

**LEE COLLEGE DISTRICT
ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Years Ended August 31, 2025, and 2024



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LEE COLLEGE DISTRICT

ORGANIZATIONAL DATA

For the Year Ended August 31, 2025

BOARD OF REGENTS

	<u>OFFICERS</u>	<u>TERM EXPIRES</u>
Mr. Gilbert Santana	Chairman	May 2029
Ms. Pam Warford	Vice Chairman	May 2031
Mr. Mark Himsel	Secretary	May 2027
Ms. Gina Guillory	Assistant Secretary	May 2029

	<u>REGENTS</u>	<u>TERM EXPIRES</u>
Mr. Weston Cotton	Baytown, Texas	May 2027
Ms. Judy Jirrels	Baytown, Texas	May 2029
Mr. Mark Hall	Baytown, Texas	May 2027
Mr. Daryle Fontenot	Baytown, Texas	May 2031
Mr. Heron Thomas	Baytown, Texas	May 2031

PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Lynda Villanueva	President
Mr. Jacob Atkin	Chief Financial Officer & V.P., Finance
Ms. Annette Ferguson	Chief Operations Officer & Executive V.P., Finance & Administration
Ms. Leslie Gallagher	Chief of Staff & E & V.P., Strategic Initiatives
Ms. Pheryl Prestage	Interim V.P., Information Technology & Chief Information Officer
Dr. Douglas Walcerz	Provost & Vice President, Academic & Student Affairs
Mr. Scott Bennett	Associate Vice President, Student Affairs
Dr. Janena Norris	Associate Vice President, Academic Affairs
Dr. Carolyn Lightfoot	Associate Vice President, Information Technology
Ms. Kelli Forde Spiers	Associate Vice President, Student Success and Belonging
Dr. Marissa Moreno	Associate Vice President, Transfer & Educational Partnerships
Ms. Amanda Summers	Executive Director, Human Resources
Ms. Selah Tacconi	Chief Advancement Officer & Executive Director, Lee College Foundation
Mr. Brian Waddle	Executive Director, Marketing & Public Affairs
Ms. Donna Zuniga	Associate Vice President, Huntsville Center
Ms. Renea Woodruff	Controller



INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Lee College District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Lee College District (the "District"), as of and for the years ended August 31, 2025, and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of August 31, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Lee College Foundation (the "Foundation"). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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 Foundation were not audited in accordance with *Government Auditing Standards*.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 District'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 District'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 Regents
Lee College District

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District'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 (Schedule E), 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 (Schedule F), 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.

The Supplemental Schedules A through F, as listed in the table of contents, are the responsibility of management and were 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 F are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025 on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is fluid and cursive, with "Whitley" and "Penn" stacked vertically and "LLP" to the right.

Houston, Texas
December 18, 2025



LEE COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

Lee College District (the “District”) is proud to present its financial statements for fiscal year 2025 which are in conformance with Governmental Accounting Standards Board (GASB) standards. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements should be read in conjunction with the notes to the basic financial statements. The following summary and management's discussion and analysis of the results is intended to provide readers with an overview of the basic financial statements.

Some of the financial highlights of the Fiscal Year are as follows:

Assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close of the Fiscal Year on August 31, 2025, by \$106,524,260 which is an increase of \$23,301,135. Operating revenues increased by \$2.2 million, primarily driven by the growth in the dual credit program, increased federal grant activity, and more participation in the myBooks sales. Operating expenses increased by \$3.3 million, or 4.1%, primarily due to increased expenses for academic support, operations and maintenance, and scholarship expenses. Non-operating revenues also increased approximately \$11.0 million in fiscal year 2025, due to increases in state appropriations, local property taxes resulting from higher property values, federal grants, and unrealized gains on investments. Additionally, non-operating revenues benefited from a \$596 thousand increase in gifts.

The Statement of Net Position

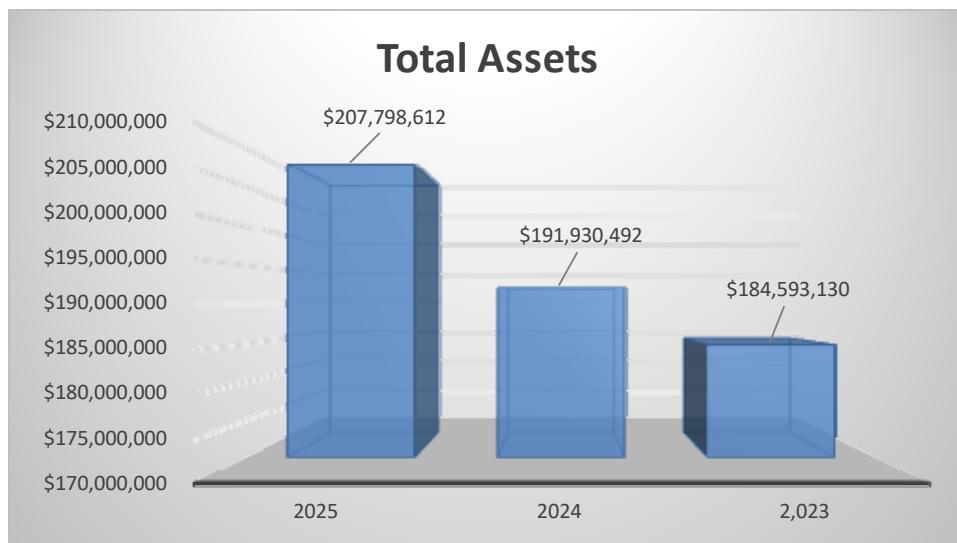
The statement of net position presents financial information on all the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

From the information shown, financial statement readers are able to determine the assets available to continue the operations of the District. The reader can also determine how much the institution owes vendors and bondholders. The net position and its availability for expenditure can be determined as well.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the District's equity in property, plant and equipment it owns. The next net position category is restricted net position. These assets have external limitations on the way in which they may be used. The last category is unrestricted net position. It is available to use for any lawful purpose of the District.

LEE COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Total assets of the District for fiscal year 2025 are \$207.8 million, an increase of \$15.9 million compared to fiscal year 2024 and an increase of \$7.3 million compared to Fiscal Year 2023. Changes in total assets over the past three years are depicted in the following chart:



Current assets are comprised of several categories. Cash and cash equivalents include the District's cash deposits and investments in TexPool, Texas FIT, and Lone Star Pool. TexPool, Texas FIT, and Lone Star are statewide investment pools. In Fiscal Year 2025, cash, cash equivalents and short-term investments totaled \$32.2 million, a decrease of \$20.7 million from the Fiscal Year 2024 balance of \$52.9 million. Receivables include tuition and fees receivable, accounts receivable, and taxes receivable. Prepaid expenses and inventories are also assets of the District. Non-current assets consist of capital assets, long-term investments and land held for investments. Non-current assets increased \$28.5 million from fiscal year 2024. Capital assets include land, land improvements, buildings, equipment, right-to-use assets, SBITAs and library books. These items are reflected in the financial statements net of accumulated depreciation and amortization.

Summary data for the Statement of Net Position is provided in the table below for fiscal years 2025, 2024, and 2023.

	2025	2024	2023
Current assets	\$ 44,037,828	\$ 56,706,493	\$ 40,067,535
Capital assets (net)	121,858,636	116,945,006	117,512,655
Other non-current assets	41,902,148	18,278,993	27,012,940
Total Assets	207,798,612	191,930,492	184,593,130
 Deferred Outflows of Resources	 12,289,203	 9,594,791	 12,393,304
 Current liabilities	 17,054,024	 17,084,523	 18,433,140
Non-current liabilities	86,686,310	88,260,095	94,817,029
Total Liabilities	103,740,334	105,344,618	113,250,169
 Deferred Inflows of Resources	 9,823,221	 12,957,540	 13,603,978
 Net investment in capital assets	 84,257,364	 76,568,824	 65,663,042
Restricted net position	-	424,221	402,188
Unrestricted net position	22,266,896	6,230,080	4,067,057
Total Net Position	\$ 106,524,260	\$ 83,223,125	\$ 70,132,287

LEE COLLEGE DISTRICT**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Total liabilities of the District are \$103.7 million in Fiscal Year 2025 as compared to \$105.3 million in Fiscal Year 2024 and \$113.3 million in Fiscal Year 2023. Total liabilities include a current and non-current portion. Total liabilities decreased from Fiscal Year 2024 to Fiscal Year 2025 primarily due to a decrease in notes payable, leases payable and bonds payable due to principal payments. Net OPEB liabilities increased by \$1.8 million; the net pension liability decreased by \$0.4 million. Current liabilities include accounts payable and accrued liabilities, funds held for others, deferred revenue, accrued compensated absences payable and the current portion of bonds, leases, SBITAs and Net OPEB liability payable. A liability is considered to be current if it is due within one year.

Net position represents the District's equity, some of which is restricted for certain uses and some of which is unrestricted.

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of the Statement of Revenues, Expenses and Changes in Net Position is to present the revenues earned by the District, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District. Generally operating revenues are received for providing goods and services to the various customers of the District.

Operating expenses are those paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the District's mission. Non-operating revenues are funds received for which goods and services are not provided. Further details on tuition, fees, and related discounts can be found in Schedule A.

	2025	2024	2023
Operating Revenues:			
Tuition and fees (net of discounts)	\$ 6,322,763	\$ 5,772,146	\$ 6,766,718
Federal grants and contracts	2,837,003	2,549,108	4,352,929
State grants and contracts	1,343,564	1,364,044	314,999
Private grants and contracts	780,083	634,021	321,169
Sales and services of educational activities	28,525	15,239	29,609
Auxiliary enterprises (net of discounts)	3,674,452	2,415,612	1,859,759
General operating revenues	1,030,828	1,101,604	2,279,395
Total Operating Revenues	16,017,218	13,851,774	15,924,578
Total Operating Expenses	85,289,484	82,233,735	70,757,044
Operating Income (Loss)	(69,272,266)	(68,381,961)	(54,832,466)
Non-Operating Revenues (Expenses):			
State appropriations	26,439,430	23,385,819	13,656,070
Maintenance ad valorem taxes	36,983,238	35,830,917	34,172,914
General obligation bond taxes	5,094,822	5,264,982	5,103,515
Federal revenue, non-operating	14,703,722	12,179,823	10,265,864
Investment income	3,044,198	2,855,811	1,706,421
Gifts	1,712,749	1,116,361	911,814
Payment in lieu of taxes	2,232,490	2,463,886	2,274,966
Interest on capital related debt	(1,780,422)	(1,890,650)	(2,255,895)
Realized/unrealized gain on investments	4,540,487	591,167	149,287
Other non-operating revenues (expenses)	(397,313)	(325,317)	(586,281)
Net Non-Operating Revenues (Expenses)	92,573,401	81,472,799	65,398,675
Total Increase (Decrease) in Net Position	\$ 23,301,135	\$ 13,090,838	\$ 10,566,209

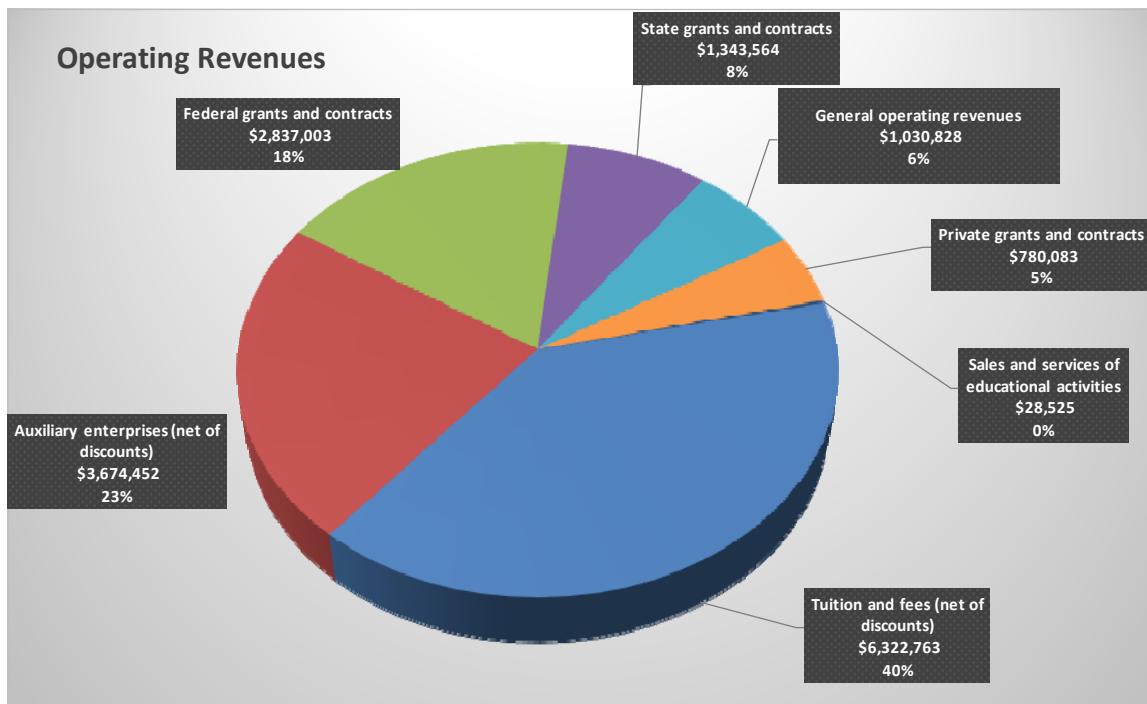
LEE COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Operating Revenues (Expenses)

Operating revenues increased by \$2.2 million from fiscal year 2024 to fiscal year 2025, due to the growth in the dual credit program, increased federal grant activity and myBooks sales. Non-operating revenues also increased in fiscal year 2025, largely due to a \$3.1 million increase in state appropriations, maintenance and operations taxes increased \$1.2 million, interest and sinking taxes decreased by \$0.2 million for a net of a \$1.0 million increase resulting from higher property values, a \$2.5 million increase in federal grants, and \$3.9 million increase in unrealized gains on investments. Additionally, non-operating revenues benefited from a \$596 thousand increase in gifts.

