



KILGORE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

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**KILGORE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2021**

PAGE EXHIBIT

TABLE OF CONTENTS

CERTIFICATE OF BOARD	1	-
 FINANCIAL SECTION		
Independent Auditors' Report.....	5	-
Management's Discussion and Analysis.....	7	-
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	16	A-1
Statement of Activities	17	B-1
Funds Financial Statements:		
Balance Sheet – Governmental Funds	18	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	21	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	22	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24	C-4
Statement of Fiduciary Net Position – Fiduciary Funds.....	25	D-1
Statement of Changes in Fiduciary Fund Net Position – Fiduciary Funds	26	D-2
Notes to the Financial Statements	27	
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	57	E-1
Schedule of the District's Proportionate Share of the Net Pension Liability	58	E-2
Schedule of the District's Contributions.....	60	E-3
Schedule of the District's Proportionate Share of Net OPEB Liability	62	E-4
Schedule of District Contributions for Other Post-Employment Benefits (OPEB)	63	E-5
Notes to the Required Supplementary Information	64	
Compliance Schedules:		
Schedule of Delinquent Taxes Receivable	68	F-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Program.....	70	F-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund	71	F-3
 FEDERAL AWARDS SECTION		
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 <i>Government Auditing Standards</i>	75	-
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.	77	-
Schedule of Findings and Questioned Costs	79	-
Summary Schedule of Prior Year Findings	81	-
Corrective Action Plan	82	-
Schedule of Expenditures of Federal Awards	83	G-1
Notes to Schedule of Expenditures of Federal Awards.....	85	-

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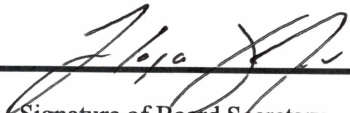
CERTIFICATE OF BOARD

Kilgore Independent School District
Name of School District

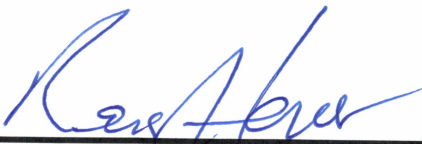
Gregg
County

092-902
County-District

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and X approved disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on the 18th day of November, 2021.



Signature of Board Secretary



Signature of Board President

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FINANCIAL SECTION

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MAYS & ASSOCIATES^{PLLC}
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
KILGORE INDEPENDENT SCHOOL DISTRICT
Kilgore, Texas

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, 2021, 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 auditors' 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 entity'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 entity'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 the District, as of August 31, 2021, and the respective changes in financial position, and, where applicable, cash flow thereof 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, budgetary comparison information, and TRS pension and OPEB schedules, on pages 7-15 and 57-65, 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 District's basic financial statements. The schedules required by the Texas Education Agency are presented for purposes of additional analysis and are not a required part 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 schedules required by the Texas Education Agency 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 schedules required by the Texas Education Agency 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Mays & Associates, PLLC

Baytown, Texas
November 15, 2021

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

As management of the Kilgore Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total assets and deferred outflows exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$35,493,883 (*net position*).
- The District's governmental funds reported combined ending fund balances of \$31,724,252, an increase of \$6,301,239 in comparison with the prior year. The increase in governmental fund balances was due primarily to the excess revenue over expenditures. The District received additional state and grant funding compared to the previous year.
- The unassigned fund balance for the general fund was \$14,259,382 or 44% of total general fund expenditures.
- The District's bonded debt decreased by \$8,525,000 as a result of regularly scheduled debt payments and refunding during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis, the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1) are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining Governmental Fund Financial Statements and the Fiduciary Fund Financial Statement focus on individual parts of the government and they report the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general government services were funded in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include Notes to the Financial Statements that explain in narrative form some of the information in the financial statements and also provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash was received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position represents the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base and changes in student enrollment.

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

The government-wide financial statements of the District reflect the governmental activities which are principally supported by taxes and intergovernmental revenues. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration.

Fund Financial Statements

The fund financial statements (Exhibits C-1 through D-2) provide more detailed information about the District's most significant funds, but not the District as a whole. A fund is a group of accounts that the District uses to record specific sources of revenue and to track expenditures used for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

1. *Governmental Funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide Exhibits C-2 and C-4 to explain the differences between them.
2. *Fiduciary Funds* – The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate statements (Exhibit D-1 & D-2). We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. GASB 84 was implemented during 2021, resulting in a prior period adjustment. See footnotes for additional information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information compares the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds with legally adopted budgets; therefore, only the general fund budget is presented as required supplementary information.

In addition, information related to the District's proportionate share of its net pension liability, net OPEB liability, and contributions to the Teacher Retirement System of Texas is also presented.

Other Information

The other supplementary information is presented immediately following the required supplementary information and includes schedules required by the Texas Education Agency.

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources \$35,493,852 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COMPARATIVE SCHEDULE OF NET POSITION

	Governmental Activities		Change
	2021	2020	2020-2021
Current and other assets	\$ 36,514,745	\$ 29,185,096	\$ 7,329,649
Capital assets and non current assets	65,064,134	67,101,047	(2,036,913)
Total assets	101,578,879	96,286,143	5,292,736
Total deferred outflows of resources	5,033,223	5,918,504	(885,281)
Other liabilities	3,373,759	3,959,214	(585,455)
Long-term liabilities	58,791,534	62,794,652	(4,003,118)
Total liabilities	62,165,293	66,753,866	(4,588,573)
Total deferred inflows of resources	8,952,926	6,969,154	1,983,772
Net position:			
Net investment in capital assets	24,793,002	23,430,545	1,362,457
Restricted	5,264,255	5,140,934	123,321
Unrestricted	5,436,626	(89,852)	5,526,478
Total net position	\$ 35,493,883	\$ 28,481,627	\$ 7,012,256

Unrestricted net position, which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, amount to \$5,436,626 at August 31, 2021. Unrestricted net position increased over the prior year due to excess revenues over operating expenses. The District's unrestricted net position includes the reporting of the District's proportionate share of the net pension and OPEB liabilities. The District's liability is reported in governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the pension and TRS-Care plans are funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Additionally, net position is restricted for the following purposes:

	Governmental Activities	
	2021	2020
Federal and state programs	\$ 709,894	\$ 640,796
Debt Services	4,554,361	4,467,716
Other purposes	-	32,422
	<u>\$ 5,264,255</u>	<u>\$ 5,140,934</u>

