

**KILGORE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

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Kilgore Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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Introductory Section

CERTIFICATE OF BOARD

Kilgore Independent School District
Name of School District

Gregg
County

092-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the 16th day of November, 2020.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section

BROWN, BRONSTAD, HABENICHT & ROSSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Kilgore, Texas 75662

Independent Auditors' Report

To the Board of Trustees
Kilgore Independent School District
301 N Kilgore St
Kilgore, Texas 75662

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kilgore Independent School District ("the District") as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kilgore Independent School District as of August 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kilgore Independent School District's basic financial statements. The introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2020 on our consideration of Kilgore Independent School 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 Kilgore Independent School District's internal control over financial reporting and compliance.


BROWN, BRONSTAD, HABENICHT & ROSSON, PC

Kilgore, TX
October 31, 2020

Kilgore Independent School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Kilgore Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. Please read it in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements which begin on page 15.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 15 and 16). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 17) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers, and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 25 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 15. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the District's assets and liabilities at the end of the year while the Statement of Activities includes all of the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students outside the district and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we combine the District into one kind of activity:

- Governmental activities—The District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 17 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as federal grants from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and fiduciary – use different accounting approaches:

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Kilgore Independent School District's own programs. The District includes the Student Activity Funds on the Fiduciary financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 24. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental type activities.

Net position of the District's governmental activities increased from \$24,665,979 to \$28,481,627. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$89,852) at August 31, 2020.

Table I
Kilgore Independent School District
Net Position

	Governmental Activities 08-31-2020	Governmental Activities 08-31-2019
Current and other assets	28,202,411	24,303,904
Capital assets	68,083,732	68,542,183
Total assets	96,286,143	92,846,087
Deferred outflow related to Pensions & OPEB	5,918,504	6,199,414
Current Liabilities	3,959,214	3,779,391
Long-term liabilities	62,794,652	65,804,542
Total liabilities	66,753,866	69,583,933
Deferred inflow related to Pensions & OPEB	6,969,154	4,795,589
Net Assets:		
Invested in capital assets, net of related debt	23,430,545	23,112,060
Restricted	5,140,934	3,613,645
Unrestricted	(89,852)	(2,059,726)
Total net position	28,481,627	24,665,979

Table II
Kilgore Independent School District
Changes in Net Position

	Governmental Activities 8-31-2020	Governmental Activities 8-31-2019
Revenues:		
Program Revenues:		
Charges for Services	495,623	611,499
Operating grants and contributions	7,386,785	4,724,784
General Revenues:		
Maintenance and debt service taxes	22,025,392	20,186,746
State aid – formula grants	17,649,524	17,505,150
Investment Earnings	331,826	631,603
Miscellaneous	546,195	562,450
Total Revenue	<u>48,435,345</u>	<u>44,222,232</u>
Expenses:		
Instruction, curriculum and media services	24,051,595	22,528,020
Instructional and school leadership	3,965,301	3,664,544
Student support services	3,829,336	3,330,584
Child nutrition	2,287,111	2,333,555
Co-curricular activities	1,834,707	1,818,122
General administration	1,439,781	1,360,466
Plant maintenance, security & data processing	5,093,532	4,954,431
Community Services	16,882	6,540
Debt services	1,768,045	1,838,463
Other intergovernmental charges	333,407	334,438
Total Expenses	<u>44,619,697</u>	<u>42,169,163</u>
Increase in net position before transfers and special items	3,815,648	2,053,069
Net position, beginning	<u>24,665,979</u>	<u>22,612,910</u>
Net position, ending	<u>28,481,627</u>	<u>24,665,979</u>

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 17 and 18) reported a combined fund balance of \$25,423,013, which is an increase of \$4,507,623. Included in this year's total change in fund balance is an increase of \$3,067,017 in the District's General Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were not significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had \$67,101,047, net of depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

Debt

At year-end, the District had \$42,880,000 in general obligation bonds payable. More detailed information about the District's long-term liabilities is presented in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Kilgore Independent School District Board of Trustees and district administrators considered the following factors when setting the budget and tax rates for 2020-2021.

- The District's taxable value for 2020 decreased \$59,990,670, or 3.30% from 2019 values.
- The District's Board of Trustees, at a special called meeting on June 29, 2015, rescinded the Kilgore ISD local optional homestead exemption (LOHE).
 - History:
 - In June of 1963, in an effort to help reduce local taxes for local Kilgore homeowners, Kilgore ISD implemented its first LOHE at 40% per \$100 property valuation.
 - Over time, the state of Texas mandated a reduction in the amount school districts could award their local communities, thereby lowering Kilgore ISD's optional homeowner exemption down to 30% in 1985 and eventually 20% in 1988.
 - In 2014, Kilgore ISD reported awarding \$64,164,540.00 in LOHE exemptions. Senate Bill 1, 84th Texas State Legislature, proposed to take effect in September, 2015 outlined that the approximate 80 school districts in Texas that were still awarding their local homeowners a LOHE would lose their ability to repeal their local optional homeowner exemptions.
 - Reasons given for removing the LOHE included:
 - Kilgore ISD's local economy had shown a 2% - 4% drop in each of the three (3) years preceding 2015,
 - The inability for Kilgore to repeal their long standing 20% LOHE after September, 2015 would legally bind the district into awarding their 20% LOHE through December, 2019.
 - In an effort to aide Kilgore ISD in its effort to maintain local control and all "options for funding" available to the school district.
 - The District is currently the defendant in an ongoing lawsuit originally filed by three (3) local Kilgore taxpayers along with Texas Attorney General Intervention in relation to the removal of the LOHE, Axberg v. Kilgore ISD. The plaintiff's plea was originally filed on September 29, 2016 in the State of Texas, District Court of Gregg County. The lawsuit saw several actions in this past year. At the current time the Plaintiffs are seeking to Certify the Suit as Class-Action. That matter is currently in Gregg County Court of Law No. 2, Cause No. 2016-1850-CCL2
 - Even in light of the previous statement concerning potential liability for the Axberg v. Kilgore ISD lawsuit, the District continues to set aside estimated revenues generated as a

result of the exemption removal in fund balance as a conservative, precautionary measure. As of August 31, 2020, the estimated total of this set-aside was \$7,164,400 (\$5,689,949 General Fund and \$1,474,451 Debt Service). It is the Districts understanding that the prohibition of removing the exemption ended at the end of the FYE August 31, 2020, so no plans have been made to set aside any further reserves.