Operating revenue for 2025 is shown graphically below.



Operating Expenses

Operating expenses increased by \$3.1 million due to a board approved 4% pay increase across the board and increased expenses for academic support, operations and maintenance, and scholarship disbursements.

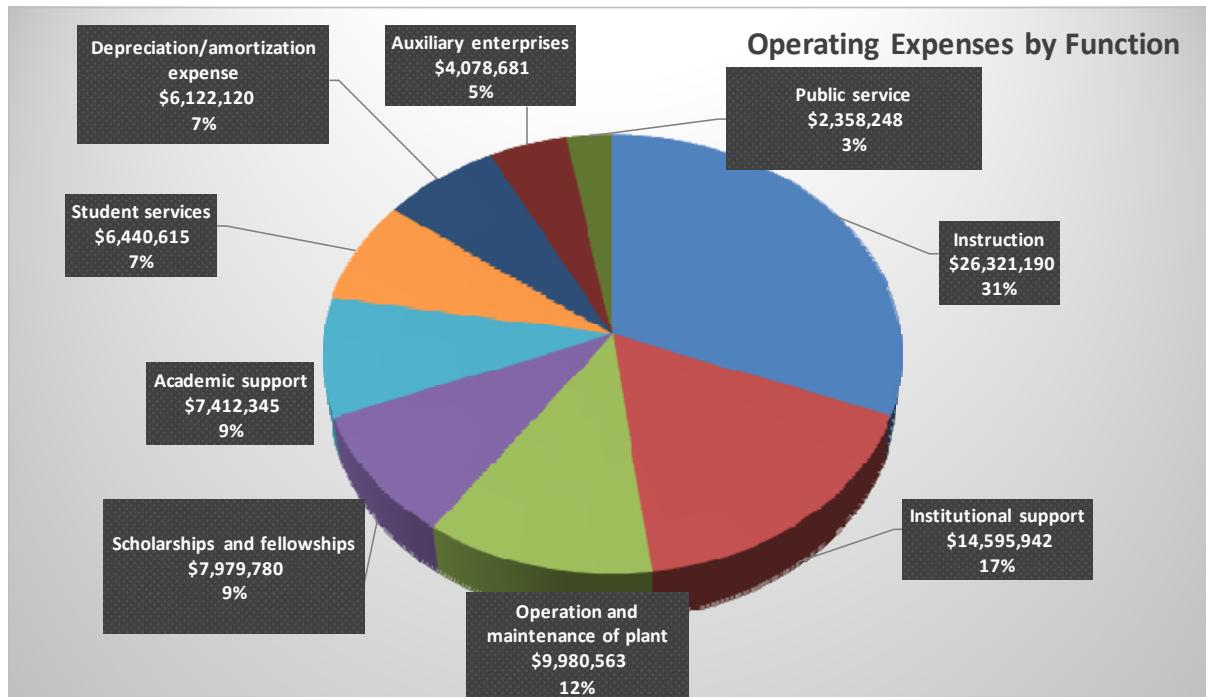
Operating expenses are reported in the financial statement by functional classification and are presented below in the table for fiscal year 2025, 2024, and 2023.

	2025	2024	2023
Instruction	\$ 26,321,190	\$ 28,395,560	\$ 26,227,335
Public service	2,358,248	2,507,192	2,578,516
Academic support	7,412,345	5,969,280	4,551,307
Student services	6,440,615	6,370,870	5,451,013
Institutional support	14,595,942	13,335,623	12,770,561
Operation and maintenance of plant	9,980,563	9,495,318	7,545,890
Scholarships and fellowships	7,979,780	5,923,566	3,640,736
Auxiliary enterprises	4,078,681	3,829,434	2,473,327
Depreciation/amortization expense	6,122,120	6,406,892	5,518,359
Total Operating Expenses	\$ 85,289,484	\$ 82,233,735	\$ 70,757,044

LEE COLLEGE DISTRICT

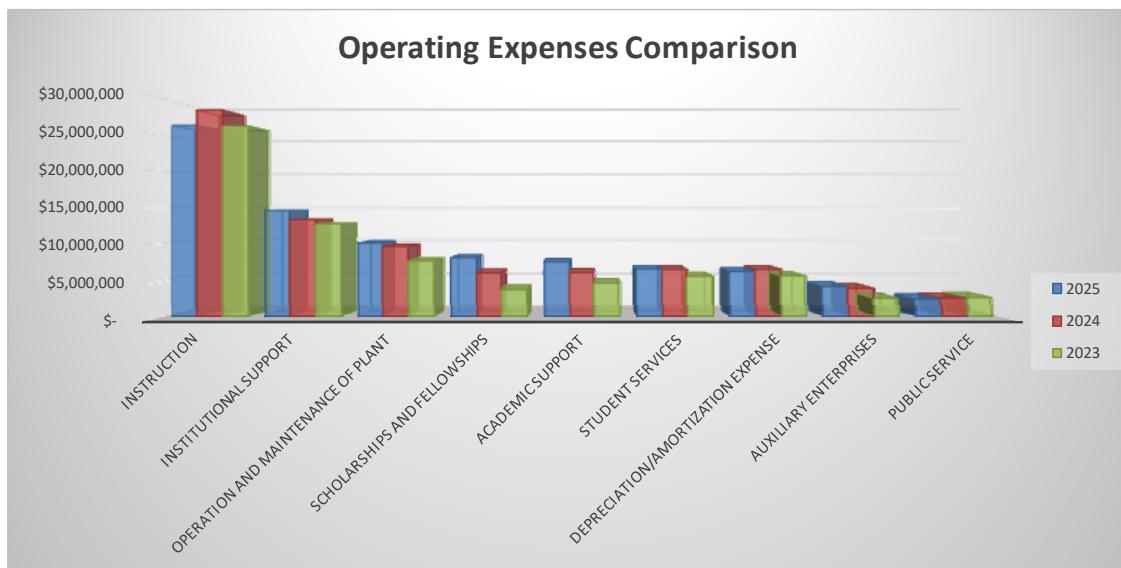
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Operating expenses are shown graphically in the table below for fiscal year 2025.



Operating Expenses by Functional Classification

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The chart below shows the District's 2025 operating expenses in comparison to 2024 and 2023:



LEE COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Non-Operating Revenues (Expenses)

Non-operating revenues consist of the following: state appropriations, tax revenue, gifts, net investment income, payments in lieu of taxes, federal non-operating grants, unrealized and realized gain on investments and other revenues. Non-operating expenses consist of interest on capital related debt. Non-operating revenues increased in fiscal year 2025 compared to 2024 primarily due to an increase in state appropriations, tax revenues, federal non-operating and investment income.

Capital Assets and Debt Administration

Below is a summary of the District's capital assets, net of depreciation.

	2025	2024	2023
Land	\$ 1,630,447	\$ 1,771,508	\$ 1,771,508
Construction in Progress	5,931,753	2,074,266	7,226,449
Buildings	81,865,760	83,680,908	85,737,082
Land Improvements	21,836,932	19,954,407	12,414,274
Equipment	8,812,760	6,843,556	5,828,804
Right-to-use assets	337,789	539,529	657,489
SBITA assets	284,622	893,312	2,662,465
Library Books	1,158,573	1,187,520	1,214,584
	<u>\$ 121,858,636</u>	<u>\$ 116,945,006</u>	<u>\$ 117,512,655</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

Shown in the table below is the outstanding debt at the end of the Fiscal Year as compared to the end of the two previous fiscal years. The District's General Obligation bonds are currently rated Aa2 by Moody's Investor Service.

	2025	2024	2023
General Obligation Bonds	\$ 23,990,000	\$ 26,025,000	\$ 29,965,000
Revenue Bonds	10,430,000	11,525,000	12,585,000
Bond Premium	3,587,938	3,725,823	3,861,024
Note Payable	2,676,760	3,752,612	4,804,642
Lease Payable	367,410	580,924	669,666
SBITA payable	257,440	431,065	1,963,314
Compensated Absences	979,698	1,093,208	990,464
Net Pension Liability	15,409,128	15,826,016	13,649,682
Net OPEB Liability	33,770,833	31,957,881	33,981,347
	<u>\$ 91,469,207</u>	<u>\$ 94,917,529</u>	<u>\$ 102,470,139</u>

Additional information on the District's long-term debt can be found in Note 8 of this report.

LEE COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors for Next Year's Budget

The College continues to have strong enrollment as compared to other community colleges. The fall semester, enrollment has reached approximately 8,900 students which is consistent with the previous year.

The Board of Regents approved the 2025-2026 budget, allocating \$86.6 million, which is a \$2.4 million decrease from the FY 2024-2025 budget. The budget includes a 4% general pay increase for all employees as well as market adjustments.

The budget included a combined property tax rate of \$.18706 per \$100 of valuation, which is a decrease of \$.008 from \$.1951 per \$100 of valuation for tax year 2024. The Board voted to increase the maintenance and operating \$.17097 to \$.18081 and decrease the interest and sinking tax rate from \$.02413 to \$.00625. This rate falls below the no-new revenue rate of \$.19057.

The surrounding community continues to expand in the industrial, logistic, and wholesale distribution enterprises. The new residential, multi-family and commercial development continue to be strong and thousands more are scheduled for construction over the next five years. This growth has contributed to an increase in taxable property values of approximately \$665 million.

In June 2025, Lee College and Barbers Hill ISD entered into a long-term interlocal agreement to establish and operate a Lee College branch campus within BHISD. BHISD will fully fund and construct the new facility, while Lee College will lease, operate, and maintain it using annual "Budgeted Operations Payments" funded by the BHISD branch campus maintenance tax (\$.05) approved by voters. The agreement outlines each party's responsibilities for construction, operations, educational programming, finances, safety, insurance, and compliance with accreditation requirements. BHISD retains ownership of the property, and Lee College retains all tuition revenue while providing discounted tuition for BHISD residents. The agreement remains in effect through 2049 with automatic yearly renewals and includes provisions for dispute resolution, termination, and required collaboration to support student success. The campus is projected to open in Fall 2027.

In October 2025, Lee College received a perfect review from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). As part of its once-a-decade accreditation review, the College completed an in-depth self-study and hosted a team of ten peer evaluators. The review team confirmed that Lee College met all seventy-four accreditation standards with no findings or recommendations, the first time in the College's history.

The financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the Lee College District Business Office via written request to P. O. Box 818, Baytown, Texas 77522-0818.