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION

	Governmental Activities				Change
	2021	%	2020	%	2020-2021
Revenues					
Program revenues:					
Charges for services	\$ 431,006	1%	\$ 495,623	1%	\$ (64,617)
Operating grants & contributions	8,377,910	17%	7,386,785	15%	991,125
General revenues:					
Property taxes	20,970,346	42%	22,025,392	45%	(1,055,046)
State aid - formula grants	18,315,613	37%	17,649,524	36%	666,089
Grants and contributions not restricted	469,839	1%	-	0%	469,839
Investment earnings	90,446	0%	331,826	1%	(241,380)
Other	816,902	2%	546,195	1%	270,707
Total revenues	<u>49,472,062</u>	<u>100%</u>	<u>48,435,345</u>	<u>100%</u>	<u>1,036,717</u>
Expenses:					
Instruction and related services	24,220,095	57%	25,161,621	56%	(941,526)
Instructional and school leadership	2,798,231	7%	2,855,275	6%	(57,044)
Support services - student	7,524,266	18%	7,951,154	18%	(426,888)
Administrative support services	1,554,904	4%	1,439,781	3%	115,123
Support services - non-student based	4,863,195	11%	5,110,414	11%	(247,219)
Debt service	1,172,292	3%	1,768,045	4%	(595,753)
Intergovernmental charges	326,823	1%	333,407	1%	(6,584)
Total expenses	<u>42,459,806</u>	<u>100%</u>	<u>44,619,697</u>	<u>100%</u>	<u>(2,159,891)</u>
Increase (decrease) in net position	7,012,256		3,815,648		3,196,608
Net position, beginning	28,481,627		24,665,979		3,815,648
Prior period adjustment	-		-		-
Net position, ending	<u>\$ 35,493,883</u>		<u>\$ 28,481,627</u>		<u>\$ 7,012,256</u>

Governmental Activities

The increase in Net Position of \$7,012,256 results primarily from increased operating grants & state funding, coupled with a decrease in operating expenses.

Governments providing defined benefit pension plans and other post-employment benefits were required to recognize their long-term obligation for pension and OPEB benefits as a liability on their accrual-based, government-wide statement of net position. This provides citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The implementation of these standards clearly depicts the government's financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed. Reporting the net pension liability and net OPEB liability on the face of the financial statements will more clearly portray the government's financial status because the pension and OPEB liabilities will be placed on an equal footing with other long-term obligations.

At August 31, 2021, the District reported a net pension liability of \$7,902,304 for its proportionate share of TRS's net pension liability and a net OPEB liability of \$10,560,312 for its proportionate share of the District's Other Post-

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

Employment benefits other than pensions. At August 31, 2020, the District's net pension liability and OPEB liability was \$7,912,777 and \$12,981,373, respectively.

Revenues are generated primarily from the following three sources: property taxes, state-aid formula grants, and operating grants and contributions. When combined (\$47,663,869), these represented approximately 95 percent of total revenues. The remaining \$1,808,193 or 5 percent was generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expenses of the District were instruction and related services, student support services, and non-student support services which represented 86 percent of total expenses. The remaining functional expenses represent less than 10 percent each of the total expenditures.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

At August 31, 2021, the District's governmental funds reported combined fund balances of \$31,724,252, an increase of \$6,301,239 in comparison with the prior year. Approximately 45% or \$14,259,382 of combined fund balance constitutes *unassigned fund balance*.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14,259,382 while total fund balance reached \$26,518,352. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As of August 30, 2021, these were 44% and 82%, respectively. Unassigned fund balance increased \$4,469,246 from the prior year primarily due to results of operation.

The debt service fund has a total fund balance of \$4,341,905, all of which is reserved for the payment of debt service. The net increase in the debt service fund balance during the current year was \$197,429. This increase results from debt service revenues exceeding expenditures. In addition, the District refunded its Series 2011 bonds which reduced its total debt service requirements by \$9,156,921 and realized a present value savings of \$7,988,811.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	BUDGET	
	Original	Final
Total revenues	\$ 36,445,349	\$ 37,806,438
Total expenditures	36,223,949	37,152,336
Other financing sources (uses)	-	600,000
Net change in fund balance	\$ 221,400	\$ 1,254,102

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

The District originally adopted a surplus budget for fiscal year 2021. The District subsequently amended its budget during the year increasing its surplus balance to \$1,254,202. Actual revenues fell below budgeted revenues by \$100 thousand, which was primarily related to state revenue. Actual expenditures fell below budgeted expenditures by \$4.9 million. Final amended budget projected an increase of \$1.2 million; however, the general fund balance increased by \$6,038,267 based on actual results.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2021, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets (capital outlays) decreased during the current year by \$2,036,913 due primarily to current year additions offset by depreciation.

The following table summarizes the investment in capital assets as of August 31, 2021 and 2020.

	2021	2020
Land	\$ 3,132,484	\$ 3,132,484
Buildings and improvements	86,882,560	86,688,335
Furniture and equipment	15,203,211	15,153,796
Construction in progress	-	-
	105,218,255	104,974,615
Accumulated depreciation	(40,154,212)	(37,873,568)
Net capital assets	<u>\$ 65,064,043</u>	<u>\$ 67,101,047</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Liabilities

As of August 31, 2021, the District had total long-term debt liabilities of \$34,355,000. The District's bonded debt decreased by \$8,525,00 over the prior year due to regularly scheduled debt payments and refunding of the Series 2011 bonds. The District's general obligation bonds are rated "Aaa" and "A3" by Standard & Poor and Moody's Investors Service, respectively. The bonds are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy.

Changes in long-term debt for the year ended August 31, 2021 are as follows:

	Outstanding 9/1/2020	Additions	Reductions	Outstanding 8/31/2021
General obligation bonds	\$ 42,880,000	\$ 28,045,000	\$ (36,570,000)	\$ 34,355,000
Deferred bond components	867,631	6,138,578	(1,032,291)	5,973,918
Other liabilities	20,894,150	-	(2,431,534)	18,462,616
	<u>\$ 64,641,781</u>	<u>\$ 34,183,578</u>	<u>\$ (40,033,825)</u>	<u>\$ 58,791,534</u>

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's taxable value for 2021 decreased \$106,761,736, or 6.08% from 2020 values, the second consecutive decline.
- 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, and
 - In an effort to aid 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. A hearing is scheduled on the plaintiff's motion of class action certification on February 25, 2022. The case is set to go to trial on September 19, 2022.
 - 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, 2021, the estimated total of this set-aside was \$5,723,030 (\$4,544,956 General Fund and \$1,178,074 Debt Service). It is the District's 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. If you compare the reserve to the August 31, 2020 reserve you will note a decrease of \$1,441,370 as it is our belief that the statute of limitations expired on the gain from the 2015-2016 school year.