- Federal, state and local revenue combined for general fund are expected to decrease slightly from the 2019-2020 final amended budget, \$990,934 or 2.65%. This decrease is a result of decreases in items such as interest revenue caused by historically low rates, property taxes caused by a decrease in local values and miscellaneous other minor local revenue sources seeing decreases due to COVID with some offset by state revenue resulting from the decreases in property values.
- The 2020 general operating expenditure budget decreased slightly from 2019-2020 revised levels, a decrease of \$29,139, far less than 1%. The expenditure budget was able to remain fairly stable even with the decrease in revenue mentioned previously due to the availability of expendable funds from what was being set aside in the previous five fiscal years for the local optional homestead contingency. Within the 2020-2021 expenditure budget is an undefined capital needs budget of \$1,965,257.
- The Board of Trustees and administrators continue their review of current and long-term capital needs. As mentioned earlier, the District has set aside funds in the current year budget for such matters and could consider budget amendments to resolve some of these stated needs, using fund balance determined to be expendable.
- The 2020-2021 budget adopted for debt service reflects a deficit of \$62,344. This deficit is a direct result of KISD placing \$500,000 of current year excess funds and available fund balance into the financing plan to refund Series 2011 Bonds. The KISD board of trustees voted on July 16, 2020 to refund the 2011 Bonds producing net debt service savings of \$8,656,921. The actual transaction is scheduled to take place November 15, 2020.
- The 2020-2021 general fund budget was based on anticipated average daily attendance mimicking that from 2019-2020.
- A discussion of the current budget can not avoid COVID-19. The pandemic is producing uncertainties and changes in both revenue and expenditures. Student enrollment is down from projections, we feel as a direct result of COVID-19 concerns, especially at lower grade levels. The State of Texas is currently holding districts harmless to pre-COVID funding levels in many areas for the first half of the 2020-2021 school year. Staffing positions budgeted for in the 2020-2021 budget have gone unfilled due to a lack of hireable staff which we feel will produce budget savings which will help offset any potential revenue losses. We are moving budget around within the budget, for example, purchasing less paper and purchasing more PPE. Kilgore ISD is moving forward with an approach even more conservative than normal. We do feel that our fund balance allows us some room for surviving short term down turns such as this.
- Unemployment rates for both Gregg and Rusk Counties have increased in the past six months as a direct result of COVID-19. Prior to COVID rates had improved for three consecutive years. Unemployment rates in Gregg and Rusk County hit highs in May of 2020 at 12.9% and 10.9% respectively and have since lowered to current rates of 7.6% and 6.8%. For comparison, Gregg and Rusk County rates for August 2019 were at 3.9% and 3.8% respectively.
- Sales tax numbers for the City of Kilgore in 2020 showed a significant decrease, down 30% from 2019, after two years of steady increases. The Kilgore City Sales tax number is the lowest such revenue since 2005. It is believed that the majority of this decrease is related to two factors: COVID 19 and the slump that continues in the Oil and Gas Industry. It is hard to determine which of these factors has weighed greater on these numbers. The Kilgore and East Texas economy once very reliant on the oil and gas industry continues to make strides attempting to diversify into other industries.

The district's overall tax rate for 2020-2021 was lowered by \$0.0136 from 2019-2020 to \$1.2256, \$0.9664 maintenance and operations plus \$0.2592 debt service. The rate is declining for the second year in a row, with no previous movement to these changes since 2007-2008. This is the District first change in the debt service portion of rate since 2011-2012. These decreases are a product of changes created by HB3.

Kilgore ISD as mentioned previously remains very conservative in its budget approach. Adding to the questions we had last year of HB3 sustainability are the unknowns related to COVID-19. The district seeks a balance in the budget between committing resources to salary increases and other continuing expenditures and one-time commitments that can be removed easily if sustainability of these resources is not possible. We optimistically watch indicators in an attempt to maintain the best balance in the budget possible for our students, staff and community

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Kilgore Independent School District, 301 N. Kilgore Street, Kilgore, Texas 75662.

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Basic Financial Statements

KILGORE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2020

1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 18,867,367
1120	Current Investments	5,967,104
1225	Property Taxes Receivable (Net)	1,649,998
1240	Due from Other Governments	1,564,410
1290	Other Receivables (Net)	30,359
1300	Inventories	106,492
1410	Unrealized Expenses	16,681
	Capital Assets:	
1510	Land	3,132,484
1520	Buildings and Improvements, Net	60,731,259
1530	Furniture and Equipment, Net	3,237,304
1800	Restricted Assets	982,685
1000	Total Assets	<u>96,286,143</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	3,743,287
	Deferred Outflow Related to OPEB	2,175,217
1700	Total Deferred Outflows of Resources	<u>5,918,504</u>
	LIABILITIES:	
2110	Accounts Payable	24,647
2140	Interest Payable	77,129
2165	Accrued Liabilities	1,868,386
2180	Due to Other Governments	135,757
2300	Unearned Revenue	83,295
	Noncurrent Liabilities:	
2501	Due Within One Year	1,770,000
2502	Due in More Than One Year	41,900,502
2540	Net Pension Liability	7,912,777
2545	Net OPEB Liability	12,981,373
2000	Total Liabilities	<u>66,753,866</u>
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	1,353,219
	Deferred Inflow Related to OPEB	5,615,935
2600	Total Deferred Inflows of Resources	<u>6,969,154</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	23,430,545
	Restricted For:	
3820	State and Federal Programs	640,796
3850	Debt Service	4,467,716
3880	Scholarships	32,422
3900	Unrestricted	(89,852)
3000	Total Net Position	<u>\$ 28,481,627</u>