BASIC FINANCIAL STATEMENTS

LEE COLLEGE DISTRICT
STATEMENTS OF NET POSITION
August 31, 2025 and 2024

Exhibit 1

	2025	2024
Assets		
Current Assets:		
Cash and cash equivalents	\$ 19,386,637	\$ 19,145,008
Investments - short term	8,465,973	20,938,654
Accounts receivable (net)	5,087,237	4,889,187
Inventories	252,649	329,729
Prepaid expenses	6,529,213	4,909,593
Restricted cash and cash equivalents:		
Construction	4,316,119	6,070,101
Endowment	-	424,221
Total Current Assets	44,037,828	56,706,493
Noncurrent Assets:		
Land Held for Investment	16,390,000	11,939,799
Investments - long term	25,512,148	6,339,194
Capital assets (net)	121,858,636	116,945,006
Total Noncurrent Assets	163,760,784	135,223,999
Total Assets	207,798,612	191,930,492
Deferred Outflows of Resources		
Deferred outflows related to pensions	4,667,370	6,403,651
Deferred outflows related to OPEB	7,621,833	3,191,140
Total Deferred Outflows of Resources	12,289,203	9,594,791
Liabilities		
Current Liabilities:		
Accounts payable	3,252,036	851,501
Accrued liabilities	874,922	1,423,826
Interest payable	70,806	101,964
Funds held for others	424,648	402,250
Unearned revenue	7,648,715	7,647,548
Accrued compensated absences - current portion	979,698	1,093,208
Note payable - current portion	1,157,211	1,098,163
Lease payable - current portion	203,086	220,266
SBITA payable - current portion	233,285	221,890
Bonds payable - current portion	1,265,000	3,130,000
OPEB liability - current portion	944,617	893,907
Total Current Liabilities	17,054,024	17,084,523
Noncurrent Liabilities:		
Note payable - noncurrent portion	1,519,549	2,654,449
Lease payable - noncurrent portion	164,324	360,658
SBITA payable - noncurrent portion	24,155	209,175
Bonds payable - noncurrent portion	36,742,938	38,145,823
Net pension liability	15,409,128	15,826,016
Net OPEB liability	32,826,216	31,063,974
Total Noncurrent Liabilities	86,686,310	88,260,095
Total Liabilities	103,740,334	105,344,618
Deferred Inflows of Resources		
Deferred gain on refunding	607,843	405,859
Deferred inflows related to pensions	306,728	799,582
Deferred inflows related to OPEB	8,908,650	11,752,099
Total Deferred Inflows of Resources	9,823,221	12,957,540
Net Position		
Net Investment in capital assets	84,257,364	76,568,824
Restricted for:		
Non-Expendable - Endowment	-	424,221
Unrestricted	22,266,896	6,230,080
Total Net Position	\$ 106,524,260	\$ 83,223,125

LEE COLLEGE FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
August 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 3,917,264	\$ 5,047,314
Contributions receivable, net	5,250	-
Prepaid expenses	28,471	24,314
Investments	19,806,529	16,536,330
Total Assets	\$ 23,757,514	\$ 21,607,958
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ -	\$ 4,210
Due to affiliated organization	231,672	713,178
Deferred revenue	99,133	108,137
Total Liabilities	330,805	825,525
Net Assets:		
Without donor restrictions:		
Board designated	115,294	119,826
Unrestricted	1,742,667	1,239,801
Total without donor restriction	1,857,961	1,359,627
With donor restrictions:		
Purpose restriction	2,116,222	1,712,353
Perpetual in nature	9,339,367	9,019,390
Accumulated investment gains available for spending policy	10,113,159	8,691,063
Total with donor restrictions	21,568,748	19,422,806
Total Net Assets	23,426,709	20,782,433
Total Liabilities and Net Assets	\$ 23,757,514	\$ 21,607,958

LEE COLLEGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended August 31, 2025 and 2024

Exhibit 2

	2025	2024
Operating Revenues		
Tuition and fees (net of discounts)	\$ 6,322,763	\$ 5,772,146
Federal grants and contracts	2,837,003	2,549,108
State grants and contracts	1,343,564	1,364,044
Private grants and contracts	780,083	634,021
Sales and services of educational activities	28,525	15,239
Auxiliary enterprises (net of discounts)	3,674,452	2,415,612
Other operating revenues	1,030,828	1,101,604
Total Operating Revenues (Schedule A)	16,017,218	13,851,774
Operating Expenses		
Instruction	26,321,190	28,395,560
Public service	2,358,248	2,507,192
Academic support	7,412,345	5,969,280
Student services	6,440,615	6,370,870
Institutional support	14,595,942	13,335,623
Operation and maintenance of plant	9,980,563	9,495,318
Scholarships and fellowships	7,979,780	5,923,566
Auxiliary enterprises	4,078,681	3,829,434
Depreciation expense/amortization	6,122,120	6,406,892
Total Operating Expenses (Schedule B)	85,289,484	82,233,735
Operating Income (Loss)	(69,272,266)	(68,381,961)
Non-Operating Revenues (Expenses)		
State appropriations	26,439,430	23,385,819
Maintenance ad valorem taxes	36,983,238	35,830,917
General obligation bond taxes	5,094,822	5,264,982
Federal revenue, non-operating	14,703,722	12,179,823
Investment income	3,044,198	2,855,811
Gifts	1,712,749	1,116,361
Payments in lieu of taxes	2,232,490	2,463,886
Interest on capital related debt	(1,780,422)	(1,890,650)
Unrealized gain on investment	4,540,487	591,167
Other non-operating revenues (expenses)	(397,313)	(325,317)
Net Non-Operating Revenues (Expenses) (Schedule C)	92,573,401	81,472,799
Increase (decrease) in net position	23,301,135	13,090,838
Net Position - Beginning of Year	83,223,125	70,132,287
Net Position - End of Year	\$ 106,524,260	\$ 83,223,125

LEE COLLEGE FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES
For the Year Ended August 31, 2025 with Comparative Totals for 2024

	<u>Year Ended August 31,</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025</u>	<u>2024</u>
Revenue and Support:				
Contributions of cash and other financial assets	\$ -	\$ 1,466,158	\$ 1,466,158	\$ 1,992,831
Contributions of nonfinancial assets	506,775	65,600	572,375	1,030,156
Special events, net of fundraising expenses	180,510	-	180,510	94,566
Net investment income (loss)	373,879	2,185,479	2,559,358	3,066,811
Net assets released from restrictions	1,571,295	(1,571,295)	-	-
Total Revenue and Other Support	2,632,459	2,145,942	4,778,401	6,184,364
Expenses:				
Program Expenses:				
Scholarships	882,117	-	882,117	876,031
Capital facilities assistance	17,579	-	17,579	17,204
Emergency assistance expenses	344,190	-	344,190	315,077
Safer Workforce Curriculum	45,353	-	45,353	27,459
Pathway Program	220,991	-	220,991	80,858
Other Program Expenses	65,600	-	65,600	608,138
Supporting Services:				
Management and general	558,295	-	558,295	464,223
Total Expenses	2,134,125	-	2,134,125	2,388,990
Change in Net Assets	498,334	2,145,942	2,644,276	3,795,374
Net Assets, at Beginning of Year	1,359,627	19,422,806	20,782,433	16,987,059
Net Assets, at End of Year	\$ 1,857,961	\$ 21,568,748	\$ 23,426,709	\$ 20,782,433

LEE COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2025 and 2024

Exhibit 3

	2025	2024
Cash Flows from Operating Activities:		
Receipts from students and other customers	\$ 8,380,132	\$ 8,182,536
Receipts from grants and contracts	4,890,650	4,475,484
Payments to suppliers for goods and services	(18,377,301)	(17,906,230)
Payments to or on behalf of employees	(51,681,864)	(46,438,145)
Payments for scholarships and fellowships	(7,979,780)	(6,235,946)
Other receipts	1,030,828	1,101,604
Net Cash (Used) by Operating Activities	(63,737,335)	(56,820,697)
Cash Flows from Non-Capital Financing Activities:		
Receipts from state appropriations	23,113,673	20,222,341
Receipts from ad valorem taxes	38,753,239	38,883,187
Receipts from gifts	1,712,749	1,116,361
Receipts from Federal Grants	14,703,722	12,179,823
Receipts from (payments to) student organizations and other agency transactions	22,398	1,405
Other payments	(397,313)	(298,116)
Net Cash Provided by Non-Capital Financing Activities	77,908,468	72,105,001
Cash Flows from Capital and Related Financing Activities:		
Receipts from general obligation bond taxes	5,094,822	5,264,982
Purchases of capital assets	(11,035,750)	(3,691,459)
Principal payments on capital debt, leases and SBITA	(4,678,988)	(7,871,114)
Interest payments on debt, leases and SBITA	(1,661,484)	(1,870,048)
Net Cash (Used) by Capital and Related Financing Activities	(12,281,400)	(8,167,639)
Cash Flows from Investing Activities:		
(Purchase) sale of investments	(6,609,987)	1,759,635
Interest on investments	2,783,680	2,833,778
Net Cash Provided by (Used in) Investing Activities	(3,826,307)	4,593,413
Increase (decrease) in cash and cash equivalents	(1,936,574)	11,710,078
Cash and Cash Equivalents, Beginning of Year	25,639,330	13,929,252
Cash and Cash Equivalents, End of Year	\$ 23,702,756	\$ 25,639,330
Components of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 19,386,637	\$ 19,145,008
Restricted cash and cash equivalents	4,316,119	6,494,322
	\$ 23,702,756	\$ 25,639,330

LEE COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2025 and 2024

	2025	2024
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities:		
Operating income (loss)	\$ (69,272,266)	\$ (68,381,961)
Adjustments:		
Depreciation/amortization expense	6,122,120	6,406,892
Payments made directly by state for benefits	3,325,757	3,163,478
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in receivables, net	264,439	743,079
(Increase) decrease in inventories	77,080	190,051
(Increase) decrease in prepaid expenses	(1,619,620)	(1,010,666)
(Increase) decrease in deferred outflows related to pensions	1,736,281	(304,251)
(Increase) decrease in deferred outflows related to OPEB	(4,430,693)	3,102,764
Increase (decrease) accounts payable	2,400,535	(624,969)
Increase (decrease) in accrued liabilities	(548,904)	476,419
Increase (decrease) in compensated absences	(113,510)	102,744
Increase (decrease) in unearned revenue	51,877	(210,399)
Increase (decrease) in deferred inflows related to pensions	(492,854)	(545,698)
Increase (decrease) in deferred inflows related to OPEB	(2,582,931)	(81,048)
Increase (decrease) in net pension liability	(416,888)	2,176,334
Increase (decrease) in net OPEB Liability	1,762,242	(2,023,466)
Net Cash (Used) By Operating Activities	<u>\$ (63,737,335)</u>	<u>\$ (56,820,697)</u>



LEE COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 - Reporting Entity

Lee College District (the “District”) was established in 1934, in accordance with the laws of the State of Texas, to serve the educational needs of Baytown and the surrounding communities. As a public two-year college, the District has taxing authority and possesses attributes of a local governmental unit the District is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. While the District receives funding from local, state and federal government 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 include the Lee College Foundation, Inc. (the “Foundation”) as a discretely presented component unit of the District. This component unit, which has a fiscal year-end of August 31, has been discretely presented on separate pages to emphasize that it is legally separate from the District. The Foundation was established to "... solicit and receive donations, gifts and grant... on behalf of Lee College, its departments and activities....". Although the Foundation is a legally separate, tax-exempt entity, it meets the criteria of GASB Statement No. 39 to be considered a component unit of the District. That is, the Foundation's economic resources are for the direct benefit of the District or its students. By the Foundation's charter, the District is entitled to a majority of the Foundation's economic resources, and such economic resources are material to the District. Historically, the Foundation has made no direct contributions to the District but has awarded scholarships to students attending the District. The Foundation is governed by a 22-member board of trustees, which includes two District regents.

Complete financial statements for the Foundation may be obtained at the entity's administrative offices:

Lee College Foundation
511 South Whiting
Baytown, Texas 77522

Note 2 - Summary of Significant Accounting Policies

Reporting Guidelines

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

Tuition Discounting

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

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

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

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting and Measurement Focus.

The financial statements of the District have been presented using the economic resources measurement focus and full accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a legal or contractual obligation is incurred.

Budgetary Data

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools and short term investments with original maturities of three months or less from the date of acquisition.

Investments

Short-term investments have an original maturity greater than three months, but less than one year at the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

The District reports all investments at fair value, except for investment pools. The District's investment pools are valued and reported at amortized cost, which approximates fair value. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement no. 79, *Certain Investment Pools and Pool Participants*.

Inventories and Prepaid Items

Inventories, consisting of food service supplies are valued at the lower of cost (under the "first-in, first-out" method) or market. The Bookstore inventory is valued at market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of prepaid expenses is recorded as expenses when consumed rather than when purchased.

Capital Assets

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

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

Buildings	50 years
Facilities and other improvements	20 years
Furniture, machinery, vehicles and other equipment	10 years
Telecommunications and peripheral equipment	5 years
Right-to-use-assets.....	Contract Term
Subscription based IT arrangements.....	Contract Term
Library books	15 years

Unearned Revenues

Tuition, fees, and other revenues received that are related to the period after August 31, 2025 are reported as unearned revenues.

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. These items are the deferred amounts related to pension and OPEB. These amounts are related to differences between estimated and actuarial investment earnings, changes in actuarial assumptions, and other pension and OPEB changes.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The College has three items that qualify for reporting in this category. These items are the deferred gain on refunding, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred gain on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Long-term Obligations

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Pensions

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

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Other Post-Employment Benefits (OPEB)

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

Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position – Non-Expendable

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

Unrestricted Net Position

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. The pension and OPEB related items such as the deferred outflows and inflows of resources, net pension liability and net OPEB liability, are included in unrestricted net position.

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a Business-Type Activity (BTA) and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations, Federal Pell grants, all Title IV student financial aid grants, property tax collections and unrealized gain on investments. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Estimates

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

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The District's policy for recognizing a liability for each type of leave made available by the District is as follows:

Sick Leave - Employees of the District are awarded 108 hours of sick leave per year and may accumulate up to 960 hours leave; however, accumulated sick leave does not vest and employees are not paid for unused days at the time of termination of employment.