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

- Federal, state and local revenue combined for general fund are expected to decrease from the 2020-2021 final amended budget, \$2,793,594 or 7.27%. This decrease is a result of decreases in property values causing a decrease to property tax collections, enrollment decline, changes to Rusk County Education District tax revenue and a continued decline in interest revenue caused by historically low rates, and miscellaneous other minor local revenue sources seeing decreases due to the pandemic.
- The 2021-2022 general operating expenditure budget decreased from 2020-2021 revised levels, a decrease of \$1,616,916, or 4.34%. This decrease was achieved even with staff salary increases for all groups of employees. The main factor in decreasing the expenditure budget is federal ESSER funds allowing for supplanting some portion of general fund expenditures.
- Within the 2021-2022 expenditure budget is an undefined capital needs budget of \$2,342,335.
- The Board of Trustees and administrators continue their review of current and long-term capital needs.
 - The Board of Trustees called a bond election for November 2, 2021. On the ballot were two propositions; 1) Proposition A - \$109 million for a new high school and renovations to Chandler Elementary School and 2) \$4 million for renovations at R.E. St. John Memorial Stadium. The results of this election were to be canvased at a special meeting on November 15, 2021. Unofficial results show the bond election to be successful with an in-favor vote of 62.9% on Proposition A and 56.87% on Proposition B.
 - The election proposes to raise the debt service rate \$0.2377 bringing our total debt rate to \$0.49.
 - In addition to the stated purposes of the bond issue, the trustees are reviewing district capital needs with plans to complete these from current year budget and excess fund balance.
 -
- The 2021-2022 budget adopted for debt service reflects a surplus of \$540,999. This surplus results from the Board's standing practice of keeping the debt service tax rate unchanged from year to year, equal to the rate approved by taxpayers starting in 2011-2012 as a result of the previous approved bond election. Excess proceeds are accumulated and used to pay off excess debt as early as possible.
- The 2021-2022 general fund budget was based on anticipated average daily attendance mimicking that from the 2020-2021 school year. Because of the COVID constraints during the 2020-2021 school year this approach was considered to be very conservative at the time.
- A discussion of the current budget can not avoid COVID-19. The pandemic has gone on longer than anyone could have originally expected. The pandemic is continuing to produce uncertainties and changes in both revenue and expenditures. Student enrollment is down slightly and the overall attendance rate is lower than projections used to create the 2021-2022 budget. Although the State of Texas has held districts harmless for drops in overall Average Daily Attendance in the past there are no current discussions of such for the 2021-2022 school year. Staffing positions budgeted for in the 2021-2022 budget have gone unfilled due to a lack of hireable staff which we feel will produce budget savings which will help offset a portion of the potential revenue losses. The final pandemic challenge is one faced by the entire world, that of supply chain. Many of the products we need are hard to come by and when we are able to locate them, we do so at prices much higher than pre-pandemic levels. Our current plan is to continue to hold budget managers to their adopted allocations. Kilgore ISD is moving forward with our normal conservative approach. We do feel that our fund balance allows us some room for surviving short term downturns such as this.
- Unemployment rates for both Gregg and Rusk Counties have decreased in the past six months following large spikes resulting from effects 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 6.8% and 6.1%. These rates are still above pre-COVID levels of 3.3% and 3.1% in April of 2019.

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021**

- Sales tax numbers for the City of Kilgore in 2021 again showed a decrease from the prior year, down 8% from 2020 and 35% from 2019. 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 2021-2022 was lowered by \$0.002 from 2020-2021 to \$1.2236, \$0.9634 maintenance and operations plus \$0.2592 debt service. The rate is declining for the third year in a row, with no previous movement to these changes since 2007-2008. These declines are a result of changes created by HB3.

Kilgore ISD, as mentioned previously, remains very conservative in its budget approach. 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 a general overview of the District's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer at Kilgore Independent School District, 301 N. Kilgore Street, Kilgore, Texas 75662.

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 23,737,650
1120 Current Investments	5,974,235
1220 Property Taxes - Delinquent	2,067,574
1230 Allowance for Uncollectible Taxes	(650,840)
1240 Due from Other Governments	3,459,303
1290 Other Receivables, Net	404,171
1300 Inventories	102,158
Capital Assets:	
1510 Land	3,132,484
1520 Buildings, Net	59,123,200
1530 Furniture and Equipment, Net	2,337,801
1540 Other Capital Assets, Net	470,649
1800 Restricted Assets	1,420,494
1000 Total Assets	101,578,879
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	2,919,358
1706 Deferred Outflow Related to TRS OPEB	2,113,865
1700 Total Deferred Outflows of Resources	5,033,223
LIABILITIES	
2110 Accounts Payable	295,118
2150 Payroll Deductions and Withholdings	1,202
2160 Accrued Wages Payable	1,552,600
2180 Due to Other Governments	202,125
2300 Unearned Revenue	1,322,714
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,627,786
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	38,701,132
2540 Net Pension Liability (District's Share)	7,902,304
2545 Net OPEB Liability (District's Share)	10,560,312
2000 Total Liabilities	62,165,293
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,220,071
2606 Deferred Inflow Related to TRS OPEB	7,732,855
2600 Total Deferred Inflows of Resources	8,952,926
NET POSITION	
3200 Net Investment in Capital Assets	24,793,002
Restricted:	
3820 Restricted for Federal and State Programs	709,894
3850 Restricted for Debt Service	4,554,361
3900 Unrestricted	5,436,626
3000 Total Net Position	\$ 35,493,883