The accompanying notes are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues		Governmental Activities
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 23,504,190	\$ 180,462	\$ 4,670,820	\$ (18,652,908)
12	Instructional Resources and Media Services	547,405	829	33,369	(513,207)
13	Curriculum and Staff Development	1,110,026	146	207,444	(902,436)
21	Instructional Leadership	419,858	63	28,669	(391,126)
23	School Leadership	2,435,417	5,068	205,995	(2,224,354)
31	Guidance, Counseling, & Evaluation Services	1,844,764	237	342,676	(1,501,851)
32	Social Work Services	3,967	1	282	(3,684)
33	Health Services	405,906	62	20,874	(384,970)
34	Student Transportation	1,574,699	216	65,398	(1,509,085)
35	Food Service	2,287,111	212,713	1,513,164	(561,234)
36	Cocurricular/Extracurricular Activities	1,834,707	94,801	67,232	(1,672,674)
41	General Administration	1,439,781	221	73,379	(1,366,181)
51	Facilities Maintenance and Operations	4,187,109	669	65,584	(4,120,856)
52	Security and Monitoring Services	392,551	53	68,253	(324,245)
53	Data Processing Services	513,872	80	18,570	(495,222)
61	Community Services	16,882	2	5,076	(11,804)
72	Interest on Long-term Debt	1,763,745	--	--	(1,763,745)
73	Bond Issuance Costs and Fees	4,300	--	--	(4,300)
99	Other Intergovernmental Charges	333,407	--	--	(333,407)
TG	Total Governmental Activities	<u>44,619,697</u>	<u>495,623</u>	<u>7,386,785</u>	<u>(36,737,289)</u>
TP	Total Primary Government	<u>\$ 44,619,697</u>	<u>\$ 495,623</u>	<u>\$ 7,386,785</u>	<u>(36,737,289)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				17,172,056
DT	Property Taxes, Levied for Debt Service				4,853,336
IE	Investment Earnings				331,826
GC	Grants and Contributions Not Restricted to Specific Programs				17,649,524
MI	Miscellaneous				546,195
TR	Total General Revenues				<u>40,552,937</u>
CN	Change in Net Position				3,815,648
NB	Net Position - Beginning				24,665,979
NE	Net Position - Ending				<u>\$ 28,481,627</u>

The accompanying notes are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2020

Data Control Codes	10	
	General Fund	ESSER Grant
ASSETS:		
1110 Cash and Cash Equivalents	\$ 15,028,802	\$ --
1120 Current Investments	5,966,808	--
1225 Taxes Receivable, Net	1,326,758	--
1240 Due from Other Governments	356,516	709,938
1260 Due from Other Funds	927,771	--
1290 Other Receivables	23,868	--
1300 Inventories	--	--
1410 Unrealized Expenditures	16,681	--
1800 Restricted Assets	--	--
1000 Total Assets	<u>23,647,204</u>	<u>709,938</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 17,837	\$ --
2160 Accrued Wages Payable	1,666,912	--
2170 Due to Other Funds	19,505	709,938
2180 Due to Other Governments	135,757	--
2300 Unearned Revenue	1,327,108	--
2000 Total Liabilities	<u>3,167,119</u>	<u>709,938</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 Inventories	--	--
3425 Endowment Principal	--	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3480 Retirement of Long-Term Debt	--	--
3490 Other Restrictions of Fund Balance	--	--
Committed Fund Balances:		
3510 Construction	3,000,000	--
3530 Capital Expenditures for Equipment	2,000,000	--
3545 Other Committed Fund Balance	--	--
Assigned Fund Balances:		
3560 Claims and Judgments	5,689,949	--
3600 Unassigned	9,790,136	--
3000 Total Fund Balances	<u>20,480,085</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 23,647,204</u>	<u>\$ 709,938</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 3,068,640	\$ 769,925	\$ 18,867,367
296	--	5,967,104
323,240	--	1,649,998
109,119	388,837	1,564,410
9,697	9,808	947,276
6,461	30	30,359
--	106,492	106,492
--	--	16,681
950,263	32,422	982,685
<u>4,467,716</u>	<u>1,307,514</u>	<u>30,132,372</u>
\$ --	\$ 6,810	\$ 24,647
--	201,474	1,868,386
--	217,833	947,276
--	--	135,757
323,240	82,945	1,733,293
<u>323,240</u>	<u>509,062</u>	<u>4,709,359</u>
--	106,492	106,492
--	30,000	30,000
--	534,305	534,305
4,144,476	--	4,144,476
--	2,422	2,422
--	--	3,000,000
--	--	2,000,000
--	125,233	125,233
--	--	5,689,949
--	--	9,790,136
<u>4,144,476</u>	<u>798,452</u>	<u>25,423,013</u>
\$ <u>4,467,716</u>	\$ <u>1,307,514</u>	\$ <u>30,132,372</u>

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KILGORE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2020

Total fund balances - governmental funds balance sheet	\$ 25,423,013
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	67,101,047
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,649,998
Payables for bond principal, premiums and discounts are not reported in the funds.	(43,670,502)
Payables for bond interest which are not due in the current period are not reported in the funds.	(77,129)
The SOA includes the District's proportionate share of the TRS net pension liability, as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of Resources.	(5,522,709)
The SOA includes the District's proportionate share of the TRS OPEB liability, as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of Resources.	(16,422,091)
Net position of governmental activities - Statement of Net Position	<u>\$ 28,481,627</u>