Vacation Leave - Employees of the District can earn between 108 and 216 hours per year paid vacation, depending on position and length of service. Earned vacation hours are credited to the employee on a monthly basis. The maximum accumulated vacation hours allowed are between 148 hours and 232 hours, depending on position and length of service. Accumulated vacation hours in excess of the maximums are forfeited.

Implementation of New Accounting 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 implemented in fiscal year 2025 and the impact is reflected in the financial statements. A restatement to beginning net position as of September 1, 2024 or 2023, was not required for proper presentation in accordance with GASB 101.

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 implemented in fiscal year 2025 and there was no impact to the financial statements.

Note 3 - Authorized Investments

The District 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.

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Deposits and Investments

At August 31, 2025 and 2024 the carrying amounts of the bank balances were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

	2025	2024
Cash and Cash Equivalents (Exhibit 1):		
Demand deposits - unrestricted	\$ 6,465	\$ 574,897
Petty cash on hand - unrestricted	6,370	6,370
Investment Pools - unrestricted	<u>19,373,802</u>	<u>18,563,740</u>
Subtotal - unrestricted	<u>19,386,637</u>	<u>19,145,007</u>
Investment Pools - restricted	4,316,119	6,070,102
Investment Pools - endowment	-	424,221
Subtotal - restricted	<u>4,316,119</u>	<u>6,494,323</u>
Total Cash and Cash Equivalents:	<u>\$ 23,702,756</u>	<u>\$ 25,639,330</u>

Reconciliation of Deposits and Investments to Exhibit 1:

Type of Security	Amortized cost/Fair Value	
	2025	2024
Investments:		
US Treasury Notes and Bills	\$ 20,145,495	\$ 7,872,359
US Agencies		
FHLB	764,243	5,878,320
FFCB	8,628,872	6,460,415
FNMA	746,765	727,560
Money Market Mutual Fund	<u>3,692,746</u>	<u>6,339,194</u>
Total Investments	<u>33,978,121</u>	<u>27,277,848</u>
Total Cash and Cash Equivalents	<u>23,702,756</u>	<u>25,639,330</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 57,680,877</u>	<u>\$ 52,917,178</u>

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Deposits and Investments (continued)

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

Investment Type	Amortized Cost/Fair Value	Investment Maturities (in Years)		Weighted Average Maturity (Days)
		Less than 1	1 to 5	
Investment Pools (Cash Equivalents)				
TexPool	\$ 4,316,121	\$ 4,316,121	\$ -	42
Lone Star	15,433,455	15,433,455	-	52
Texas FIT	3,940,345	3,940,345	-	89
Subtotal Investment Pools (Cash Equivalents)	23,689,921	23,689,921	-	
Investments				
US Treasury Notes and Bills	20,145,495	998,550	19,146,945	1187
US Agencies:				
FHLB	764,243	-	764,243	467
FFCB	8,628,872	3,027,912	5,600,960	832
FNMA	746,765	746,765	-	3
Other:				
Money Market Mutual Fund	3,692,746	3,692,746	-	45
Subtotal Investments	33,978,121	8,465,973	25,512,148	
Total Investments	\$ 57,668,042	\$ 32,155,894	\$ 25,512,148	571

Interest Rate Risk

In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 5 years.

Credit Risk

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

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated "AAAm" by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Deposits and Investments (continued)

Credit Risk (continued)

The First Public (Lone Star Investment Pool) is a public funds investment pool established in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 225, Texas Government Code. First Public is governed by trustees comprised of active participants in First Public. The Board of Trustees for First Public has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Lone Star Investment Pool is marked-to market daily to maintain an accurate net asset value. The District's fair value in Lone Star Investment Pool is the same as the value of the pool shares. First Public is rated "AAAf/S1+" by Standard & Poor's.

The Texas Fixed Income Trust Cash Pool ("Texas FIT") is a public funds investment pool established and created in pursuant to Chapter 2256 of the Texas Government Code, as amended. Texas FIT has its own Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust but are qualified to advise the Trust. Each Pool's investments are measured and reported at fair value. Texas FIT is rated "AAAf" by Fitch Ratings.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Concentration of Credit Risk

The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from TexPool, Lone Star or Texas FIT are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Vice President of Finance and Administration must authorize any new or replacement direct deposit form that would alter or replace the depository bank. Limitations exist for wire transfers, a wire transfer to or from TexPool or Lone Star requires two signatures from authorized representatives in order to be processed.

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 4 - Deposits and Investments (continued)*****Custodial Credit Risk (continued)***

Total Cash and Investments for the Foundation, Discretely Presented Component Unit of the District, consist of:

	<u>August 31, 2025</u>	<u>August 31, 2024</u>
Bank Deposits		
Cash and cash equivalents	<u>\$ 3,917,264</u>	<u>\$ 5,047,314</u>
 Type of Security		
Investments, at Market Value:		
Mutual Funds	<u>\$ 19,806,529</u>	<u>\$ 16,536,330</u>
Total Investments	<u>\$ 19,806,529</u>	<u>\$ 16,536,330</u>
 Total Cash and Investments	<u>\$ 23,723,793</u>	<u>\$ 21,583,644</u>

Fair Value Measurements

The District and the Foundation categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following fair value hierarchy of investments as of August 31:

The Foundation has the following fair value hierarchy of investments as of August 31:

	<u>August 31, 2025</u>				<u>August 31, 2024</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Total</u>
Mutual Funds	<u>\$ 19,806,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,806,529</u>	<u>\$ 16,536,330</u>
Total	<u>\$ 19,806,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,806,529</u>	<u>\$ 16,536,330</u>

Note 5 - Land Held for Investment

In February 2018 the District purchased a 127 acre tract of land to be held for sale as investment. In August 2024, the Board of Regents approved the sale of 0.3092 acres of this land in the amount of \$20,201 to the City of Baytown for right-of-way. The remaining value of the land as of August 31 is as follows:

	<u>2025</u>	<u>2024</u>
Land held for sale	<u>\$ 16,390,000</u>	<u>\$ 11,939,799</u>

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Disaggregation of Receivables and Payables Balances

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

	2025	2024
Receivables:		
Student Receivables	\$ 5,302,519	\$ 5,881,039
Taxes Receivable	1,625,292	1,572,665
Federal Receivables	910,507	840,507
Accounts Receivable	784,933	1,075,454
Subtotal	<u>8,623,251</u>	<u>9,369,665</u>
Allowance for Uncollectibles	(3,536,014)	(4,480,478)
Total Receivables, Net	<u>\$ 5,087,237</u>	<u>\$ 4,889,187</u>

Accounts receivable have been reflected net of an allowance for doubtful accounts in the accompanying statements of net assets. Generally, the allowances are based upon historical experience in collecting the applicable receivables. Allowances for doubtful accounts at year- end are as follows:

	2025	2024
Student Receivable	\$ 2,435,677	\$ 2,976,295
Taxes Receivable	1,100,337	1,504,183
Total	<u>\$ 3,536,014</u>	<u>\$ 4,480,478</u>

Payables at August 31, 2025 and 2024, consisted of the following:

	2025	2024
Accrued wages payable	\$ 181,948	\$ 223,120
Vendor's payable	3,252,036	851,501
Accrued Interest	70,806	101,964
Other accrued liabilities	692,974	1,200,706
Total	<u>\$ 4,197,764</u>	<u>\$ 2,377,291</u>

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Capital Assets

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

	Balance 09/01/24	Additions	Retirements and Transfers	Balance 08/31/25
Not Depreciated:				
Land	\$ 1,771,508	\$ 6,043	\$ (147,104)	\$ 1,630,447
Construction in progress	2,074,266	5,821,188	(1,963,701)	5,931,753
Total Not Depreciated Assets	3,845,774	5,827,231	(2,110,805)	7,562,200
Buildings and Other Capital Assets:				
Buildings and building improvements	122,233,265	250,455	(164,317)	122,319,403
Improvements other than buildings	23,392,214	846,295	1,963,701	26,202,210
Furniture, equipment and vehicles	29,075,483	3,369,282	(199,442)	32,245,323
Telecommunication equipment	12,586,027	781,768	-	13,367,795
Lease assets	1,235,939	25,107	(194,860)	1,066,186
SBITA assets	2,850,208	110,177	(2,074,028)	886,357
Library books	3,794,782	71,704	-	3,866,486
Total Buildings and Other Capital Assets	195,167,918	5,454,788	(668,946)	199,953,760
Accumulated Depreciation:				
Buildings and building improvements	(38,552,357)	(2,066,953)	165,667	(40,453,643)
Improvements other than buildings	(3,437,807)	(927,471)	-	(4,365,278)
Furniture, equipment and vehicles	(23,848,083)	(1,427,535)	186,860	(25,088,758)
Telecommunication equipment	(10,969,871)	(741,729)	-	(11,711,600)
Right-to-use leased assets	(696,410)	(173,202)	141,215	(728,397)
SBITA assets	(1,956,896)	(684,579)	2,039,740	(601,735)
Library books	(2,607,262)	(100,651)	-	(2,707,913)
Total Accumulated Depreciation	(82,068,686)	(6,122,120)	2,533,482	(85,657,324)
Net Capital Assets	\$ 116,945,006	\$ 5,159,899	\$ (246,269)	\$ 121,858,636

At August 31, 2025, the District has the following active construction and estimated construction commitments with contractors as follows:

Project	Approved Construction Budget	Construction in Progress	Estimated Remaining Commitment
Furniture - Campusaide	\$ 1,688,000	\$ 1,670,130	\$ 17,870
ADA Phase 2 - #10005	4,000,000	868,602	3,131,398
Cosmetology TX Ave #11003	3,627,793	3,393,021	234,772
	\$ 9,315,793	\$ 5,931,753	\$ 3,384,040

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Capital Assets (continued)

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

	Balance, as Restated 09/01/23	Additions	Retirements and Transfers	Balance 08/31/24
Not Depreciated:				
Land	\$ 1,771,508	\$ -	\$ -	\$ 1,771,508
Construction in progress	7,226,449	1,805,305	(6,957,488)	2,074,266
Total Not Depreciated Assets	8,997,957	1,805,305	(6,957,488)	3,845,774
Buildings and Other Capital Assets:				
Buildings and building improvements	122,233,265	-	-	122,233,265
Improvements other than buildings	15,051,060	1,383,666	6,957,488	23,392,214
Furniture, equipment and vehicles	27,374,009	1,701,474	-	29,075,483
Telecommunication equipment	11,656,694	929,333	-	12,586,027
Lease assets	1,101,884	134,055	-	1,235,939
SBITA assets	4,063,571	63,486	(1,276,849)	2,850,208
Library books	3,708,765	86,017	-	3,794,782
Total Buildings and Other Capital Assets	185,189,248	4,298,031	5,680,639	195,167,918
Accumulated Depreciation:				
Buildings and building improvements	(36,496,183)	(2,056,174)	-	(38,552,357)
Improvements other than buildings	(2,636,786)	(801,021)	-	(3,437,807)
Furniture, equipment and vehicles	(22,950,258)	(897,825)	-	(23,848,083)
Telecommunication equipment	(10,251,641)	(718,230)	-	(10,969,871)
Right-to-use leased assets	(444,395)	(252,015)	-	(696,410)
SBITA assets	(1,401,106)	(1,568,546)	1,012,756	(1,956,896)
Library books	(2,494,181)	(113,081)	-	(2,607,262)
Total Accumulated Depreciation	(76,674,550)	(6,406,892)	1,012,756	(82,068,686)
Net Capital Assets	\$ 117,512,655	\$ (303,556)	\$ (264,093)	\$ 116,945,006

At August 31, 2024, the District has the following active construction and estimated construction commitments with contractors as follows:

Project	Approved Construction Budget	Construction in Progress	Estimated Remaining Commitment
ADA Compliance	\$ 2,573,601	\$ 1,694,740	\$ 878,861
ADA Phase 2 - #10005	4,000,000	92,553	3,907,447
Cosmetology TX Ave #11003	1,921,550	286,973	1,634,577
	\$ 8,495,151	\$ 2,074,266	\$ 6,420,885

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Capital Assets (continued)

Net investment in capital assets, as reported on Exhibit 1, consisted of the following as of August 31, 2025 and 2024:

	2025	2024
Capital Assets, Net	\$ 121,858,636	\$ 116,945,006
Less:		
Notes payable	(2,676,760)	(3,752,612)
Lease payable	(367,410)	(580,924)
SBITA payable	(257,440)	(431,065)
Bonds payable	(38,007,938)	(41,275,823)
Deferred gain on refunding	(607,843)	(405,859)
Plus:		
Unspent bond proceeds	4,316,119	6,070,101
	<u>\$ 84,257,364</u>	<u>\$ 76,568,824</u>