The notes to the financial statements are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 22,658,581	\$ 24,913	\$ 5,057,879	\$ (17,575,789)
12 Instructional Resources and Media Services	553,549	-	54,786	(498,763)
13 Curriculum and Instructional Staff Development	1,007,965	-	146,698	(861,267)
21 Instructional Leadership	344,163	-	35,081	(309,082)
23 School Leadership	2,454,068	-	202,759	(2,251,309)
31 Guidance, Counseling, and Evaluation Services	1,859,923	-	364,019	(1,495,904)
32 Social Work Services	21,962	-	1,450	(20,512)
33 Health Services	336,162	-	32,007	(304,155)
34 Student (Pupil) Transportation	1,503,274	-	96,727	(1,406,547)
35 Food Services	2,106,897	122,209	1,814,789	(169,899)
36 Extracurricular Activities	1,696,048	281,984	70,529	(1,343,535)
41 General Administration	1,554,904	-	105,414	(1,449,490)
51 Facilities Maintenance and Operations	4,176,424	1,900	101,321	(4,073,203)
52 Security and Monitoring Services	149,685	-	16,961	(132,724)
53 Data Processing Services	513,144	-	33,668	(479,476)
61 Community Services	23,942	-	7,296	(16,646)
72 Debt Service - Interest on Long-Term Debt	824,295	-	236,526	(587,769)
73 Debt Service - Bond Issuance Cost and Fees	347,997	-	-	(347,997)
99 Other Intergovernmental Charges	326,823	-	-	(326,823)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 42,459,806	\$ 431,006	\$ 8,377,910	(33,650,890)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			16,484,530
DT	Property Taxes, Levied for Debt Service			4,485,816
SF	State Aid - Formula Grants			18,315,613
GC	Grants and Contributions not Restricted			469,839
IE	Investment Earnings			90,446
MI	Miscellaneous Local and Intermediate Revenue			816,902
TR	Total General Revenues			40,663,146
CN	Change in Net Position			7,012,256
NB	Net Position - Beginning			28,481,627
NE	Net Position - Ending			\$ 35,493,883

The notes to the financial statements are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	ESSER II Fund	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 19,985,696	\$ -	\$ 2,871,210
1120 Investments - Current	5,973,936	-	299
1220 Property Taxes - Delinquent	1,726,929	-	340,645
1230 Allowance for Uncollectible Taxes	(580,437)	-	(70,403)
1240 Due from Other Governments	1,225,952	1,077,107	37,947
1260 Due from Other Funds	1,933,301	-	2,343
1290 Other Receivables	394,529	-	9,612
1300 Inventories	-	-	-
1800 Restricted Assets	-	-	1,420,494
1000 Total Assets	<u>\$ 30,659,906</u>	<u>\$ 1,077,107</u>	<u>\$ 4,612,147</u>
LIABILITIES			
2110 Accounts Payable	\$ 273,734	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	1,202	-	-
2160 Accrued Wages Payable	1,359,701	-	-
2170 Due to Other Funds	127,747	1,077,107	-
2180 Due to Other Governments	-	-	-
2300 Unearned Revenue	1,232,678	-	-
2000 Total Liabilities	<u>2,995,062</u>	<u>1,077,107</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,146,492	-	270,242
2600 Total Deferred Inflows of Resources	<u>1,146,492</u>	<u>-</u>	<u>270,242</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	4,341,905
Committed Fund Balance:			
3510 Construction	6,000,000	-	-
3530 Capital Expenditures for Equipment	800,000	-	-
3545 Other Committed Fund Balance	914,014	-	-
Assigned Fund Balance:			
3560 Claims and Judgments	4,544,956	-	-
3600 Unassigned Fund Balance	14,259,382	-	-
3000 Total Fund Balances	<u>26,518,352</u>	<u>-</u>	<u>4,341,905</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 30,659,906</u>	<u>\$ 1,077,107</u>	<u>\$ 4,612,147</u>

The notes to the financial statements are an integral part of this statement.

Nonmajor Governmental Funds		Total Governmental Funds	
\$	880,744	\$	23,737,650
	-		5,974,235
	-		2,067,574
	-		(650,840)
	1,118,297		3,459,303
	125,495		2,061,139
	30		404,171
	102,158		102,158
	-		1,420,494
\$	2,226,724	\$	38,575,884
\$	21,384	\$	295,118
	-		1,202
	192,899		1,552,600
	856,285		2,061,139
	202,125		202,125
	90,036		1,322,714
	1,362,729		5,434,898
	-		1,416,734
	-		1,416,734
	102,158		102,158
	607,736		607,736
	-		4,341,905
	-		6,000,000
	-		800,000
	154,101		1,068,115
	-		4,544,956
	-		14,259,382
	863,995		31,724,252
\$	2,226,724	\$	38,575,884

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KILGORE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 31,724,252
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$105,218,255 and the accumulated depreciation is \$40,154,121. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase net position. (See Note 6.)	65,064,134
2 Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds. The effect of these long-term liabilities is a decrease to net position. (See Note 7.)	(40,328,918)
3 Recognizing unearned revenue (property taxes) as revenue in the government-wide statements to convert from modified accrual basis of accounting to the accrual basis of accounting. The net effect is an increase to net position.	1,416,734
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$7,902,304, a deferred resource inflow related to TRS in the amount of \$1,220,071 and a deferred resource outflow related to TRS in the amount of \$2,919,358. The net effect of these pension related items is a decrease to net position. (See Note 8.)	(6,203,017)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$10,560,312, a deferred inflow related to TRS OPEB in the amount of \$7,732,855, and a deferred resource outflow related to TRS OPEB in the amount of \$2,113,865. The net effect of these OPEB related items is a decrease to net position. (See Note 9.)	(16,179,302)
19 Net Position of Governmental Activities	<u><u>\$ 35,493,883</u></u>

The notes to the financial statements 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, 2021

Data Control Codes	10 General Fund	ESSER II Fund	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 17,164,588	\$ -	\$ 4,551,908
5800 State Program Revenues	20,224,402	-	96,255
5900 Federal Program Revenues	317,270	1,077,107	140,271
5020 Total Revenues	37,706,260	1,077,107	4,788,434
EXPENDITURES:			
Current:			
0011 Instruction	17,316,867	1,077,107	-
0012 Instructional Resources and Media Services	494,324	-	-
0013 Curriculum and Instructional Staff Development	857,851	-	-
0021 Instructional Leadership	306,370	-	-
0023 School Leadership	2,203,240	-	-
0031 Guidance, Counseling, and Evaluation Services	1,463,928	-	-
0032 Social Work Services	21,962	-	-
0033 Health Services	295,693	-	-
0034 Student (Pupil) Transportation	1,264,512	-	-
0035 Food Services	6,427	-	-
0036 Extracurricular Activities	1,350,278	-	-
0041 General Administration	1,458,819	-	-
0051 Facilities Maintenance and Operations	4,167,619	-	-
0052 Security and Monitoring Services	133,287	-	-
0053 Data Processing Services	468,293	-	-
0061 Community Services	17,372	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	-	2,970,000
0072 Interest on Long-Term Debt	-	-	1,127,009
0073 Bond Issuance Cost and Fees	-	-	347,997
Intergovernmental:			
0099 Other Intergovernmental Charges	326,823	-	-
6030 Total Expenditures	32,153,665	1,077,107	4,445,006
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	5,552,595	-	343,428
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	-	28,045,000
7916 Premium or Discount on Issuance of Bonds	-	-	6,138,578
7949 Other Resources	485,672	-	-
8911 Transfers Out (Use)	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(34,329,577)
7080 Total Other Financing Sources (Uses)	485,672	-	(145,999)
1200 Net Change in Fund Balances	6,038,267	-	197,429
0100 Fund Balance - September 1 (Beginning)	20,480,085	-	4,144,476
3000 Fund Balance - August 31 (Ending)	\$ 26,518,352	\$ -	\$ 4,341,905