The accompanying notes are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		10 General Fund	ESSER Grant
REVENUES:			
5700	Local and Intermediate Sources	\$ 17,739,852	\$ --
5800	State Program Revenues	17,677,406	--
5900	Federal Program Revenues	421,027	709,938
5020	Total Revenues	<u>35,838,285</u>	<u>709,938</u>
EXPENDITURES:			
Current:			
0011	Instruction	17,366,581	709,938
0012	Instructional Resources and Media Services	474,442	--
0013	Curriculum and Staff Development	852,680	--
0021	Instructional Leadership	366,695	--
0023	School Leadership	2,065,176	--
0031	Guidance, Counseling, & Evaluation Services	1,387,430	--
0032	Social Work Services	3,648	--
0033	Health Services	360,088	--
0034	Student Transportation	1,482,347	--
0035	Food Service	18,177	--
0036	Cocurricular/Extracurricular Activities	1,499,458	--
0041	General Administration	1,295,988	--
0051	Facilities Maintenance and Operations	4,536,471	--
0052	Security and Monitoring Services	314,430	--
0053	Data Processing Services	466,131	--
0061	Community Services	11,744	--
0071	Principal on Long-term Debt	--	--
0072	Interest on Long-term Debt	--	--
0073	Bond Issuance Costs and Fees	--	--
0099	Other Intergovernmental Charges	333,407	--
6030	Total Expenditures	<u>32,834,893</u>	<u>709,938</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>3,003,392</u>	<u>--</u>
Other Financing Sources and (Uses):			
7949	Other Resources	63,625	--
7080	Total Other Financing Sources and (Uses)	<u>63,625</u>	<u>--</u>
1200	Net Change in Fund Balances	3,067,017	--
0100	Fund Balances - Beginning	17,413,068	--
3000	Fund Balances - Ending	<u>\$ 20,480,085</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 4,826,665	\$ 475,656	\$ 23,042,173
87,032	912,635	18,677,073
139,974	3,866,351	5,137,290
<u>5,053,671</u>	<u>5,254,642</u>	<u>46,856,536</u>
--	2,738,293	20,814,812
--	8,053	482,495
--	152,724	1,005,404
--	8,519	375,214
--	86,423	2,151,599
--	251,580	1,639,010
--	--	3,648
--	--	360,088
--	--	1,482,347
--	1,937,161	1,955,338
--	111,247	1,610,705
--	--	1,295,988
--	--	4,536,471
--	93,385	407,815
--	--	466,131
--	4,979	16,723
1,705,000	--	1,705,000
1,766,043	--	1,766,043
4,300	--	4,300
--	--	333,407
<u>3,475,343</u>	<u>5,392,364</u>	<u>42,412,538</u>
<u>1,578,328</u>	<u>(137,722)</u>	<u>4,443,998</u>
--	--	63,625
--	--	63,625
<u>1,578,328</u>	<u>(137,722)</u>	<u>4,507,623</u>
2,566,148	936,174	20,915,390
<u>\$ 4,144,476</u>	<u>\$ 798,452</u>	<u>\$ 25,423,013</u>

KILGORE INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020*

Net change in fund balances - total governmental funds	\$ 4,507,623
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	952,923
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,376,226)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(17,834)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	256,449
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,705,000
(Increase) decrease in accrued interest from beginning of period to end of period.	2,298
Bond premiums and discounts are reported in the funds but not in the SOA.	54,623
GASB 68 requires certain plan expenditures to be de-expended and recorded as Deferred Resource Outflows or expensed and recorded as Deferred Resource Inflows. This is the net result.	(1,045,910)
GASB 75 requires certain OPEB expenditures to be de-expended and recorded as Deferred Resource Outflows or expensed and recorded as Deferred Resource Inflows. This is the net result.	(223,298)
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,815,648</u>

The accompanying notes are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2020**

Data Control Codes	Custodial Fund
	Student Activity
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 130,185
1000 Total Assets	<u>130,185</u>
LIABILITIES:	
Current Liabilities:	
2190 <i>Due to Student Groups</i>	<u>130,185</u>
2000 Total Liabilities	<u>130,185</u>
NET POSITION:	
3000 Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies

The basic financial statements of Kilgore Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. 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. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (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 the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 92, Omnibus 2020

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84*, and a Supersession of GASB Statement No. 32

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (For example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$18,992,911 and the bank balance was \$19,477,262. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District's cash deposits can be tied to the exhibits as follows:

Exhibit C-1 - Cash and Cash Equivalents	\$ 18,867,367
Exhibit E-1 - Cash and Cash Equivalents	130,185
	<u>18,997,552</u>
Less Petty Cash	(4,641)
Total Cash and Cash Equivalents	<u>\$ 18,992,911</u>

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2020 are shown below.

Assets at Fair Value as of August 31, 2020				
	Level 1	Level 2	Level 3	Total
Lone Star Investment Pool	\$ --	\$ 2,249,798	\$ --	\$ 2,249,798
Texas CLASS	--	3,223,979	--	3,223,979
TexPool	--	525,453	--	525,453
BOK Financial	--	950,559	--	950,559
Total Investments	<u>\$ --</u>	<u>\$ 6,949,789</u>	<u>\$ --</u>	<u>\$ 6,949,789</u>

The District's investments can be tied to the exhibits as follows:

Exhibit C-1 - Current Investments	\$ 5,967,104
Exhibit C-1 - Restricted Assets	982,685
Total Investments	<u>\$ 6,949,789</u>

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3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and

KILGORE INDEPENDENT SCHOOL DISTRICT
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safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

Texas CLASS

The District invests in Texas CLASS, which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The pool is governed by a board of trustees, elected annually by its participants. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the "Participants"), Public Trust Advisors LLC (PTA) as Program Administrator and Wells Fargo Bank Texas, N.A. as Custodian. Texas CLASS is rated at a AAAM or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

KILGORE INDEPENDENT SCHOOL DISTRICT
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D. Capital Assets

Capital asset activity for the year ended August 31, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,132,484	\$ --	\$ --	\$ 3,132,484
Total capital assets not being depreciated	<u>3,132,484</u>	<u>--</u>	<u>--</u>	<u>3,132,484</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	86,309,029	379,306	--	86,688,335
Equipment	10,328,012	323,637	29,932	10,621,717
Vehicles	4,282,099	249,980	--	4,532,079
Total capital assets being depreciated	<u>100,919,140</u>	<u>952,923</u>	<u>29,932</u>	<u>101,842,131</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,153,551)	(1,803,525)	--	(25,957,076)
Equipment	(7,623,534)	(386,033)	(12,097)	(7,997,470)
Vehicles	(3,732,354)	(186,668)	--	(3,919,022)
Total accumulated depreciation	<u>(35,509,439)</u>	<u>(2,376,226)</u>	<u>(12,097)</u>	<u>(37,873,568)</u>
Total capital assets being depreciated, net	<u>65,409,701</u>	<u>(1,423,303)</u>	<u>17,835</u>	<u>63,968,563</u>
Governmental activities capital assets, net	<u>\$ 68,542,185</u>	<u>\$ (1,423,303)</u>	<u>\$ 17,835</u>	<u>\$ 67,101,047</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,194,360
Instructional Resources and Media Services	28,235
Curriculum and Staff Development	38,127
Instructional Leadership	11,765
School Leadership	105,801
Guidance, Counseling, & Evaluation Services	99,803
Health Services	22,222
Student Transportation	236,019
Food Services	183,228
Extracurricular Activities	190,505
General Administration	43,137
Plant Maintenance and Operations	188,863
Security and Monitoring Services	9,587
Data Processing Services	24,574
	<u>\$ 2,376,226</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	ESSER Grant	\$ 709,938	Short-term loans
General Fund	Other Governmental	217,833	Short-term loans
Debt Service	General Fund	9,697	Tax receipts
Other Governmental Funds	General Fund	9,808	Short-term loans
	Total	<u>\$ 947,276</u>	

