrelated business income during the years ended August 31, 2025 and 2024.

Use of Estimates

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

Risks and Uncertainties

The Foundation invests in various investment securities which are inherently exposed to various risks such as interest rate fluctuations, and market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Investments

Net investment income consists of the following for the years ended August 31:

	2025	2024
Interest, Dividends, and Royalties	$ 667,512	$ 715,792
Realized Gains (Losses)	752,068	200,175
Unrealized Gains (Losses)	925,204	1,835,304
Less: Investment Management and Custodial Fees	(175,514)	(129,837)
Total Investment Income, Net	$ 2,169,270	$ 2,621,434

The following schedule summarizes the Foundation's investment on a recurring basis as of August 31, 2025 and 2024:

	2025		2024	
Type of Security	**Cost**	**Fair Value**	**Cost**	**Fair Value**
U.S. Government Securities	$ 2,587,881	$ 2,571,604	$ 3,208,221	$ 3,064,976
U.S. Government Agency Securities	869,748	799,574	1,935,908	1,713,572
Equity Securities	11,785,442	14,620,326	8,941,540	9,458,056
Corporate Obligations	929,986	914,117	1,992,141	1,688,533
Alternate Investments	2,261,275	2,402,998	1,947,973	1,965,878
Money Market and Investment Pools	2,874,529	3,226,908	296,959	296,952
Total Investments	$ 21,308,861	$ 24,535,527	$ 18,322,742	$ 18,187,967

All of the Foundation's investments are Level 1 investments.

Note 20 - Grayson College Foundation (continued)

Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the statements of financial position as of August 31, 2025 and 2024, are comprised of the following:

	2025	2024
Cash and Cash Equivalents	$ 802,589	$ 910,336
Short-Term Investments	913,003	603,644
Accrued Interest Receivable	24,982	32,697
Financial Assets Available to Meet General Expenditures Needs Within One Year	$ 1,740,574	$ 1,546,677

Capital Assets

The following schedule summarizes the Foundation's capital assets as of August 31, 2025 and 2024:

	2024	2024
Collections	$ 910,000	$ 910,000
Building and Improvements	253,175	253,175
Facilities and Other Improvements	17,345	17,345
	1,180,520	1,180,520
Less: Accumulated Depreciation	(95,540)	(90,102)
Net Capital Assets	$ 1,084,980	$ 1,090,418

Notes Receivable

The following schedule summarizes the Foundation's capital assets as of August 31, 2025 and 2024:

	2025	2024
A $212,569 note from Gabriel N. Parker was entered into on August 30, 2019. The note is payable in monthly installments of $1,077 including interest of 4.5%. A final payment of all unpaid principal and accrued interest is due at maturity on September 1, 2028. The note is secured by real estate and equipment.	$ 189,846	$ 194,470
Total Due	$ 189,846	$ 194,470

Note 20 - Grayson College Foundation (continued)

Endowment Funds

The Foundation has donor restricted endowments that are to be used only for identified scholarships and other identified purposes and that are maintained in accordance with explicit donor stipulations. The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIF A) as requiring the preservation of the fair value of gifts to donor Restricted Endowments as of the date of the gift, absent explicit donor stipulations to the contrary. The Foundation interprets the definition of donor-restricted endowments to include the original value of gifts to an endowment and subsequent gifts donated to the fund, (including promises to give net of discount and allowance for doubtful accounts) (a) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by TUPMIF A. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment funds are maintained in an investment account which is managed by an independent financial firm that follows guidance provided in the investment policy approved by the Board of Trustees.

As of August 31, 2025 and 2024, Donor Restricted Endowment Funds were as follows:

	2025	2024
Donor-Restricted Endowment Fund:		
Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	$ 15,538,502	$ 14,060,081
Accumulated Investment Gains	6,027,649	4,622,897
Total Funds	$ 21,566,151	$ 18,682,978

Funds with Deficiencies

In accordance with accounting standards, the Foundation considers an endowment to be deficient (underwater funds) if its fair value is less than the sum of (a) the original value of initial and subsequent gifts donated to the endowment and (b) any donor imposed accumulations to the endowment that must be maintained in perpetuity. The Foundation has interpreted TUPMIF A to permit spending from underwater endowments in accordance with prudent measures required under law. As of August 31, 2025 and 2024, there were no endowment funds with deficiencies.