The notes to the financial statements are an integral part of this statement.

Nonmajor Governmental Funds		Total Governmental Funds	
\$	343,288	\$	22,059,784
	267,881		20,588,538
	4,591,473		6,126,121
	5,202,642		48,774,443
	2,527,094		20,921,068
	18,777		513,101
	90,958		948,809
	17,213		323,583
	88,757		2,291,997
	252,158		1,716,086
	-		21,962
	9,442		305,135
	21,468		1,285,980
	1,898,258		1,904,685
	106,482		1,456,760
	17,681		1,476,500
	26,851		4,194,470
	11,505		144,792
	11,463		479,756
	6,570		23,942
	-		2,970,000
	-		1,127,009
	-		347,997
	-		326,823
	5,104,677		42,780,455
	97,965		5,993,988
	-		28,045,000
	-		6,138,578
	-		485,672
	(32,422)		(32,422)
	-		(34,329,577)
	(32,422)		307,251
	65,543		6,301,239
	798,452		25,423,013
\$	863,995	\$	31,724,252

KILGORE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 6,301,239
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position. (See Note 6.)	243,640
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (See Note 6.)	(2,280,553)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. The net effect is to increase net position. (See Note 7.)	3,418,713
Changes in the District's proportionate share of the net pension liability, deferred outflows or resources, and deferred inflows of resources related to the Teacher Retirement System of Texas for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is a decrease to net position.	(680,308)
Changes in the District's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the Texas Public Retired Employees Group Insurance Program (TRS-Care) for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is a increase to net position.	242,789
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating inter-fund transactions, recognizing the net effect of retirement of capital assets, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(233,264)
Change in Net Position of Governmental Activities	<u><u>\$ 7,012,256</u></u>

The notes to the financial statements are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 151,217
Restricted Assets	32,460	-
Total Assets	<u>32,460</u>	<u>\$ 151,217</u>
NET POSITION		
Restricted for Scholarships	32,460	-
Restricted for Student Groups	-	151,217
Total Net Position	<u>\$ 32,460</u>	<u>\$ 151,217</u>

The notes to the financial statements are an integral part of this statement.

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Contributions to Student Groups	\$ -	\$ 7,626
Miscellaneous Revenue - Student Activities	-	63,700
Enterprising Services Revenue	-	177,376
Earnings from Temporary Deposits	38	-
Miscellaneous Additions	32,422	-
Total Additions	<u>32,460</u>	<u>248,702</u>
DEDUCTIONS:		
Other Deductions	-	227,670
Total Deductions	<u>-</u>	<u>227,670</u>
Change in Fiduciary Net Position	32,460	21,032
Total Net Position - September 1 (Beginning)	-	-
Prior Period Adjustment	<u>-</u>	<u>130,185</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 32,460</u></u>	<u><u>\$ 151,217</u></u>

The notes to the financial statements are an integral part of this statement.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Kilgore Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69, as amended by Statement on Auditing Standards No.s 91 and 93* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting entity – The Board of Trustees (the “Board”), a seven member group, has fiscal responsibility over all activities related to public elementary and secondary education within the jurisdiction of the District. The public elects the Board that corporately 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 Texas State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, *“The Financial Reporting Entity”: Omnibus – an amendment by GASB Statements No. 14 and 34*. There are no component units or entities for which the District is considered financially accountable included within the reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

New GASB Pronouncements - GASB has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

GASB Statement No. 84, *Fiduciary Activities*, is effective for periods beginning after December 15, 2018. This statement establishes criteria for identifying fiduciary activities for accounting and reporting purposes. The implementation of this statement has resulted in a presentation change of the financial statement by requiring custodial funds to report the difference of assets and liabilities as net position on the statement of fiduciary net position and additions and deductions on the statement of changes in fiduciary net position. For prior period adjustment, see Note 18.

The District's basic financial statements consist of government-wide statements and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements – The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District as a whole. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements – During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds, which are presented in separate columns. Nonmajor governmental funds are aggregated and presented in a single column.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. The District reports the following major governmental fund types:

- The *general fund* is the District's primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in another fund are included here.
- Elementary and Secondary School Emergency Relief Fund II (ESSER II) of the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act – This major special revenue fund accounts for federal stimulus ESSER II funds granted to local educational agencies (LEAs) through the CRRSA Act to support an LEA's ability to operate, instruct its students, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic.
- The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
- The nonmajor governmental funds of the District account for grants and other resources of the District whose uses are restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.

Fiduciary Funds

- This *private purpose trust fund* accounts for donations to scholarship funds received by the District for awards to current and former students for post-secondary education purposes.
- The *custodial fund* accounts for the resources raised by student groups and various other campus organizations received by the District in a custodial capacity that do not constitute District property. However, the District's role is considered to be substantive because in the absence of an approved policy, the faculty advisor has the ability to reject, modify, or approve how the resources are being spent.

Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. All assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the District are included in the statement of net position.

Fund Financial Statements - Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, and fund balances are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, as are the fiduciary fund financial statements. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized. Tax revenues are considered available when collected.

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to finance fiscal year 2021 operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements.

In governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures)

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021

rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Deposits and Investments

Under Texas state law, a bank serving as the school depository must have a bond, or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, in an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

Investments in local government investment pools are valued and recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. Investments with maturities of 12 months or less at the date of purchase are held at amortized cost and net asset value (NAV). Investments with maturities exceeding 12 months at the date of purchase are stated at fair value based on quoted market prices at year-end date.