All amounts due are scheduled to be repaid within one year.

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NOTES TO THE FINANCIAL STATEMENTS
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F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 44,585,000	\$ --	\$ 1,705,000	\$ 42,880,000	\$ 1,770,000
Bond issue premium	846,824	--	54,851	791,973	--
Bonds issue discount	(1,699)	--	(228)	(1,471)	--
Net Pension Liability *	8,457,612	(12,057)	532,778	7,912,777	--
Net OPEB Liability *	13,621,805	(445,615)	194,817	12,981,373	--
Total governmental activities	<u>\$ 67,509,542</u>	<u>\$ (457,672)</u>	<u>\$ 2,487,218</u>	<u>\$ 64,564,652</u>	<u>\$ 1,770,000</u>

Interest rates on bonds range from 1.5% to 5.5%.

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability*	Governmental	General
Net OPEB Liability*	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities		
	Bonds		Total
	Principal	Interest	
2021	\$ 1,770,000	\$ 1,702,618	\$ 3,472,618
2022	1,835,000	1,636,292	3,471,292
2023	1,905,000	1,566,855	3,471,855
2024	1,970,000	1,494,305	3,464,305
2025	2,040,000	1,425,085	3,465,085
2026-2030	13,940,000	5,414,195	19,354,195
2031-2035	12,535,000	2,849,225	15,384,225
2036-2040	6,885,000	373,713	7,258,713
Totals	<u>\$ 42,880,000</u>	<u>\$ 16,462,288</u>	<u>\$ 59,342,288</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS Documents/cafr2019.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf), selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered 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 (1.) above.

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

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

4. 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.

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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 thru 2025.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2020 employer contributions	\$	607,624
District's 2020 member contributions	\$	1,780,917
2019 NECE On-Behalf Contributions (state)	\$	1,102,828

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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5. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full descriptions of these assumptions please see the actuarial valuation report dated November 9, 2018.

6. Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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.

The long-term rate of return on pension plan investments is 7.25%. 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 Systems target asset allocation as of August 31, 2019 are summarized below:

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Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100.0%	100.0%	7.23%
<p>* Target allocations are based on the Strategic Asset Allocation as of FY2019</p> <p>** New allocations are based on the Strategic Asset Allocation to be implemented FY2020</p> <p>*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%</p> <p>**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds</p> <p>***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility</p>			

7. 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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 12,163,088	\$ 7,912,777	\$ 4,469,205

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

At August 31, 2020, the District reported a liability of \$7,912,777 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:

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District's proportionate share of the collective net pension liability	\$ 7,912,777
State's proportionate share that is associated with District	<u>16,379,690</u>
Total	<u>\$ 24,292,467</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0152218187%. which was an increase (decrease) of -0.0001438053% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of \$4,226,553 and revenue of \$2,573,019 for support provided by the State.

At August 31, 2020, 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 economic experience	\$ 33,241	\$ 274,744
Changes in actuarial assumptions	2,454,932	1,014,494
Difference between projected and actual investment earnings	79,454	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	568,036	63,981
Contributions paid to TRS subsequent to the measurement date	<u>607,624</u>	<u>--</u>
Total	<u>\$ 3,743,287</u>	<u>\$ 1,353,219</u>

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The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Pension Expense Amount
2021	\$ 486,656
2022	\$ 389,669
2023	\$ 432,570
2024	\$ 418,017
2025	\$ 131,506
Thereafter	\$ (75,974)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree* and Family	1,020	999
* or surviving spouse		

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2020 Employer Contributions	\$	212,189
District's 2020 Member Contributions	\$	150,228
2019 NECE On-Behalf Contributions (state)	\$	258,854

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

**7.3% for FY2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

*** 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	Discount Rate		
	1% Decrease Rate 1.63%	Current Single Rate 2.53%	1% Increase Rate 3.63%
District's proportionate share of net OPEB liability	\$ 15,672,683	\$ 12,981,374	\$ 10,875,960

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

At August 31, 2020, the District reported a liability of \$12,981,373 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. 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 proportionate share of the collective net OPEB liability	\$ 12,981,373
State's proportionate share that is associated with the District	<u>17,249,342</u>
Total	<u>\$ 30,230,715</u>

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0274498569, which was an increase(decrease) of 0.0001685535% from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	Healthcare Trend		
	1% Decrease Rate 7.5%	Current Single Rate 8.5%	1% Increase Rate 9.5%
District's proportionate share of net OPEB liability	\$ <u>10,589,749</u>	\$ <u>12,981,374</u>	\$ <u>16,185,052</u>

9. Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability (TOL) since the prior measurement period:

- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$890,109 and revenue of \$454,622 for support provided by the State.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 636,847	\$ 2,124,264
Changes in actuarial assumptions	721,014	3,491,671
Differences between projected and actual investment earnings	1,400	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	603,767	--
Contributions paid to TRS subsequent to the measurement date	212,189	--
Total	<u>\$ 2,175,217</u>	<u>\$ 5,615,935</u>

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

August 31,	Expense
2021	\$ (632,117)
2022	\$ (632,117)
2023	\$ (632,570)
2024	\$ (632,829)
2025	\$ (632,758)
Thereafter	\$ (490,515)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$110,297.

J. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$241 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Plan have been filed with the State of Texas Board of Insurance, Austin, Texas, and are public record.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

K. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

The District is involved in a lawsuit whereby taxpayers are seeking to recover the additional local option homestead exemption which the District's Board of Trustees rescinded in 2015. The District intends to vigorously defend the litigation. Although the District believes it was correct in its decision to rescind the local homestead option, they have decided to assign \$5,689,949 of fund balance in the general fund, taking a conservative approach in planning for the District's future.

L. Subsequent Events

At the date of the audit report, October 31, 2020, the District was in the process of refunding \$28,045,000 of Series 2011, Unlimited Tax School Building Bonds. The refunding will produce a net debt savings of \$8,656,921.

M. Worker's Compensation Fund

The District participates in the Deep East Texas Self Insurance Fund for workers' compensation. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for workers' compensation coverage and develops comprehensive loss control program. The District pays an annual premium to the Fund for its worker's compensation coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. The fund maintains stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1,000,000 per accident. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. Unemployment Compensation

During the year ended August 31, 2020, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund).

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2020, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

O. Auto, Liability and Property Insurance

During the year ended August 31, 2020, the District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability	Property
Auto Physical Damage	School Liability
Privacy and Information Security	

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2020, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

P. Due from Other Governments

The District participated in a variety of federal and state programs from which it received grants to partially or fully finance certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. In addition, the District receives a refund of taxes paid on gasoline or diesel fuel.

Amounts due from federal and state governments as of August 31, 2020 are summarized below:

	General Fund	Debt Service Fund	Special Revenue Funds	Total
Federal Revenue	\$ --	\$ 69,987	\$ 1,098,775	\$ 1,168,762
State Revenue	--	39,132	--	39,132
Other	356,516	--	--	356,516
Totals	<u>\$ 356,516</u>	<u>\$ 109,119</u>	<u>\$ 1,098,775</u>	<u>\$ 1,564,410</u>

Amounts due to federal and state governments as of August 31, 2020 are summarized below:

	General Fund	Other Funds	Total
Federal Revenue	\$ --	\$ --	\$ --
State Revenue	135,757	--	135,757
Other	--	--	--
Totals	<u>\$ 135,757</u>	<u>\$ --</u>	<u>\$ 135,757</u>

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Q. Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At August 31, 2020, the components of delinquent taxes receivable are as follows:

	General Fund	Debt Service	Total
Delinquent Taxes	\$ 1,883,909	\$ 393,286	\$ 2,277,195
Allowance	(557,151)	(70,046)	(627,197)
Net Taxes Receivable	<u>\$ 1,326,758</u>	<u>\$ 323,240</u>	<u>\$ 1,649,998</u>

R. Other Restricted or Committed Fund Balance

Other Restricted Fund Balance at August 31, 2020 consisted of the following:

Gene and Nora Elder Scholarship Funds	<u>\$ 2,422</u>
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Other Committed Fund Balance at August 31, 2020 consisted of the following:

Campus Activity Funds	<u>\$ 125,233</u>
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S. Local and State Revenue

During the year ending August 31, 2020, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Other	Total
Property Taxes	\$ 16,992,512	\$ 4,776,432	\$ --	\$ 21,768,944
Investment Earnings	267,982	49,742	14,098	331,822
Co-curricular Activities	82,535	--	32,105	114,640
Food Service	--	--	255,169	255,169
Gifts and Bequests	27,379	--	11,457	38,836
Other Revenue	369,444	491	162,827	532,762
Totals	<u>\$ 17,739,852</u>	<u>\$ 4,826,665</u>	<u>\$ 475,656</u>	<u>\$ 23,042,173</u>

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

KILGORE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 17,777,010	\$ 18,300,591	\$ 17,739,852	\$ (560,739)
5800	State Program Revenues	19,813,696	18,640,292	17,677,406	(962,886)
5900	Federal Program Revenues	500,000	500,000	421,027	(78,973)
5020	Total Revenues	<u>38,090,706</u>	<u>37,440,883</u>	<u>35,838,285</u>	<u>(1,602,598)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	19,050,610	18,308,667	17,366,581	942,086
0012	Instructional Resources and Media Services	470,408	499,701	474,442	25,259
0013	Curriculum and Staff Development	905,209	909,340	852,680	56,660
	Total Instruction & Instr. Related Services	<u>20,426,227</u>	<u>19,717,708</u>	<u>18,693,703</u>	<u>1,024,005</u>
Instructional and School Leadership:					
0021	Instructional Leadership	465,103	458,390	366,695	91,695
0023	School Leadership	2,053,474	2,073,081	2,065,176	7,905
	Total Instructional & School Leadership	<u>2,518,577</u>	<u>2,531,471</u>	<u>2,431,871</u>	<u>99,600</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,406,268	1,433,692	1,387,430	46,262
0032	Social Work Services	--	20,000	3,648	16,352
0033	Health Services	270,138	388,378	360,088	28,290
0034	Student (Pupil) Transportation	1,650,665	1,706,482	1,482,347	224,135
0035	Food Services	40,000	75,000	18,177	56,823
0036	Cocurricular/Extracurricular Activities	1,707,827	1,722,709	1,499,458	223,251
	Total Support Services - Student (Pupil)	<u>5,074,898</u>	<u>5,346,261</u>	<u>4,751,148</u>	<u>595,113</u>
Administrative Support Services:					
0041	General Administration	1,425,164	1,435,639	1,295,988	139,651
	Total Administrative Support Services	<u>1,425,164</u>	<u>1,435,639</u>	<u>1,295,988</u>	<u>139,651</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	6,413,596	6,180,833	4,536,471	1,644,362
0052	Security and Monitoring Services	325,024	325,256	314,430	10,826
0053	Data Processing Services	458,512	482,241	466,131	16,110
	Total Support Services - Nonstudent Based	<u>7,197,132</u>	<u>6,988,330</u>	<u>5,317,032</u>	<u>1,671,298</u>
Ancillary Services:					
0061	Community Services	11,500	33,632	11,744	21,888
	Total Ancillary Services	<u>11,500</u>	<u>33,632</u>	<u>11,744</u>	<u>21,888</u>
0099	Other Intergovernmental Charges	340,000	363,169	333,407	29,762
	Total Intergovernmental Charges	<u>340,000</u>	<u>363,169</u>	<u>333,407</u>	<u>29,762</u>
6030	Total Expenditures	<u>36,993,498</u>	<u>36,416,210</u>	<u>32,834,893</u>	<u>3,581,317</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>1,097,208</u>	<u>1,024,673</u>	<u>3,003,392</u>	<u>1,978,719</u>
Other Financing Sources (Uses):					
7949	Other Resources	--	--	63,625	63,625
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>63,625</u>	<u>63,625</u>
1200	Net Change in Fund Balance	<u>1,097,208</u>	<u>1,024,673</u>	<u>3,067,017</u>	<u>2,042,344</u>
0100	Fund Balance - Beginning	<u>17,413,068</u>	<u>17,413,068</u>	<u>17,413,068</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 18,510,276</u>	<u>\$ 18,437,741</u>	<u>\$ 20,480,085</u>	<u>\$ 2,042,344</u>