Note 20 - Grayson College Foundation (continued)

Investment and Spending Policies

The primary goals of the endowments are as follows: (1) Provide the highest sustainable, consistent flow of funds to support the activities of the Foundation or those designated by the donor, (2) Protect the future purchasing power of the principal of the endowed funds by reserving an appropriate portion of investment return to offset the cumulative effects of inflation and provide future real growth of the Foundation assets, and (3) Manage the spending distribution over time to reduce, as far as possible, annual variations in the level of support provided by the Foundation.

The Investment Committee of the Foundation outlines the asset allocations, permissible investments and objectives of the portfolios in the Investment Policy.

Changes in Endowment net assets for the years ended August 31, 2025 and 2024 are as follows:

	2025	2024
Endowment Net Assets, Beginning of Year	$ 18,682,978	$ 15,696,120
Investment Income, Net	1,951,584	2,224,391
Contributions	1,220,336	1,179,034
Transfer and Reclassification	258,085	-
Net Assets Released from Restrictions	(546,832)	(416,567)
Endowment Net Asset, End of Year	$ 21,566,151	$ 18,682,978

Subsequent Events - Foundation

Subsequent events have been evaluated through December 12, 2025, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GRAYSON COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Teachers Retirement System of Texas

For the Last Ten Measurement Years Ended August 31st

	2024	2023	2022	2021	2020
College's proportion of the net pension liability	0.0158449%	0.0152798%	0.0150876%	0.0139660%	0.0139901%
College's proportionate share of the net pension liability	$ 9,678,746	$ 10,495,751	$ 8,957,127	$ 3,556,635	$ 7,492,808
State's proportionate share of the net pension liability associated with the College	6,194,330	6,019,202	5,055,609	2,204,758	4,823,621
Total	$ 15,873,076	$ 16,514,953	$ 14,012,736	$ 5,761,393	$ 12,316,429
College's covered payroll (for Measurement Year)	$ 17,916,030	$ 15,444,160	$ 14,211,355	$ 12,748,818	$ 12,672,923
College's proportionate share of the net pension liability as a percentage of its covered payroll	54.0%	68.0%	63.0%	27.9%	59.1%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%

	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.0132383%	0.0152597%	0.0151326%	0.0139783%	0.0123200%
College's proportionate share of the net pension liability	$ 6,881,705	$ 8,399,314	$ 4,838,587	$ 5,282,192	$ 4,354,956
State's proportionate share of the net pension liability associated with the College	4,328,815	3,151,720	1,963,721	2,299,826	2,991,911
Total	$ 11,210,520	$ 11,551,034	$ 6,802,308	$ 7,582,018	$ 7,346,867
College's covered payroll (for Measurement Year)	$ 10,816,790	$ 10,496,293	$ 9,487,927	$ 9,032,401	$ 8,689,765
College's proportionate share of the net pension liability as a percentage of its covered payroll	63.6%	80.0%	51.0%	58.5%	50.1%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%

GRAYSON COLLEGE

SCHEDULE OF COLLEGE PENSION CONTRIBUTIONS

Teachers Retirement System of Texas

For the Last Ten Fiscal Years Ended August 31st

	2025	2024	2023	2022	2021
Contractually required contributions	$ 887,822	$ 898,057	$ 786,142	$ 411,778	$ 589,069
Contributions in relation to the contractual required contributions	887,822	898,057	786,142	411,778	589,069
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 18,268,557	$ 17,916,030	$ 15,444,160	$ 14,211,355	$ 12,748,818
Contributions as a percentage of covered payroll	4.86%	5.01%	5.09%	2.90%	4.62%

	2020	2019	2018	2017	2016
Contractually required contributions	$ 575,741	$ 492,476	$ 487,408	$ 416,084	$ 423,293
Contributions in relation to the contractual required contributions	575,741	492,476	487,408	416,084	423,293
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 12,672,923	$ 10,816,790	$ 10,496,293	$ 9,852,740	$ 9,423,102
Contributions as a percentage of covered payroll	4.54%	4.55%	4.64%	4.22%	4.49%

GRAYSON COLLEGE

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

Employee Retirement System of Texas - State Retiree Health Plan

For the Last Eight Measurement Years Ended August 31st

	2024	2023	2022	2021
College's proportion of the net OPEB liability	0.07841145%	0.07698045%	0.07787647%	0.07483393%
College's proportionate share of the net OPEB liability	$ 22,978,939	$ 20,567,275	$ 22,184,644	$ 26,847,051
State's proportionate share of the net OPEB liability associated with the College	14,883,661	13,455,504	14,510,091	18,088,800
Total	$ 37,862,600	$ 34,022,779	$ 36,694,735	$ 44,935,851
College's covered employee payroll (for Measurement Year)	$ 20,513,731	$ 18,418,627	$ 16,812,072	$ 16,055,144
College's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	112.0%	111.7%	132.0%	167.2%
Plan fiduciary net position as a percentage of the total OPEB liability*	0.47%	0.63%	0.57%	0.38%