Note 8 - Noncurrent Liabilities

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

	Balance 09/01/24	Additions	Reductions	Balance 08/31/25	Current Portion
Bonds and Leases					
General Obligation Bonds	\$ 26,025,000	\$ -	\$ (2,035,000)	\$ 23,990,000	\$ 135,000
Revenue Bonds	11,525,000	- -	(1,095,000)	10,430,000	1,130,000
Bond Premiums	3,725,823	- -	(137,885)	3,587,938	-
Subtotal Bonds	41,275,823	- -	(3,267,885)	38,007,938	1,265,000
Other Liabilities					
Note Payable	3,752,612	- -	(1,075,852)	2,676,760	1,157,211
Lease Payable	580,924	- -	(213,514)	367,410	203,086
SBITA Liabilities	431,065	85,997	(259,622)	257,440	233,285
Compensated absences payable*	1,093,208	- -	(113,510)	979,698	979,698
Net Pension Liability*	15,826,016	- -	(416,888)	15,409,128	-
Net OPEB Liability*	31,957,881	1,812,952	- -	33,770,833	944,617
Total Noncurrent Liabilities	\$ 94,917,529	\$ 1,898,949	\$ (5,347,271)	\$ 91,469,207	\$ 4,782,897

* Changes are shown net

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Noncurrent Liabilities (continued)

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

	Balance, as						
	Restated 09/01/23	Additions	Retirements		Balance 08/31/24		Current Portion
Bonds and Leases							
General Obligation Bonds	\$ 29,965,000	\$ -	\$ (3,940,000)	\$ 26,025,000	\$ 2,035,000		
Revenue Bonds	12,585,000	-	(1,060,000)	11,525,000	1,095,000		
Bond Premiums	3,861,024	-	(135,201)	3,725,823	-		
Subtotal Bonds	46,411,024	-	(5,135,201)	41,275,823	3,130,000		
Other Liabilities							
Notes Payable	4,804,642	-	(1,052,030)	3,752,612	1,098,163		
Lease Payable	669,666	134,607	(223,349)	580,924	220,266		
SBITA Liabilities	1,963,314	63,486	(1,595,735)	431,065	221,890		
Compensated absences payable*	990,464	102,744	-	1,093,208	1,093,208		
Net Pension Liability*	13,649,682	2,176,334	-	15,826,016	-		
Net OPEB Liability*	33,981,347	-	(2,023,466)	31,957,881	893,907		
Total Noncurrent Liabilities	\$ 102,470,139	\$ 2,477,171	\$ (10,029,781)	\$ 94,917,529	\$ 6,657,434		

* Changes are shown net

General information related to bonds and notes payable as of August 31, 2025 is summarized below:

Issue	Issue Date	Original Issuance Amount	Interest Rate (%)	Maturity Date	Debt Outstanding 8/31/25
General Obligation Bonds:					
Limited Tax General Obligation Bonds, Series 2023	6/30/2023	\$ 26,150,000	5.00%	8/15/2037	\$ 23,990,000
Revenue Bonds					
New Revenue Financing System Bonds, Series 2015	10/8/2015	8,575,000	2.42%	8/15/2027	1,595,000
New Revenue Financing System Bonds, Series 2018	8/16/2018	10,320,000	3.25% to 5%	8/15/2037	8,835,000
Total Revenue Bonds					10,430,000
Notes Payable:					
Note Payable	12/23/2016	10,438,218	2.214%	12/23/2026	2,676,760
Total Bonds and Notes Payable					\$ 37,096,760

Source of revenue for debt service requirements for General Obligation Bonds are tax revenues and source of revenue for debt service requirements for Revenue Bonds are pledged revenues.

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Noncurrent Liabilities (continued)

Leases:

The District has five leases outstanding as of August 31, 2025 for the right to use buildings and equipment.

Description	Start Date	End Date	Interest Rate	Original Amount	Lease Liability as of	
					August 31, 2025	August 31, 2024
Continuum Asset Holding, LLC	9/1/2018	8/31/2026	0.778%	\$ 733,726	\$ 101,512	\$ 202,237
Ricoh copiers 2022	2/15/2022	2/15/2025	1.896%	210,994	17,421	35,002
Shopping Center Lease	6/1/2021	8/31/2031	2.320%	227,759	146,727	188,345
Quadient - Digital Mailing System	10/21/2021	8/31/2026	1.446%	38,016	8,969	16,538
Enterprise - Vehicles	10/30/2019	10/30/2023	0.585%	293,481	92,781	138,802
					<u>\$ 367,410</u>	<u>\$ 580,924</u>

General Obligation Bonds, Revenue Bonds and Notes Payable:

Debt Service requirements at August 31, 2025, were as follows:

Fiscal Year Ending	General Obligation Bonds			Revenue Bonds		
	August 31,	Principal	Interest	Total	Principal	Interest
2026	\$ 135,000	\$ 1,199,500	\$ 1,334,500	\$ 1,130,000	\$ 429,037	\$ 1,559,037
2027	1,680,000	1,192,750	2,872,750	1,165,000	392,790	1,557,790
2028	1,760,000	1,108,750	2,868,750	655,000	355,438	1,010,438
2029	1,850,000	1,020,750	2,870,750	690,000	322,688	1,012,688
2030	1,945,000	928,250	2,873,250	725,000	288,188	1,013,188
2031 - 2035	11,280,000	3,082,001	14,362,001	4,160,000	898,813	5,058,813
2036 - 2037	5,340,000	403,750	5,743,750	1,905,000	115,000	2,020,000
	<u>\$ 23,990,000</u>	<u>\$ 8,935,751</u>	<u>\$ 32,925,751</u>	<u>\$ 10,430,000</u>	<u>\$ 2,801,954</u>	<u>\$ 13,231,954</u>

Fiscal Year Ending	Notes Payable			Total Bonds and Notes Payable		
	August 31,	Principal	Interest	Total	Principal	Interest
2026	\$ 1,157,211	\$ 49,923	\$ 1,207,134	\$ 2,422,211	\$ 1,678,460	\$ 4,100,671
2027	1,218,611	25,520	1,244,131	4,063,611	1,611,060	5,674,671
2028	300,938	1,722	302,660	2,715,938	1,465,910	4,181,848
2029	-	-	-	2,540,000	1,343,438	3,883,438
2030	-	-	-	2,670,000	1,216,438	3,886,438
2031 - 2035	-	-	-	15,440,000	3,980,814	19,420,814
2036 - 2037	-	-	-	7,245,000	518,750	7,763,750
	<u>\$ 2,676,760</u>	<u>\$ 77,165</u>	<u>\$ 2,753,925</u>	<u>\$ 37,096,760</u>	<u>\$ 11,814,870</u>	<u>\$ 48,911,630</u>

The District did not have any defeased bonds outstanding at August 31, 2025.

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 8 - Noncurrent Liabilities (continued)**

The future principal and interest lease payments as of August 31, 2025 were as follows:

Year Ending August 31,	Leases Payable		
	Principal	Interest	Total
2026	\$ 203,086	\$ 9,688	\$ 212,774
2027	53,295	4,576	57,871
2028	33,360	2,381	35,741
2029	24,895	1,538	26,433
2030	25,880	950	26,830
2031	26,894	339	27,233
	<u>\$ 367,410</u>	<u>\$ 19,472</u>	<u>\$ 386,882</u>

The future principal and interest SBITA payments as of August 31, 2025 were as follows:

Year Ending August 31,	SBITA Payable		
	Principal	Interest	Total
2026	\$ 233,285	\$ 5,587	\$ 238,872
2027	24,155	45	24,200
	<u>\$ 257,440</u>	<u>\$ 5,632</u>	<u>\$ 263,072</u>

Note 9 - Employees Retirement Plan**Defined Benefit Pension Plan****A. Plan Description**

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

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

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications>, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778 or write to TRS at 1000 Red River Street, Austin, TX 78701-2698

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Employees Retirement Plan (continued)

Defined Benefit Pension Plan (continued)

C. Benefits Provided

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

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

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

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

D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% 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. 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.

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 9 - Employees Retirement Plan (continued)****Defined Benefit Pension Plan (continued)****D. Contributions (continued)**

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

	Contribution Rates		
	September 1, 2024	September 1, 2023	
	to August 31, 2025	to August 31, 2024	
Member (Employee)	8.25%	8.25%	
District (Employer)	8.25%	8.25%	
Non-employer contributing agency (State)	8.25%	8.25%	

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).

	Fiscal Year 2025	Fiscal Year 2024
	TRS Contributions	TRS Contributions
Member (Employee)	\$ 2,606,587	\$ 2,399,501
Non-employer contributing agency (State)	2,230,891	853,177
District (Employer)	1,544,602	1,429,578

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.

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 9 - Employees Retirement Plan (continued)****Defined Benefit Pension Plan (continued)****E. Actuarial Assumptions**

The total pension liability in the August 31, 2023 actuarial valuation, rolled forward to August 31, 2024 was determined using the following actuarial assumptions:

Component	Result
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 Rate	7.00%
Municipal Bond Rate as of August 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

F. Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00% percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 9.5% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Employees Retirement Plan (continued)

Defined Benefit Pension Plans (continued)

F. Discount Rate (continued)

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

Asset Class	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	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 ¹	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return ¹	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & 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			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	<u>100.00%</u>		<u>7.90%</u>

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2024 policy model.

³ Capital Market Assumptions (CMA) come from 2024 AAA Study CMA Survey (as of 12/31/2023)

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 9 - Employees Retirement Plan (continued)****Defined Benefit Pension Plans (continued)****G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2025 net pension liability.

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
	\$ 24,612,281	\$ 15,409,128	\$ 7,783,661

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 2024 net pension liability.

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
	\$ 23,620,052	\$ 15,826,016	\$ 9,295,389

At August 31, 2025, the District reported a liability of \$15,409,128 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District 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 District were as follows:

District's proportion of the net pension liability	0.02520%
District's proportionate share of the net pension liability	\$ 15,409,128
State's proportionate share of the net pension liability	
associated with the District	10,735,220
Total	\$ 26,144,348

At August 31, 2024, the District reported a liability of \$15,826,016 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District 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 District were as follows:

District's proportion of the net pension liability	0.02300%
District's proportionate share of the net pension liability	\$ 15,826,016
State's proportionate share of the net pension liability	
associated with the District	11,401,227
Total	\$ 27,227,243

The net pension liability was measured as of August 31, 2024 and 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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 periods September 1, 2023 through August 31, 2024 and September 1, 2022 through August 31, 2023, respectively.

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 9 - Employees Retirement Plan (continued)****Defined Benefit Pension Plans (continued)****H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.02520% which was an increase from its proportion measured as of August 31, 2023 of 0.00220%.

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.02300%, which was an increase from its proportion measured as of August 31, 2022, of 0.00001%.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

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

For the year ended August 31, 2025, the District recognized pension expense of \$2,363,140 as well as on behalf revenue and pension expense of \$1,283,038 representing pension expense incurred by the State on behalf of the District.

For the year ended August 31, 2024, the District recognized pension expense of \$2,750,529 as well as on behalf revenue and pension expense of \$1,721,487 representing pension expense incurred by the State on behalf of the District.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 849,330	\$ (120,307)
Changes in assumptions	795,606	(106,664)
Difference between projected and actual investment earnings	93,666	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,384,166	(79,757)
District contributions subsequent to the measurement date	<u>1,544,602</u>	<u>-</u>
	<u><u>\$ 4,667,370</u></u>	<u><u>\$ (306,728)</u></u>

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 9 - Employees Retirement Plan (continued)****Defined Benefit Pension Plans (continued)****H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The \$1,544,602 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement year ending August 31, 2025. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	Balance of Deferred Outflows (Inflows)	
	Amount	
2026	\$ 356,559	\$ 2,459,481
2027	1,992,853	466,628
2028	475,096	(8,468)
2029	(190,727)	182,259
2030	182,259	-
	<u>\$ 2,816,040</u>	

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 563,886	\$ (191,636)
Changes in assumptions	1,496,831	(366,309)
Difference between projected and actual investment earnings	2,303,070	-
Changes in proportion and differences between District contributions and proportionate share of contributions	610,286	(241,637)
District contributions subsequent to the measurement date	1,429,578	-
Total	\$ 6,403,651	\$ (799,582)

The \$1,429,578 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2025. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	Balance of Deferred Outflows (Inflows)	
	Amount	
2025	\$ 796,875	\$ 3,377,616
2026	568,910	2,808,706
2027	2,068,740	739,966
2028	678,832	61,134
2029	61,134	-
	<u>\$ 4,174,491</u>	

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Employees Retirement Plan (continued)

Defined Benefit Pension Plans (continued)

I. Optional Retirement Plan

Plan Description. The state has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. Since individual annuity contracts are purchased, the state and the District have no additional or unfunded liability for this program. Senate Bill 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.65%, respectively. The District supplements an additional 1.9%. In certain instances, the District is required to make all or a portion of the state's contribution.