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST, 31, 2020

	Measurement Year Ended August 31,				
	2019	2018	2017	2016	2015
	2014				
District's proportion of the net pension liability (asset)	0.01522182%	0.01536562%	0.01507144%	0.01484229%	0.15781500%
District's proportionate share of the net pension liability (asset)	\$ 7,912,777	\$ 8,457,612	\$ 4,819,036	\$ 5,608,679	\$ 5,578,550
State's proportionate share of the net pension liability (asset) associated with the District	16,379,690	18,386,603	10,929,124	13,494,212	12,956,186
Total	<u>\$ 24,292,467</u>	<u>\$ 26,844,215</u>	<u>\$ 15,748,160</u>	<u>\$ 19,102,891</u>	<u>\$ 18,534,736</u>
District's covered-employee payroll	\$ 21,134,970	\$ 21,106,735	\$ 20,477,271	\$ 19,102,891	\$ 18,534,736
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.44%	40.07%	23.53%	29.36%	30.10%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%
					83.25%

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

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,				
	2020	2019	2018	2017	2015
Contractually required contribution	\$ 607,624	\$ 532,767	\$ 517,705	\$ 489,665	\$ 467,467
Contributions in relation to the contractually required contribution	(607,624)	(533,152)	(517,705)	(489,665)	(467,467)
Contribution deficiency (excess)	\$ --	\$ (385)	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 23,122,658	\$ 21,134,970	\$ 21,106,735	\$ 20,477,271	\$ 20,243,405
Contributions as a percentage of covered-employee payroll	2.63%	2.52%	2.45%	2.39%	2.31%
					2.42%

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

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year Ended August 31,		
	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0274498570%	0.0272813030%	0.0262172932%
District's proportionate share of the collective net OPEB liability	\$ 12,981,373	\$ 13,621,805	\$ 11,400,917
State proportionate share of the collective net OPEB liability associated with the District	17,249,342	17,382,427	15,603,594
Total	<u>\$ 30,230,715</u>	<u>\$ 31,004,232</u>	<u>\$ 27,004,511</u>
District's covered-employee payroll	\$ 21,134,970	\$ 21,106,735	\$ 20,477,271
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	61.42%	64.54%	55.68%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

Note: Only three years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,		
	2020	2019	2018
Statutorily or contractually required District contribution	\$ 212,189	\$ 194,290	\$ 188,224
Contributions recognized by OPEB in relation to statutorily or contractually required contributic	(212,189)	(194,825)	(188,224)
Contribution deficiency (excess)	\$ --	\$ (535)	\$ --
District's covered-employee payroll	\$ 23,122,658	\$ 21,134,970	\$ 21,106,735
Contributions as a percentage of covered-employee payroll	0.92%	0.92%	0.89%

Note: Only three years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Non-budgeted Major Fund

The District's special revenue fund for the ESSER Grant calculates as a major fund and is presented as such on the fund financial statements. This fund is not required to have a legally adopted budget, therefore no budget to actual comparison schedule is presented.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

KILGORE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2011 and Prior Years						
2012		1.0400		.2692		1,655,149,175
2013		1.0400		.2692		1,660,756,722
2014		1.0400		.2692		1,642,326,612
2015		1.0400		.2692		1,625,663,916
2016		1.0400		.2692		1,621,378,017
2017		1.0400		.2692		1,525,689,929
2018		1.0400		.2692		1,522,560,412
2019		1.0400		.2692		1,596,699,358
2020 (School Year Under Audit)		0.9700		.2692		1,721,589,768
1000 Totals						
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code						

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 529,358	\$ --	\$ 2,868	\$ 743	\$ (160,631)	\$ 365,116
77,367	--	1,883	487	(12,365)	62,632
113,949	--	11,813	3,058	(8,069)	91,009
125,145	--	14,654	3,793	(11,375)	95,323
136,752	--	13,709	3,549	(2,819)	116,675
155,112	--	22,470	5,816	(6,968)	119,858
180,648	--	30,256	7,832	(8,693)	133,867
287,481	--	46,784	12,110	(9,569)	219,018
489,001	--	157,098	40,664	(16,042)	275,197
--	21,333,940	16,361,727	4,620,269	446,556	798,500
<u>\$ 2,094,813</u>	<u>\$ 21,333,940</u>	<u>\$ 16,663,262</u>	<u>\$ 4,698,321</u>	<u>\$ 210,025</u>	<u>\$ 2,277,195</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