The District categorizes fair value measurements of its investments based on the hierarchy established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology are quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. At August 31, 2021, the District had no investments subject to fair value measurement.

Property Taxes

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll, upon which the levy for the 2020-2021 fiscal year was based, was \$1.7 billion.

The tax rates assessed for the year ended August 31, 2021, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt, were \$.9664 and \$.2592 per \$100 valuation, respectively, for a total of \$1.2256 per \$100 valuation.

Current tax collections for the year ended August 31, 2021 were 98% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. The property taxes receivable allowance is equal to approximately 30% of outstanding property taxes receivable at August 31, 2021. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Uncollectible personal property taxes are periodically reviewed and written off. Under Sec. 3305 of the Texas Property Code, the District can cancel and remove from the delinquent tax roll, tax on real property that has been delinquent for more than 20 years or tax on personal property that has been delinquent for more than 10 years if there is no pending litigation concerning the delinquent taxes at the time of cancellation and removal.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021

Inter-fund Assets/Liabilities

In the fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “Due from/(to) other funds”. Inter-fund balances within governmental activities are eliminated on the government-wide statement of net assets. See Note 5 for additional discussion of inter-fund receivables and payables.

Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. The District’s infrastructure includes parking lots and roads associated with various buildings. The cost of infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or self-constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives: (See Note 6.)

<u>Assets</u>	<u>Years</u>
Infrastructure	30
Buildings	50
Buildings and improvements	20
Office equipment	3-15
Computer equipment	2-15
Vehicles	2-15

Prepayments (i.e., Deferred Expenditures/Expenses)

Certain payments to vendors reflect costs applicable to the next fiscal period and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are accounted for using the consumption method and are recognized as expenditures/expenses proportionately over the periods in which the services are provided.

Inventories

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Governmental fund inventories are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of net position and balance sheet as described below:

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

- Deferred outflow of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- Deferred outflow of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

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

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life of all members.

Long-Term Obligations

The District's long-term obligations consist of bonded indebtedness and compensated absences. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences are accounted for in the general fund.

Compensated Absences

District employees earning vacation leave are permitted to accumulate up to five unused days to be used in the next fiscal year. Such days do not vest. Accordingly, no liability has been recorded in the accompanying financial statements.

District employees are entitled to sick leave based on category/class of employment. Sick leave accumulates but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021

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.

Other Post-Employment Benefits

The fiduciary net position of the 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.

Fund Balance

Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. The government fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.
- *Assigned* – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Superintendent or Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

The Board has adopted a minimum fund balance policy for the *general fund* requiring the District to target a yearly unassigned fund balance between 17% (60 days) and 25% (90 days) of total operating expenditures.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- *Net position invested in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- *Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgetary Data

The Board adopts an “appropriated budget” for the General Fund, Debt Service Fund, and the Child Nutrition Program (which is included in the Nonmajor Governmental Funds). The District compares the final amended budget to actual revenues and expenditures. The Budgetary Comparison Schedules appear in Exhibits E-1, F-2, and F-3.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) Prior to August 20, the District prepares an operating budget for the next succeeding fiscal year beginning September 1. The 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. At least ten day’s public notice of the meeting must be given.
- c) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.
- d) Each budget 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.
- e) 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 canceled or appropriately provided for in the subsequent year’s budget.

Use of Estimates

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

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

The amount of state foundation and available school revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of August 31 will change and those changes could be material.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

3. DEPOSITS AND INVESTMENTS

A summary of the District's cash and investments at August 31, 2021 is shown below:

	Cash and Deposits	Investment Pools	BOK Financial	Total Investments	Total Cash & Investments
Governmental funds:					
General fund	\$ 19,985,696	\$ 5,973,936	\$ -	\$ 5,973,936	\$ 25,959,632
ESSER II fund	-	-	-	-	-
Debt service fund	2,871,210	-	299	299	2,871,509
Nonmajor governmental funds	880,744	-	-	-	880,744
Total governmental funds	23,737,650	5,973,936	299	5,974,235	29,711,885
Fiduciary funds	151,217	32,460	-	32,460	183,677
Total cash and investments	\$ 23,888,867	\$ 6,006,396	\$ 299	\$ 6,006,695	\$ 29,895,562

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and depository bank's agent bank. The pledged securities are approved by the TEA and shall be 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.

At August 31, 2021, the carrying amount of the District's deposits (cash and certificate of deposits) was \$23,888,867 and the bank balance was \$24,629,672. The District's cash deposits at August 31, 2021 were entirely covered by FDIC insurance, by pledged collateral held by the depository bank's agent bank in the District's.

The Public Funds Investment Act (Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (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. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) securities lending programs, (6) repurchase agreements, (7) bankers acceptances, (8) mutual funds, (9) investment pools, and (10) guaranteed investment contracts.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

As of August 31, 2021, the District had the following investments:

Investment Type:	Rating	Value at August 31, 2021	Fair Value Measurements Using:			Percent of Portfolio	WAM (Days/Years)
			(Level 1)	(Level 2)	(Level 3)		
Cash in Bank		\$ 23,888,867				80%	
<i>Investments measured at amortized costs:</i>							
TexPool	AAAm	525,765				2%	< 365 days
TexasCLASS	AAA	2,285,365				8%	< 365 days
Lone Star	AAAf	3,195,266				10%	< 365 days
<i>Investments measured at cost not subject to level reporting:</i>							
BOK Short-term Cash Fund I		299				0%	< 365 days
Investments - subtotal		6,006,695	-	-	-		
Total cash & investments		\$ 29,895,562	\$ -	\$ -	\$ -	100%	

Texas Local Government Investment Pool (TexPool), Texas Cooperative Liquid Assets Securities System (TexasCLASS), and Lone Star Investment Pool (LoneStar) are local government investment “pools” organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and 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, TexPool, TexasCLASS, and LoneStar are reported at amortized cost. Deposits and withdrawals can be made on any business day of the week. The pools have a redemption notice of one day, which may be redeemed daily. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the pools liquidity. There are no limits on the number of accounts a participant can have or the number of transactions. The District has no unfunded commitments related to the pools.

The District’s management believes that it has complied with the requirements of the Act and with local policies.

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

1) **Credit Risk**

State law and the District’s investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2021, the District’s investments in TexPool, TexasClass and LoneStar were rated AAAm, AAA, and AAAf, respectively, by Standard and Poor’s.