Contribution rates as a percentage of compensation and contributions made for ORP for 2025, 2024, and 2023 are shown in the table below.

Year	Employee		District/State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2025	6.65%	\$ 355,066	6.6%	\$ 346,073	1.9%	\$ 33,912
2024	6.65%	353,281	6.6%	350,625	1.9%	33,500
2023	6.65%	349,428	6.6%	376,438	1.9%	66,439

The total payroll for all District employees was \$41,852,738 and \$38,649,958 for fiscal years 2025 and 2024, respectively. The total payroll of employees covered by the Teacher Retirement System was \$31,571,951 and \$29,086,884 for fiscal years 2025 and 2024, respectively. The total payroll of employees covered by the Optional Retirement System was \$5,339,333 and \$5,312,508 for fiscal years 2025 and 2024, respectively.

Note 10 - Deferred Compensation Program

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

Note 11 - Other Post-Employment Benefit Plan (OPEB)

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

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report (ACFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be on the Internet at Annual Comprehensive Financial Report - 2024 - or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 11 - Other Post-Employment Benefit Plan (OPEB) (continued)**

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.

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.

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
For the Measurement Years Ended August 31, 2024 and 2023

	2024	2023
Retiree only	\$ 625	\$ 625
Retiree and spouse	1,341	1,341
Retiree and children	1,104	1,104
Retiree and family	1,820	1,820

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

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

	2024	2023
Employer	\$ 972,199	\$ 958,128
Members (Employees)	215,825	217,639
Nonemployer Contributing Entity (State of Texas)	49,634	50,537

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 11 - Other Post-Employment Benefit Plan (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:

Actuarial Assumptions
ERS Group Benefits Program Plan

Valuation Date	August 31, 2024
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	31 Years
Asset Valuation Method	N/A, plan operates on a pay-as-you-go basis
Actuarial Assumptions:	
Discount Rate	3.87%
Projected Annual Salary Increase	2.3% to 8.95%, including inflation
Healthcare cost trend rates:	
HealthSelect	5.6% for FY2026, 5.60% for FY2027, 5.25% for FY2028, 5.00% for FY2029, 4.75% for FY2030, 4.50% for FY2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2033 and later years
HealthSelect Medicare Advantage	36% for FY2026, 8.00% for FY2027, 5.25% for FY2028, 5.00% for FY2029, 4.75% for FY2030, 4.50% for FY2031, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2033 and later
Pharmacy	11.50% for FY2026, 11.00% for FY2027, 10.00% for FY2028, 8.50% for FY2029, 7.00% for FY2030 decreasing 100 basis points per year to 5.00% for FY2032 and 4.30% for FY2033 and later years
Inflation Assumption Rate	2.30%
Ad hoc Post-employment Benefit Changes	None

Actuarial Assumptions
ERS Group Benefits Program Plan

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

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Other Post-Employment Benefit Plan (OPEB) (continued)

Changes to Actuarial Assumptions since prior Actuarial Valuation

The Actuarial Assumptions are used to project the demographic events and economic forces that affect the cost of the plan. Since the last valuation was prepared for this plan, 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) have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary. In addition, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations. In addition, (a) the percentage of future retirees assumed to be married and electing coverage for their spouse, (b) the proportion of future retirees assumed to elect health coverage at retirement and the proportion of future retirees expected to receive the Opt-Out Credit at retirement, and (c) the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends. Lastly, the discount rate was changed from 3.81% to 3.87% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

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

Discount Rate. Because the SRHP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bond rates. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.87% to reflect the requirements of GASB 75. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating. Projected cash flows into the SRHP are equal to projected benefit payments out of the plan. Because SRHP operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis. The following schedule shows the impact on the District's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.87%) in measuring the 2024 net OPEB Liability.

	Current Discount		
	1% Decrease	Rate	1% Increase
	2.87%	3.87%	4.87%
District's proportional share of the net OPEB liability	\$ 39,292,558	\$ 33,770,833	\$ 29,339,586

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Other Post-Employment Benefit Plan (OPEB) (continued)

Changes to Actuarial Assumptions since prior Actuarial Valuation (continued)

Discount Rate Sensitivity Analysis (continued)

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 percent less than and 1 percent greater than the discount rate that was used (3.81%) in measuring the 2023 net OPEB Liability.

	Current Discount		
	1% Decrease (2.81%)	Rate (3.81%)	1% Increase (4.81%)
District's proportional share of the net OPEB liability	\$ 37,082,463	\$ 31,957,881	\$ 27,835,945

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.6% and the ultimate rate is 4.3%. 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 percent less than and 1 percent greater than the healthcare cost trend rate that was used in measuring the 2024 net OPEB Liability.

	Current Healthcare		
	1% Decrease (4.60% decreasing to 3.30%)	Cost Trend Rates (5.60% decreasing to 4.30%)	1% Increase (6.60% decreasing to 5.30%)
District's proportional share of the net OPEB liability	\$ 28,977,073	\$ 33,770,833	\$ 39,881,585

The initial healthcare trend rate is 5.6% and the ultimate rate is 4.3%. 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 percent less than and 1 percent greater than the healthcare cost trend rate that was used in measuring the 2023 net OPEB liability.

	Current Healthcare		
	1% Decrease (4.60% decreasing to 3.30%)	Cost Trend Rates (5.60% decreasing to 4.30%)	1% Increase (6.60% decreasing to 5.30%)
District's proportional share of the net OPEB liability	\$ 27,488,170	\$ 31,957,881	\$ 37,634,306

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

At August 31, 2025, the District reported a liability of \$33,770,833 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District 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 District were as follows:

District's proportion of the net OPEB liability	0.11524%
District's proportionate share of the net OPEB liability	\$ 33,770,833
State's proportionate share of the net OPEB liability associated with the District	19,911,767
Total	\$ 53,682,600

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 11 - Other Post-Employment Benefit Plan (OPEB) (continued)*****OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)***

At August 31, 2024, the District reported a liability of \$31,957,881 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District 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 District were as follows:

District's proportion of the net OPEB liability	0.11961%
District's proportionate share of the net OPEB liability	\$ 31,957,881
State's proportionate share of the net OPEB liability	
associated with the District	17,220,039
Total	\$ 49,177,920

The net OPEB liability was measured as of August 31, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, the employer's proportion of the collective net OPEB liability was 0.11524%, which was a decrease of 0.00438% from its proportion measured as of August 31, 2023.

At the measurement date of August 31, 2023, the employer's proportion of the collective net OPEB liability was 0.11961%, which was an increase of 0.0050926% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2025, the District recognized OPEB expense of \$1,911,326 and an additional negative on-behalf revenue and expense of \$382,195 representing OPEB expense incurred by the State on behalf of the District.

For the year ended August 31, 2024, the District recognized OPEB expense of \$1,410,603 and an additional negative on-behalf revenue and expense of \$511,037 representing OPEB expense incurred by the State on behalf of the District.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (557,179)
Changes in assumptions	1,848,937	(6,727,406)
Difference between projected and actual investment earnings	-	(1,291)
Changes in proportion and differences between District contributions and proportionate share of contributions	4,800,697	(1,622,774)
District contributions subsequent to the measurement date	972,199	-
Total	\$ 7,621,833	\$ (8,908,650)

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Other Post-Employment Benefit Plan (OPEB) (continued)

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

The \$972,199 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the measurement year ending August 31, 2025. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending	
August 31,	Amount
2026	\$ (237,290)
2027	(523,933)
2028	(1,145,390)
2029	(327,224)
2030	(25,179)
	<hr/>
	\$ (2,259,016)
	<hr/>

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

	Deferred	Deferred Inflows
	Outflows of	of Resources
Differences between expected and actual experience	\$ -	\$ (845,303)
Changes in assumptions	1,066,080	(9,980,873)
Difference between projected and actual investment earnings	2,582	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,514,012	(925,923)
District contributions subsequent to the measurement date	608,466	-
Total	\$ 3,191,140	\$ (11,752,099)
	<hr/>	<hr/>

The \$608,466 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2025. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
August 31,	Amount
2025	\$ (2,620,921)
2026	(2,491,284)
2027	(2,242,748)
2028	(1,506,410)
2029	(308,062)
	<hr/>
	\$ (9,169,425)
	<hr/>

LEE COLLEGE DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 12 - Property Tax

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

	2025	2024
Assessed Valuation of the District:	\$ 27,592,868,821	\$ 25,780,789,682
Less: Exemptions	(6,145,567,088)	(5,919,380,236)
Net Assessed Valuation of the District	<u>\$ 21,447,301,733</u>	<u>\$ 19,861,409,446</u>

	2025			2024		
	Maintenance and Operations	Debt Service	Total	Maintenance and Operations	Debt Service	Total
Authorized Tax Rate						
Per \$100 Valuation	\$ 0.28000	\$ 0.50000	\$ 0.78000	\$ 0.20850	\$ 0.50000	\$ 0.708500
Assessed Tax Rate						
Per \$100 Valuation	\$ 0.17597	\$ 0.02413	\$ 0.20010	\$ 0.19090	\$ 0.02920	\$ 0.220100

Taxes levied for the year ended August 31, 2025 and 2024, amounted to \$41.3 million \$41.6 million, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Tax collections for the years ended August 31, 2025 and 2024 approximated 99.2% and 98.6% of the current year levy for 2025 and for 2024. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

	2025			2024		
	Maintenance and Operations	Debt Service	Total	Maintenance and Operations	Debt Service	Total
Current Taxes Collected	\$ 36,560,705	\$ 5,094,822	\$ 41,655,527	\$ 35,745,095	\$ 5,248,600	\$ 40,993,695
Delinquent Taxes Collected	210,811	-	210,811	260,831	34,007	294,838
Penalties & Interest Collected	211,722	170,160	381,882	272,580	37,555	310,135
Total Collections	<u>\$ 36,983,238</u>	<u>\$ 5,264,982</u>	<u>\$ 42,248,220</u>	<u>\$ 36,278,506</u>	<u>\$ 5,320,162</u>	<u>\$ 41,598,668</u>

Note 13 - Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Funds received, but not expended during the reporting period, are unearned. Revenues are recognized on Exhibit 2 as funds are actually expended. For federal and state contract and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. At August 31, 2025, there were no contract or grant awards funds already committed e.g., multi-year awards, or funds awarded during fiscal year 2025 for which monies have not been received nor funds expended.

LEE COLLEGE DISTRICT**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 14 - Unearned Revenues**

Unearned revenues consists of the following at August 31, 2025 and 2024, respectively.

	2025	2024
Tuition and fees	\$ 6,912,590	\$ 7,273,017
Other	736,125	374,531
	<u>\$ 7,648,715</u>	<u>\$ 7,647,548</u>

Note 15 - Commitments and 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 District expects any such amounts to be immaterial.

As of August 31, 2025, the District was not involved in any lawsuits or other legal actions which, in Administration's opinion (based on discussions with legal counsel) would result in any direct loss to the District which would be material to its financial position.

Note 16 - Income Taxes

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

Note 17, Related Party Disclosure Required by the U.S. Department of Education

To comply with the Financial Responsibility, Administrative Capability, Certification Procedures, Ability To Benefit regulation promulgated by the U.S. Department of Education, the District has no related party transactions during the audit period to report.

REQUIRED SUPPLEMENTARY INFORMATION

(RSI) SCHEDULES

LEE COLLEGE DISTRICT

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

Teacher Retirement System of Texas

For the Last Ten Measurement Years Ended August 31

	2024	2023	2022	2021	2020
District's proportion of the net pension liability	0.02520%	0.02300%	0.02299%	0.02102%	0.02088%
District's proportionate share of the net pension liability	\$ 15,409,128	\$ 15,826,016	\$ 13,649,682	\$ 5,354,001	\$ 11,184,207
State's proportionate share of the net pension liability associated with the District	<u>10,735,220</u>	<u>11,401,227</u>	<u>9,449,391</u>	<u>3,989,448</u>	<u>8,333,760</u>
Total	<u>\$ 26,144,348</u>	<u>\$ 27,227,243</u>	<u>\$ 23,099,073</u>	<u>\$ 9,343,449</u>	<u>\$ 19,517,967</u>
District's covered payroll (for Measurement Year)	\$ 29,086,884	\$ 25,341,782	\$ 23,225,980	\$ 20,501,421	\$ 19,646,796
District's proportionate share of the net pension liability as a percentage of it's covered payroll	52.98%	62.45%	58.77%	26.12%	56.93%
Plan fiduciary net position as a percentage of the total pension liability ¹	77.51%	73.15%	75.62%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll ¹	102.39%	122.32%	112.72%	51.08%	110.36%

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.02132%	0.02320%	0.02376%	0.02203%	0.02155%
District's proportionate share of the net pension liability	\$ 11,082,243	\$ 12,771,701	\$ 7,597,206	\$ 8,326,286	\$ 7,617,638
State's proportionate share of the net pension liability associated with the District	<u>7,603,663</u>	<u>8,653,437</u>	<u>5,034,217</u>	<u>5,601,675</u>	<u>5,069,116</u>
Total	<u>\$ 18,685,906</u>	<u>\$ 21,425,138</u>	<u>\$ 12,631,423</u>	<u>\$ 13,927,961</u>	<u>\$ 12,686,754</u>
District's covered payroll (for Measurement Year)	\$ 18,369,764	\$ 19,092,692	\$ 18,635,605	\$ 16,825,244	\$ 15,191,023
District's proportionate share of the net pension liability as a percentage of it's covered payroll	60.33%	66.89%	40.77%	49.49%	50.15%
Plan fiduciary net position as a percentage of the total pension liability ¹	75.24%	73.74%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll ¹	114.93%	126.11%	75.93%	92.75%	91.94%

¹ Per Teacher Retirement System of Texas' Annual Comprehensive Financial Report.