	2020	2019	2018	2017
College's proportion of the net OPEB liability	0.07666935%	0.06834061%	0.07154001%	0.07543185%
College's proportionate share of the net OPEB liability	$ 25,335,104	$ 23,620,343	$ 21,202,847	$ 25,701,904
State's proportionate share of the net OPEB liability associated with the College	16,657,724	19,439,170	16,311,598	22,722,641
Total	$ 41,992,828	$ 43,059,513	$ 37,514,445	$ 48,424,545
College's covered employee payroll (for Measurement Year)	$ 16,143,250	$ 14,647,686	$ 13,617,571	$ 11,563,890
College's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	156.9%	161.3%	155.7%	222.3%
Plan fiduciary net position as a percentage of the total OPEB liability*	0.32%	0.17%	1.27%	2.04%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2017. Net OPEB liability and related rations will be presented prospectively as data becomes available.

* Per ERS' ACFR

GRAYSON COLLEGE

SCHEDULE OF COLLEGE OPEB CONTRIBUTIONS

Employee Retirement System of Texas - State Retiree Health Plan

For the Last Eight Fiscal Years Ended August 31st

	2025	2024	2023	2022
Contractually required contributions	$ 733,948	$ 455,283	$ 454,968	$ 708,065
Contributions in relation to the contractual required contributions	733,948	455,283	454,968	708,065
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 22,316,709	$ 20,513,731	$ 18,418,627	$ 16,812,072
Contributions as a percentage of covered employee-payroll	3.29%	2.22%	2.47%	4.21%

	2021	2020	2019	2018
Contractually required contributions	$ 690,203	$ 682,199	$ 686,659	$ 698,350
Contributions in relation to the contractual required contributions	690,203	682,199	686,659	698,350
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 16,055,144	$ 16,143,250	$ 14,647,686	$ 13,617,571
Contributions as a percentage of covered employee-payroll	4.30%	4.23%	4.69%	5.13%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2018.
Additional years will be presented prospectively as data becomes available.

1. Schedules for Pensions – Net Pension Liability

Changes Since Prior Actuarial Valuation

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

- Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to be married and electing coverage for their spouse.
- 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 effect 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 has been updated to reflect recent available information.

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2. Schedules for Other Post-Employment Benefits (OPEB) – Net OPEB Liability

Changes Since Prior Actuarial Valuation

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

- Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to be married and electing coverage for their spouse.
- 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.
- Demographic assumptions, including the mortality projection scale for all State Agency members; base mortality for Judges; assumed rates of retirement for certain members who are Regular Class, Elected Class or Certified Peace Officers/Custodial Officers (CPO/CO); assumed rates of termination for certain members who are Regular Class, Judges or Certified Peace Officers/Custodial Officers (CPO/CO); and assumed rates of disability for all State Agency members.
- The expenses directly related to the payment of GBP health benefits for (a) HealthSelect medical services and (b) prescription drug benefits under HealthSelect and HealthSelect Medicare Advantage have been updated since the previous valuation to reflect recent new administrative services contracts.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effect on our short-term expectations.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee has been updated to reflect recent available information.
- The discount rate was changed from 3.81% to 3.87% as a result of requirements by GASB No. 74 to reflect 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.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

GRAYSON COUNTY JUNIOR COLLEGE DISTRICT
GENERAL OBLIGATION BONDS, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $94,020,000

AS BOND COUNSEL for the Grayson County Junior College District (the "Issuer"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date, and mature on the dates, all as specified on the face of the Bonds, all in accordance with the bond order of the Board of Trustees of the Issuer authorizing the issuance of the Bonds (the "Order"). Terms used herein and not otherwise defined shall have the meaning given in the Order.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond T-1).

BASED ON SAID EXAMINATION, **IT IS OUR OPINION** that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, constitute valid and legally binding obligations of the Issuer, and that a continuing ad valorem debt tax of the Issuer sufficient to provide for the payment of the interest on and principal of the Bonds has been levied and pledged for such purpose, within the limits prescribed by law, as provided in the Order.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within the boundaries of the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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