2) **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 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 credit risk.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

3) Concentration of Credit Risk

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. At year end, the District was not exposed to concentration of credit risk.

4) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within the legal limits. The weighted average maturity for the District's investment in external investment pools is less than 60 days. In addition, the District shall not directly invest in an individual security maturing more than twelve months from the time of purchase.

The District's sinking funds at August 31, 2021 were invested in the following:

		Fair Value Measurement Using:			
Investment Type:	Value at August 31, 2021	(Level 1)	(Level 2)	(Level 3)	Maturity
Investment measured at amortized cost:					
BOK Short-term Cash Fund I	\$ 1,420,494	-	-	-	N/A
Total Restricted Assets	\$ 1,420,494				

4. RECEIVABLES

Receivables as of year end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>ESSER II Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 1,726,929	\$ -	\$ 340,645	\$ -	\$ 2,067,574
Due from other governments-state	1,225,952	-	37,947	-	1,263,899
Due from other governments-federal	-	1,077,107	-	1,118,297	2,195,404
Due from other governments-other	-	-	-	-	-
Subtotal - due from other governments	2,952,881	1,077,107	378,592	1,118,297	5,526,877
Other receivables	394,529	-	9,612	30	404,171
Gross receivables	3,347,410	1,077,107	388,204	1,118,327	5,931,048
Less: allowance for uncollectibles	(580,437)	-	(70,403)	-	(650,840)
Net total receivables	<u>\$ 2,766,973</u>	<u>\$ 1,077,107</u>	<u>\$ 317,801</u>	<u>\$ 1,118,327</u>	<u>\$ 5,280,208</u>

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2021, are summarized above. All federal grants shown above are passed through the TEA and are reported in the financial statements as Due from Other Governments.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenues reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Delinquent property taxes (General Fund)	\$ 1,146,492	\$ -	\$ 1,146,492
Delinquent property taxes (Debt Service Fund)	270,272	-	270,272
Funds received prior to meeting all eligibility requirements:			
State allotments (General Fund)	-	1,232,678	1,232,678
(Nonmajor Governmental Funds)	-	90,036	90,036
Total unearned revenue	<u>\$ 1,416,764</u>	<u>\$ 1,322,714</u>	<u>\$ 2,739,478</u>

5. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Inter-fund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. The composition of inter-fund balances as of August 31, 2021, is as follows:

Fund	Receivable	Payable
General Fund:		
Nonmajor Governmental Funds	\$ 1,933,392	\$ 125,404
Debt Service Fun	-	2,343
Debt Service Fund:		
General Fund	\$ 2,343	\$ -
Nonmajor Governmental Funds:		
General Fund	\$ 125,404	\$ 1,933,392
Nonmajor Governmental Funds	<u>-</u>	<u>-</u>
	<u>\$ 2,061,139</u>	<u>\$ 2,061,139</u>

District activities in the Nonmajor Governmental Funds (Special Revenue Funds) include expenditures paid from a centralized-pooled operating bank account maintained in the General Fund. Since all cash transactions flow through this account, each fund carries a receivable/payable balance with the General Fund. All balances will be repaid within one year.

Interfund transfers in the fund financial statements at August 31, 2021, consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Nonmajor Governmental Fund	Private-purpose Trust Fund	\$ 32,422
		<u>\$ 32,422</u>

The District transferred \$32,422 from a nonmajor governmental fund to a private-purpose trust fund for scholarship activity, consistent with GASB No. 84 presentation.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2021 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,132,484	\$ -	\$ -	\$ -	\$ 3,132,484
Construction in progress	-	-	-	-	-
Total Capital Assets, not depreciated	3,132,484	-	-	-	3,132,484
Capital assets, being depreciated:					
Buildings and improvements	86,688,335	194,225	-	-	86,882,560
Furniture and equipment	10,621,717	49,415	-	-	10,671,132
Vehicles	4,532,079	-	-	-	4,532,079
Total Capital Assets, being depreciated	101,842,131	243,640	-	-	102,085,771
Less accumulated depreciation for:					
Buildings and improvements	(25,957,076)	(1,802,284)	-	-	(27,759,360)
Furniture and equipment	(7,997,470)	(335,861)	-	-	(8,333,331)
Vehicles	(3,919,022)	(142,408)	-	-	(4,061,430)
Total accumulated depreciation	(37,873,568)	(2,280,553)	-	-	(40,154,121)
Capital assets, net	<u>\$ 67,101,047</u>	<u>\$ (2,036,913)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,064,134</u>

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 1,176,280
12 Instructional resources and media services	28,206
13 Curriculum and instructional staff development	38,088
21 Instructional leadership	11,753
23 School leadership	105,692
31 Guidance, counseling, & evaluation services	99,700
33 Health services	22,200
34 Student (pupil) transportation	196,226
35 Food services	179,167
36 Extracurricular activities	185,798
41 General administration	43,092
51 Facilities maintenance and operations	164,897
52 Security and monitoring services	4,893
53 Data processing services	24,561
Total depreciation expense - governmental activities	<u>\$ 2,280,553</u>

7. LONG-TERM LIABILITIES

General Obligation Bonds

The District issues general obligation bonds for governmental activities to provide resources for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Principal and interest requirements are payable solely from future revenues of the debt service fund which consists primarily of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

There are a number of limitations and restrictions contained in the general obligation debt indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2021.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021

Bonded debt as of August 31, 2021 is as follows:

Description	Interest Rate Payable	Maturity Date	Original Issue	Outstanding
Unlimited tax qualified school construction bonds, series 2012	3.50%	02/15/27	\$ 4,250,000	\$ 4,250,000
Unlimited tax school building bonds, series 2012	1.50%-1.70%	02/15/26	9,465,000	3,260,000
Unlimited tax refunding bonds, series 2020	4.00%-5.00%	02/15/37	28,045,000	26,845,000
			<u>\$ 41,760,000</u>	<u>\$ 34,355,000</u>

In November 2020, the District issued \$28,045,000 in Unlimited Tax Refunding Bonds, Series 2020 to refund \$33,600,000 of the outstanding Unlimited Tax School Building Bonds, Series 2011. The bonds were issued at a net premium of \$6,138,678 and issuance costs of \$344,075. The Series 2020 bonds bear interest from 4.00% to 5.00% and are due in annual installments ranging from \$885,000 to \$2,480,000 through February 15, 2037. As a result of this refunding, the District reduced its total debt service requirements by \$9,156,921 and realized a present value savings of \$7,988,811.