LEE COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

Teacher Retirement System of Texas

For the Last Ten Fiscal Years Ended August 31

	2025	2024	2023	2022	2021
Contractually required contributions	\$ 1,544,602	\$ 1,429,578	\$ 1,189,727	\$ 1,059,981	\$ 896,796
Contributions in relation to the contractually required contributions	(1,544,602)	(1,429,578)	(1,189,727)	(1,059,981)	(896,796)
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 31,571,951	\$ 29,086,884	\$ 25,341,782	\$ 23,225,980	\$ 20,501,421
Contributions as a percentage of covered payroll	4.89%	4.91%	4.69%	4.56%	4.37%
	2020	2019	2018	2017	2016
Contractually required contributions	\$ 871,855	\$ 764,401	\$ 768,816	\$ 777,440	\$ 700,073
Contributions in relation to the contractually required contributions	(871,855)	(764,401)	(768,816)	(777,440)	(700,073)
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 19,646,796	\$ 18,369,764	\$ 19,092,692	\$ 18,635,605	\$ 16,825,244
Contributions as a percentage of covered payroll	4.44%	4.16%	4.03%	4.17%	4.16%

LEE COLLEGE DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

For the Year Ended August 31, 2025

Changes of Assumptions

2024: None

2023: None.

2022: Demographic and economic assumptions were updated based on experience study performed for TRS for the period ending August 31, 2021. The primary change was the lowering of the discount rate from 7.25% to 7.00%.

2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

2018: The discount rate changed from 8.0% as of August 31, 2017, to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017, to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018, was developed using a roll-forward method from the August 31, 2017 valuation.

Changes in Benefit Terms

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

LEE COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'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 31

	2024	2023	2022	2021
District's proportion of the net OPEB liability	0.11524%	0.11961%	0.11929%	0.10956%
District's proportionate share of the net OPEB liability	\$ 33,770,833	\$ 31,957,881	\$ 33,981,347	\$ 39,306,286
State's proportionate share of the net OPEB liability associated with the District	19,911,767	17,220,039	18,569,675	23,993,471
Total	\$ 53,682,600	\$ 49,177,920	\$ 52,551,022	\$ 63,299,757
District's covered payroll (for Measurement Year)	\$ 29,086,884	\$ 25,341,782	\$ 23,225,980	\$ 20,501,421
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	116.10%	126.11%	146.31%	191.72%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	0.47%	0.63%	0.57%	0.38%
Plan's net OPEB liability as a percentage of covered payroll ¹	190.84%	194.10%	223.71%	285.03%
	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.10779%	0.10686%	0.11195%	0.09244%
District's proportionate share of the net OPEB liability	\$ 35,618,327	\$ 36,934,168	\$ 33,180,649	\$ 31,496,284
State's proportionate share of the net OPEB liability associated with the District	22,095,253	23,836,151	21,563,230	26,506,425
Total	\$ 57,713,580	\$ 60,770,319	\$ 54,743,879	\$ 58,002,709
District's covered payroll (for Measurement Year)	\$ 19,646,796	\$ 18,369,764	\$ 19,092,692	\$ 18,635,605
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	181.29%	201.06%	173.79%	169.01%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	0.32%	0.17%	1.27%	2.04%
Plan's net OPEB liability as a percentage of covered payroll ¹	261.11%	280.54%	246.01%	290.10%

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

¹ Per Employees Retirement System of Texas' comprehensive annual financial report.

LEE COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

Employee Retirement System of Texas – State Retiree Health Plan

For the Last Ten Fiscal Years Ended August 31

	2025	2024	2023	2022	2021
Contractually required contributions	\$ 972,199	\$ 958,128	\$ 835,011	\$ 531,457	\$ 580,033
Contributions in relation to the contractually required contributions	(972,199)	(958,128)	(835,011)	(531,457)	(580,033)
Contribution deficiency (excess)	<u>\$ -</u>				
 District's covered payroll	 \$ 31,571,951	 \$ 29,086,884	 \$ 25,341,782	 \$ 23,225,980	 \$ 20,501,421
Contributions as a percentage of covered payroll	3.08%	3.29%	3.29%	2.29%	2.83%
	2020	2019	2018	2017	2016
Contractually required contributions	\$ 680,366	\$ 311,592	\$ 845,567	\$ 729,108	\$ 671,540
Contributions in relation to the contractually required contributions	(680,366)	(311,592)	(845,567)	(729,108)	(671,540)
Contribution deficiency (excess)	<u>\$ -</u>				
 District's covered payroll	 \$ 19,646,796	 \$ 18,369,764	 \$ 19,092,692	 \$ 18,635,605	 \$ 16,825,244
Contributions as a percentage of covered payroll	3.46%	1.70%	4.43%	3.91%	3.99%

LEE COLLEGE DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

For the Year Ended August 31, 2025

The assumptions and methods used for this actuarial valuation are the same as those used for defined benefit plans where appropriate. Additional information on the actuarial assumptions as of the latest actuarial valuation is summarized in the table below. The following assumptions have been changed since the previous Other Postemployment Benefits (OPEB) valuation:

Changes in Demographic Assumptions

Since the last valuation was prepared for this plan, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children.
- Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.

Changes in Economic Assumptions

Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect the most recent available information.

Measurement Year 2023: The discount rate changed from 3.59% as of August 31, 2022 to 3.81% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2024: The discount rate changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.



SUPPLEMENTAL SCHEDULES

LEE COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2025
With Memorandum Totals for the Year Ended August 31, 2024
Schedule A
Page 1 of 2

Educational Activities				Auxiliary Enterprises
	Unrestricted	Restricted	Total	
Tuition				
State funded credit courses:				
In-district resident tuition	\$ 2,441,675	\$ -	\$ 2,441,675	\$ -
Out-of-district resident tuition	6,463,545	-	6,463,545	-
TPEG- credit (set aside) ¹	740,576	-	740,576	-
Non-resident tuition	398,993	-	398,993	-
Non-state funded educational programs	3,762,574	-	3,762,574	-
Total Tuition	<u>13,807,363</u>	<u>-</u>	<u>13,807,363</u>	<u>-</u>
Fees				
Registration fees	523,223	-	523,223	-
Laboratory fees	494,522	-	494,522	-
General use fees	1,815,948	-	1,815,948	-
Other fees	1,766,640	-	1,766,640	-
Total Fees	<u>4,600,333</u>	<u>-</u>	<u>4,600,333</u>	<u>-</u>
Scholarship Allowances and Discounts				
Scholarship allowances	(482,337)	-	(482,337)	-
Remissions and exemptions	(1,423,317)	-	(1,423,317)	-
TPEG allowance	(357,342)	-	(357,342)	-
State Grants to Students	(36,942)	-	(36,942)	-
Federal Grants to students	(7,771,961)	-	(7,771,961)	-
Other	-	-	-	(2,013,034)
Total Scholarship Allowances and Discounts	<u>(10,071,899)</u>	<u>-</u>	<u>(10,071,899)</u>	<u>(2,013,034)</u>
Total Net Tuition and Fees	<u>8,335,797</u>	<u>-</u>	<u>8,335,797</u>	<u>(2,013,034)</u>
Additional operating revenues				
Federal grants and contracts	-	2,837,003	2,837,003	-
State grants and contracts	-	1,343,564	1,343,564	-
Private grants and contracts	780,083	-	780,083	-
Sales and services of educational activities	28,525	-	28,525	-
Other operating revenues	1,030,828	-	1,030,828	-
Total Additional Operating Revenues	<u>1,839,436</u>	<u>4,180,567</u>	<u>6,020,003</u>	<u>-</u>
Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,674,452</u>
Total Operating Revenues	<u>\$ 10,175,233</u>	<u>\$ 4,180,567</u>	<u>\$ 14,355,800</u>	<u>\$ 1,661,418</u>

¹ In accordance with Education Code 56.033, \$740,576 and \$646,289 of tuition was set aside for Texas Public Education Grants (TPEG) for the current and prior year, respectively.

LEE COLLEGE DISTRICT
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2025
With Memorandum Totals for the Year Ended August 31, 2024

Schedule A
Page 2 of 2

	Total	
	2025	2024
Tuition		
State funded credit courses:		
In-district resident tuition	\$ 2,441,675	\$ 2,813,714
Out-of-district resident tuition	6,463,545	6,388,519
TPEG- credit (set aside) ¹	740,576	646,289
Non-resident tuition	398,993	428,046
Non-state funded educational programs	3,762,574	2,417,783
Total Tuition	13,807,363	12,694,351
Fees		
Registration fees	523,223	545,219
Laboratory fees	494,522	462,565
General use fees	1,815,948	1,894,373
Other fees	1,766,640	1,744,226
Total Fees	4,600,333	4,646,383
Scholarship Allowances and Discounts		
Scholarship allowances	(482,337)	(1,513,389)
Remissions and exemptions	(1,423,317)	(1,146,743)
TPEG allowance	(357,342)	(209,324)
State Grants to Students	(36,942)	(102,548)
Federal Grants to students	(7,771,961)	(6,986,190)
Other	(2,013,034)	(1,610,394)
Total Scholarship Allowances and Discounts	(12,084,933)	(11,568,588)
Total Net Tuition and Fees	6,322,763	5,772,146
Additional operating revenues		
Federal grants and contracts	2,837,003	2,549,108
State grants and contracts	1,343,564	1,364,044
Private grants and contracts	780,083	634,021
Sales and services of educational activities	28,525	15,239
Other operating revenues	1,030,828	1,101,604
Total Additional Operating Revenues	6,020,003	5,664,016
Auxiliary Enterprises	3,674,452	2,415,612
Total Operating Revenues	\$ 16,017,218	\$ 13,851,774
	(Exhibit 2)	(Exhibit 2)

¹ In accordance with Education Code 56.033, \$740,576 and \$646,289 of tuition was set aside for Texas Public Education Grants (TPEG) for the current and prior year, respectively.

LEE COLLEGE DISTRICT
SCHEDULE OF OPERATING EXPENSES BY OBJECT
For the Year Ended August 31, 2025
With Memorandum Totals for the Year Ended August 31, 2024
Schedule B
Page 1 of 2

	Operating Expenses				
	Benefits				
	Salaries and Wages	State	Local	Other expenses	
Unrestricted - Educational Activities					
Instruction	\$ 19,697,814	\$ -	\$ 2,139,509	\$ 2,519,273	
Public service	1,570,420	-	187,094	266,624	
Academic support	3,847,759	-	445,744	1,890,989	
Student services	3,490,767	-	463,440	700,568	
Institutional support	7,117,299	-	806,006	5,493,783	
Operation and maintenance of plant	3,671,333	-	397,552	5,619,942	
Total Unrestricted Educational Activities	39,395,392	-	4,439,345	16,491,179	
Restricted - Educational Activities					
Instruction	100,920	1,570,040	-	293,634	
Public service	157,371	137,296	-	39,443	
Academic support	238,674	327,101	-	662,078	
Student services	755,350	340,087	-	690,403	
Institutional support	349,009	591,473	-	238,372	
Operation and maintenance of plant	-	-	291,736	-	
Scholarships and fellowships	-	-	-	8,240,298	
Total Restricted Educational Activities	1,601,324	2,965,997	291,736	10,164,228	
Total Educational Activities	40,996,716	2,965,997	4,731,081	26,655,407	
Auxiliary Enterprises	856,042	-	160,720	2,801,401	
Depreciation and Amortization Expense:					
Building and other real estate improvements	-	-	-	5,264,339	
Equipment, furniture and books	-	-	-	-	
Leases and SBITA	-	-	-	857,781	
Total Depreciation Expense	-	-	-	6,122,120	
Total Operating Expenses	\$ 41,852,758	\$ 2,965,997	\$ 4,891,801	\$ 35,578,928	

LEE COLLEGE DISTRICT**SCHEDULE OF OPERATING EXPENSES BY OBJECT***For the Year Ended August 31, 2025**With Memorandum Totals for the Year Ended August 31, 2024***Schedule B****Page 2 of 2**