KILGORE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	<i>Local and Intermediate Sources</i>	\$ 390,925	\$ 390,925	\$ 265,501	\$ (125,424)
5800	<i>State Program Revenues</i>	12,000	12,000	10,713	(1,287)
5900	<i>Federal Program Revenues</i>	1,921,100	1,921,100	1,385,379	(535,721)
5020	Total Revenues	<u>2,324,025</u>	<u>2,324,025</u>	<u>1,661,593</u>	<u>(662,432)</u>
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	<i>Food Services</i>	2,326,025	2,326,025	1,821,958	504,067
	Total Support Services - Student (Pupil)	<u>2,326,025</u>	<u>2,326,025</u>	<u>1,821,958</u>	<u>504,067</u>
6030	Total Expenditures	<u>2,326,025</u>	<u>2,326,025</u>	<u>1,821,958</u>	<u>504,067</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(2,000)</u>	<u>(2,000)</u>	<u>(160,365)</u>	<u>(158,365)</u>
	Other Financing Sources (Uses):				
7912	<i>Sale of Real or Personal Property</i>	2,000	2,000	--	(2,000)
7080	Total Other Financing Sources and (Uses)	<u>2,000</u>	<u>2,000</u>	<u>--</u>	<u>(2,000)</u>
1200	Net Change in Fund Balance	--	--	(160,365)	(160,365)
0100	Fund Balance - Beginning	801,162	801,162	801,162	--
3000	Fund Balance - Ending	<u>\$ 801,162</u>	<u>\$ 801,162</u>	<u>\$ 640,797</u>	<u>\$ (160,365)</u>

KILGORE INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-3**

*INTEREST AND SINKING
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020*

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 4,414,007	\$ 4,414,007	\$ 4,826,665	\$ 412,658
5800	State Program Revenues	--	--	87,032	87,032
5900	Federal Program Revenues	139,527	139,527	139,974	447
5020	Total Revenues	<u>4,553,534</u>	<u>4,553,534</u>	<u>5,053,671</u>	<u>500,137</u>
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	2,175,000	2,175,000	1,705,000	470,000
0072	Interest on Long-Term Debt	1,763,043	1,773,043	1,766,043	7,000
0073	Bond Issuance Costs and Fees	5,000	5,000	4,300	700
	Total Debt Service	<u>3,943,043</u>	<u>3,953,043</u>	<u>3,475,343</u>	<u>477,700</u>
6030	Total Expenditures	<u>3,943,043</u>	<u>3,953,043</u>	<u>3,475,343</u>	<u>477,700</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>610,491</u>	<u>600,491</u>	<u>1,578,328</u>	<u>977,837</u>
1200	Net Change in Fund Balance	610,491	600,491	1,578,328	977,837
0100	Fund Balance - Beginning	<u>2,566,148</u>	<u>2,566,148</u>	<u>2,566,148</u>	--
3000	Fund Balance - Ending	<u>\$ 3,176,639</u>	<u>\$ 3,166,639</u>	<u>\$ 4,144,476</u>	<u>\$ 977,837</u>

BROWN, BRONSTAD, HABENICHT & ROSSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

PO BOX 1790

KILGORE, TEXAS 75663-1790

SHAREHOLDER:

Lynda R. Newsome, CPA

PROFESSIONAL STAFF:

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1116 N. Kilgore St.

Kilgore, Texas 75662

Independent Auditors' 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

Board of Trustees
Kilgore Independent School District
301 N Kilgore St
Kilgore, Texas 75662

Members of the Board of Trustees:

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 governmental activities, each major fund, and the aggregate remaining fund information of Kilgore Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Kilgore Independent School District's basic financial statements, and have issued our report thereon dated October 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kilgore Independent School District's internal control over financial reporting (internal control) to determine 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 Kilgore Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kilgore Independent School 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kilgore Independent School 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


BROWN, BRONSTAD, HABENICHT & ROSSON, PC

Kilgore, TX
October 31, 2020

BROWN, BRONSTAD, HABENICHT & ROSSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

PO BOX 1790

KILGORE, TEXAS 75663-1790

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1116 N. Kilgore St.

Kilgore, Texas 75662

**Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Trustees
Kilgore Independent School District
301 N Kilgore St
Kilgore, Texas 75662

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Kilgore Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Kilgore Independent School District's major federal program for the year ended August 31, 2020. Kilgore Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kilgore Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Kilgore Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Kilgore Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Kilgore Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2020.

Report on Internal Control Over Compliance

Management of the Kilgore Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Kilgore Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Kilgore Independent School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


BROWN, BRONSTAD, HABENICHT & ROSSON, PC

Kilgore, TX
October 31, 2020

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2019

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.176	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

KILGORE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior year audit findings.		

KILGORE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

None Needed

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT K-1

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	092-902	\$ --	\$ 363,121
National School Lunch Program	10.555	092-902	--	937,600
National School Lunch Program (Non-cash)	10.555	092-902	--	199,861
Total CFDA Number 10.555			--	1,137,461
Total Passed Through State Department of Education			--	1,500,582
Total U. S. Department of Agriculture			--	1,500,582
Total Child Nutrition Cluster			--	1,500,582
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>IDEA-B Formula</i>	84.027	206600010929026600	--	1,036,004
<i>IDEA-B Preschool</i>	84.173	206610010929026610	--	3,550
Total Passed Through State Department of Education			--	1,039,554
Total U. S. Department of Education			--	1,039,554
Total Special Education (IDEA) Cluster			--	1,039,554
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	20610101092902	--	1,003,789
<i>Career and Technical - Basic Grant</i>	84.048	20420006092902	--	38,910
<i>Title III Part A English Language Acq. & Language Enh.</i>	84.365A	20671001092902	--	44,974
<i>ESEA Title II Part A - Teacher & Principal Training & Rec.</i>	84.367A	20694501092902	--	127,898
<i>Title I School Improvement Program Academy Grant</i>	84.377A	17610740092902	--	17,665
<i>Title IV, Part A, Subpart 1</i>	84.424A	20680101092902	--	91,819
<i>LEP Summer School</i>	84.369A	69551902		1,160
<i>ESSER Coronavirus Aid Relief</i>	84.425D	20521001092902	--	709,938
Total Passed Through State Department of Education			--	2,036,153
Total U. S. Department of Education			--	2,036,153
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 4,576,289

The accompanying notes are an integral part of this schedule.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Kilgore Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements. Presented below is a reconciliation of federal revenues:

Total Expenditures of Federal Awards per Exhibit K-1	\$	4,576,289
School Health and Related Services (SHARS) reported in the general fund		421,027
Interest Subsidy on Qualified School Construction Bonds		139,974
Total Federal Revenues	\$	<u>5,137,290</u>

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Kilgore Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

KILGORE INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020**

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --

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