	Total	
	2025	2024
Unrestricted - Educational Activities		
Instruction	\$ 24,356,596	\$ 26,451,903
Public service	2,024,138	2,188,324
Academic support	6,184,492	5,014,614
Student services	4,654,775	4,884,546
Institutional support	13,417,088	11,505,470
Operation and maintenance of plant	9,688,827	9,795,898
Total Unrestricted Educational Activities	60,325,916	59,840,755
Restricted - Educational Activities		
Instruction	1,964,594	1,943,657
Public service	334,110	318,868
Academic support	1,227,853	365,901
Student services	1,785,840	1,486,324
Institutional support	1,178,854	1,830,153
Operation and maintenance of plant	291,736	288,185
Scholarships and fellowships	8,240,298	6,235,946
Total Restricted Educational Activities	15,023,285	12,469,034
Total Educational Activities	75,349,201	72,309,789
Auxiliary Enterprises	3,818,163	3,517,054
Depreciation and Amortization Expense:		
Building and other real estate improvements	5,264,339	2,056,173
Equipment, furniture and books	-	2,530,158
Amortization, leases and SBITA	857,781	1,820,561
Total Depreciation Expense	6,122,120	6,406,892
Total Operating Expenses	\$ 85,289,484	\$ 82,233,735
	(Exhibit 2)	(Exhibit 2)



LEE COLLEGE DISTRICT
SCHEDULE OF NON- OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2025
With Memorandum Totals for the Year Ended August 31, 2024
Schedule C

	Unrestricted	Restricted	Total	Total				
				2025	2024			
Non-Operating Revenues								
State Appropriations:								
Education and general state support	\$ 21,830,635	\$ -	\$ 21,830,635	\$ 21,830,635	\$ 20,731,561			
State group insurance	-	2,072,064	2,072,064	2,072,064	2,072,064			
State retirement matching	-	2,536,731	2,536,731	2,536,731	582,194			
Total State Appropriations	21,830,635	4,608,795	26,439,430	26,439,430	23,385,819			
Maintenance and ad valorem taxes	36,983,238	-	36,983,238	36,983,238	35,830,917			
General obligation bond taxes	-	5,094,822	5,094,822	5,094,822	5,264,982			
Federal non-operating grants	-	14,703,722	14,703,722	14,703,722	12,179,823			
Investment income	3,044,198	-	3,044,198	3,044,198	2,855,811			
Gifts	1,712,749	-	1,712,749	1,712,749	1,116,361			
Payments in lieu of taxes	2,232,490	-	2,232,490	2,232,490	2,463,886			
Unrealized gain on investments	4,540,489	-	4,540,489	4,540,489	591,167			
Other non-operating revenue	145,252	-	145,252	145,252	54,643			
Total Non-Operating Revenues	70,489,051	24,407,339	94,896,390	94,896,390	83,743,409			
Non-Operating Expenses								
Interest on capital-related debt	-	1,780,422	1,780,422	1,780,422	1,890,650			
Other non-operating expenses	-	542,565	542,565	542,565	379,960			
Total Non-Operating Expenses	-	2,322,987	2,322,987	2,322,987	2,270,610			
Net Non-Operating Revenues (Expenses)	\$ 70,489,051	\$ 22,084,352	\$ 92,573,403	\$ 92,573,403	\$ 81,472,799			
				(Exhibit 2)	(Exhibit 2)			

LEE COLLEGE DISTRICT**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY***For the Year Ended August 31, 2025****Schedule D******Page 1 of 2***

	Detail by Source			Net Investment in Capital Assets	
	Restricted		Non-Expendable		
	Unrestricted	Expendable			
Current:					
Unrestricted:					
Net Pension Liability	\$ (11,048,486)	\$ -	\$ -	\$ -	
Net OPEB Liability	(35,057,650)	-	-	-	
Other	68,373,032	-	-	-	
Plant:					
Investment in plant	-	-	-	84,257,364	
Total Net Position, End of Year	22,266,896			84,257,364	
Total Net Position, Beginning of the Year	6,230,080		424,221	76,568,824	
Net Increase (Decrease) in Net Position	\$ 16,036,816	\$ -	\$ (424,221)	\$ 7,688,540	

LEE COLLEGE DISTRICT**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY***For the Year Ended August 31, 2025***Schedule D****Page 2 of 2**

	<u>Detail by Source</u>		<u>Available for Current Operation</u>	
	<u>Total</u>	<u>Yes</u>	<u>No</u>	
Current:				
Unrestricted:				
Net Pension Liability	\$ (11,048,486)	\$ (11,048,486)	\$ -	
Net OPEB Liability	(35,057,650)	(35,057,650)	-	
Other	68,373,032	68,373,032	-	
Plant:				
Investment in plant	84,257,364	-	84,257,364	
Total Net Position, End of Year	106,524,260	22,266,896	84,257,364	
	(Exhibit 1)			
Total Net Position, Beginning of the Year,				
Restated	83,223,125	6,230,080	76,993,045	
	(Exhibit 1)			
Net Increase (Decrease) in Net Position	\$ 23,301,135	\$ 16,036,816	\$ 7,264,319	
	(Exhibit 2)			



OVERALL COMPLIANCE, INTERNAL CONTROLS AND FEDERAL AND STATE AWARDS SECTION



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

To the Board of Regents
Lee College District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lee College District (the "District"), as of and for the years ended August 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2025. Our report includes a reference to other auditors who audited the financial statements of Lee College Foundation, Inc. (the "Foundation"), as described in our report on the District's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on Internal Control over Financial Reporting

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

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

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

To the Board of Regents
Lee College District

Report on Compliance and Other Matters

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

Purpose of this Report

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

Whitley Penn LLP

Houston, Texas
December 18, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND
STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE AND THE TEXAS GRANT MANAGEMENT STANDARDS**

To the Board of Regents
Lee College District

Report on Compliance for Each Major Federal and State Program

Opinion On Each Major Federal and State Program

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

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

Basis for Opinion On Each Major Federal and State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

To the Board of Regents
Lee College District

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

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

Whitley Penn LLP

Houston, Texas
December 18, 2025

LEE COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) of the Uniform Guidance and the Texas Grant Management Standards?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
---	--

US Department of Education

<i>Student Financial Assistance Cluster</i>	84.007, 84.033
	84.063, 84.268

<i>Carl Perkins Vocational Education - Basic 24-25</i>	84.048
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Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low risk auditee?	Yes
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Name of State Program

<i>Texas Education Opportunity Grant 24-25</i>	
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Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
--	-----------

Auditee qualified as low risk auditee?	Yes
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LEE COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2025

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

LEE COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2025

Schedule E

Federal Grantor / Pass-through Grantor / Program Title	Federal ALN	Grant Award #	Expenditures
U.S. Department of Education			
Direct Programs:			
SEOG 2023-24	84.007	P007A234054	\$ (500)
SEOG 2024-25	84.007	P007A244054	199,742
<i>Federal College Workstudy Program 2024-25</i>	84.033	P033A244054	325,573
<i>Federal College Workstudy Program 2025-26</i>	84.033	P033A254054	5,232
<i>Federal PELL 2022-23</i>	84.063	P063P222284	(82)
<i>Federal PELL 2023-24</i>	84.063	P063P232284	(1,725)
<i>Federal PELL 2024-25</i>	84.063	P063P242284	14,175,482
<i>Direct Loan Program 2023-24</i>	84.268	P268K242284	(4,372)
<i>Direct Loan Program 2024-25</i>	84.268	P268K252284	2,820,480
<i>Total Student Financial Assistance Cluster (ALN 84.007, 84.033, 84.063, 84.268)</i>			<u><u>17,519,830</u></u>
<i>Title V - Lee College Title V Pathways Project</i>	84.031S	P031S190296	370,657
<i>Title IV - Childcare Access Means Parents in School (CCAMPIS)</i>	84.335A	P335A230047	396,111
<i>Student Support Services</i>	84.042A	P042A201450	302,599
<i>Educational Opportunity Center</i>	84.066A	P066A210038	284,666
<i>Total TRIO Cluster (ALN 84.042, 84.066)</i>			<u><u>587,265</u></u>
Passed through from Harris County Department of Education:			
<i>HCDE Basic Ed Training</i>	84.002A	2924ALA016	32,780
Passed through from Texas Higher Education Coordinating Board:			
<i>Carl Perkins Vocational Education - Basic 24-25</i>	84.048	244238	<u><u>1,134,317</u></u>
Total U.S. Department of Education			<u><u>20,040,960</u></u>
U.S. Department of Labor			
Passed through from Alvin Community College:			
<i>TWC Wagner Peyer TX Talent 2024-2025</i>	17.207	2822WPB008	<u><u>38,605</u></u>
<i>Total Employment Service Cluster (ALN 17.207)</i>			<u><u>38,605</u></u>
Total U.S. Department of Labor			<u><u>38,605</u></u>
National Science Foundation			
Passed -Through From:			
<i>Arizona State University</i>			
<i>NSF ITYC-STEM 2028</i>	47.076	2413295	<u><u>20,264</u></u>
<i>Total Research and Development Cluster (ALN 47.076)</i>			<u><u>20,264</u></u>
Total National Science Foundation			<u><u>20,264</u></u>
U.S. Small Business Administration			
Passed through from University of Houston:			
<i>Small Business Development Center 2023-2024</i>	59.037	SBAOEDSB240092-01-00	36,867
<i>Small Business Development Center 2024-2025</i>	59.037	SBAOEDSB250170-01-00	61,848
<i>Total ALN 59.037</i>			<u><u>98,715</u></u>
Total U.S. Small Business Administration			<u><u>98,715</u></u>
U.S. Environmental Protection Agency (EPA) National Estuary Program			
Pass-Through From:			
<i>Texas Commission on Environmental Quality (TCEQ)</i>			
<i>TCEQ Long-term Monitoring of Living Shores</i>	66.456	582-23-40258	<u><u>60,423</u></u>
Total U.S. Environmental Protection Agency (EPA) National Estuary Program			<u><u>60,423</u></u>
U.S. Department of Health & Human Services			
Direct Program:			
<i>Suicide Prevention Project</i>	93.243	H79SM086281	<u><u>97,866</u></u>
Total U.S. Department of Health & Human Services			<u><u>97,866</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 20,356,833</u></u>

LEE COLLEGE DISTRICT**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****Note 1 - Significant accounting policies used in preparing the schedule**

The expenditures included in Schedule E are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported on Schedule E represent funds that have been expended by the District for the purposes of the award. The expenditures reported on Schedule E may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule. The District did not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Schedule A	\$ 2,837,003
Federal Grants and Contracts Revenues per Schedule C	14,703,722
Add: Direct Student Loans	<u>2,816,108</u>
Total Federal Revenues Per Schedule of Expenditures of	
Federal Awards (Schedule E)	<u><u>\$ 20,356,833</u></u>

LEE COLLEGE DISTRICT**SCHEDULE OF EXPENDITURES OF STATE AWARDS***For the Year Ended August 31, 2025****Schedule F***

Grantor Agency / Program Title	Grantor / Project Number	Expenditures
Texas Higher Education Coordinating Board		
<i>Texas Work Study Mentorship Program 24-25</i>	9P252766	\$ 84,543
<i>Texas Education Opportunity Grant 24-25</i>	N/A	957,260
<i>Student Success Acceleration Program (SSAP) 2.0</i>	01664	50,863
<i>TRUE 2024-2025 Grant</i>	01498	152,247
Total Texas Higher Education Coordinating Board		<u>1,244,913</u>
Texas Workforce Commission		
<i>TWC JET Grant 2025</i>	2824JET008	89,587
Total Texas Workforce Commission		<u>89,587</u>
Total State Financial Assistance		<u>\$ 1,334,500</u>

LEE COLLEGE DISTRICT**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS****Note 1 - Significant accounting policies used in preparing the schedule**

The expenditures included in Schedule F are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported on Schedule F represent funds that have been expended by the District for the purposes of the award. The expenditures reported on Schedule F may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 2 - State Assistance Reconciliation**State Revenues:****State Financial Assistance:**

Per Schedule of Expenditures of State Awards (Schedule F)	<u>\$ 1,334,500</u>
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State Financial Assistance:

Continuing Education tuition and fees included	
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in Schedule A captioned 'Tuition and Fees'	9,064
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Total State Revenues Per Schedule A

<u>\$ 1,343,564</u>

LEE COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2025

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended August 31, 2025 has been prepared to address these requirements.

I. Prior Audit Findings

None

LEE COLLEGE DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2025

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare a corrective action plan to address each audit finding included in the auditor's report for the current year. The corrective action plan must be a document separate from the auditor's findings described in § 200.516.”

The Corrective Action Plan for the year ended August 31, 2025 has been prepared to address these requirements.

I. Corrective Action Plan

Not applicable