The 2012 QSCB requires annual payments (approximately \$470,000) to a sinking fund held at BOK Financial, NA dba Bank of Texas which will be used to pay the principal on the bonds when they mature in fiscal year 2027 (See Note II. A).

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Bonds payable:					
Unlimited tax schoolhouse building bonds, series 2011	\$ 34,695,000	\$ -	\$ (34,695,000)	\$ -	\$ -
Unlimited tax qualified school construction bonds, series 2012	4,250,000	-	-	4,250,000	-
Unlimited tax school building bonds, series 2012	3,935,000	-	(675,000)	3,260,000	685,000
Unlimited tax refunding bonds, series 2020	-	28,045,000	(1,200,000)	26,845,000	885,000
	<u>42,880,000</u>	<u>28,045,000</u>	<u>(36,570,000)</u>	<u>34,355,000</u>	<u>1,570,000</u>
Deferred amounts:					
Accrued interest	77,129	-	(19,343)	57,786	57,786
Premium on issuance of bonds	791,973	6,138,578	(1,014,419)	5,916,132	-
Discount on issuance of bonds	(1,471)	-	1,471	-	-
Total bonds payable	<u>43,747,631</u>	<u>34,183,578</u>	<u>(37,602,291)</u>	<u>40,328,918</u>	<u>1,627,786</u>
Other liabilities:					
Net pension liability	7,912,777	-	(10,473)	7,902,304	-
Net OPEB liability	12,981,373	-	(2,421,061)	10,560,312	-
Total other liabilities	<u>20,894,150</u>	<u>-</u>	<u>(2,431,534)</u>	<u>18,462,616</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 64,641,781</u>	<u>\$ 34,183,578</u>	<u>\$ (40,033,825)</u>	<u>\$ 58,791,534</u>	<u>\$ 1,627,786</u>

Debt service requirements to maturity are as follows:

Year Ended August 31,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2021	\$ 1,570,000	\$ 1,359,592	\$ 2,929,592
2022	1,625,000	1,303,780	2,928,780
2023	1,680,000	1,245,480	2,925,480
2024	1,740,000	1,184,385	2,924,385
2025	1,545,000	1,122,170	2,667,170
2026-2030	12,680,000	3,833,650	16,513,650
2031-2035	11,035,000	1,634,700	12,669,700
2046-2049	2,480,000	49,600	2,529,600
	<u>\$ 34,355,000</u>	<u>\$ 11,733,357</u>	<u>\$ 46,088,357</u>

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

Qualified School Construction Bonds

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added Sections 54F and 6431 to the Internal Revenue Code of 1986, which permit state and local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such obligations are referred to as Build America Bonds.

In March 2012, the District issued Unlimited Tax Qualified School Construction Bonds, Taxable Series 2012 Bonds in the amount of \$4,250,000 under the program. Under this program, the District receives a subsidy equal to the amount of interest payable on the bonds. The subsidy payment received by the District will not be pledged as security for the payment of the Series 2012 Bonds and no holder of the Series 2012 Bonds will be entitled to a tax credit or any subsidy payment with respect to the Series 2012 Bonds. The District intends to use the subsidy payments for any lawful purpose, which may include payment of principal and interest on the Series 2012 Bonds. For fiscal year ended August 31, 2021, the District received \$140,271 in such subsidies. The amount received was recorded as federal revenue in the Debt Service Fund to offset its debt service requirement.

Defeased Debt

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2021, no previously refunded debt outstanding was considered defeased.

Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it has no arbitrage liability as of August 31, 2021.

8. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in the TRS, a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The pension plan is administered by 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 plan 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 plan'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 pension plan.

Pension Plan Fiduciary Net Position. Detailed information about the TRS' fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698, or by calling (512) 542-6592.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

Components of the net pension liability of the pension plan are as of August 31, 2020 are as follows:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	(165,416,245,243)
Net Pension Liability	<u>\$ 53,557,959,841</u>
Net Position as percentage of Total Pension Liability	75.54%

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity. (Members who are grandfathered use the three highest annual salaries). 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 or exceeds 80 years. Early retirement is at age 55 with 5 years of service credit or any age below 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 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. Actuarial implications of the funding provided in the manner are determined by the Plan's actuary.

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.

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 pension plan during the fiscal year.

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

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Employer Contributions		\$ 608,878
Member Contributions		\$ 1,770,779
NECE On-Behalf Contributions		\$ 1,474,279

Contributors to the pension plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the pension plan an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension plan during that fiscal year reduced by the amounts described below which are paid by the employers. Employers, including public schools, are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- 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.

Actuarial Assumptions. The total pension plan liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate* as of August 2020	2.33*
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post-employment Benefit Changes	None
*Source: Fixed Income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index".	

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

Discount Rate. The 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.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021

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, 2020 are summarized below:

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	3.9%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.9%
Emerging Markets	9.0%	5.6%	0.8%
Private Equity	14.0%	6.7%	1.4%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.1%
Stable Value Hedge Funds	5.0%	1.9%	0.1%
Real Return			
Real Estate	15.0%	4.6%	1.0%
Energy, Natural Resources and Infrastructure	6.0%	6.0%	0.4%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Leverage			
Cash	2.0%	-1.5%	0.0%
Asset Allocation Leverage	-6.0%	-1.3%	0.1%
Inflation Expectation			2.0%
Volatility Drag ³			-0.7%
Total	100%		7.33%

¹ Target allocations are based on the FY2020 policy model.
² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020)
³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

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	\$ 12,185,211	\$ 7,902,304	\$ 4,422,536

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021, the District reported a net pension liability of 7,902,304 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 7,902,304
State's proportionate share that is associated with the District	19,136,930
Total	<u>\$ 27,039,234</u>

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 through August 31, 2020.

For the fiscal years ended August 31, 2021 and 2020, the District's proportion of the collective Net Pension Liability was as follows:

2021	2020	
Measurement Year	Measurement Year	
8/31/2020	8/31/2019	Increase/(Decrease)
0.0147546769%	0.0152218187%	-0.0004671418%

Changes Since the Prior Actuarial Valuation.

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$3,590,934 and revenue of \$2,301,748 for support provided by the State in the government-wide financial statements.

At August 31, 2021, the District reported its proportionate share of the TRS' 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	\$ 14,429	\$ 220,532
Changes in Actuarial Assumptions	1,833,616	779,641
Difference Between Projected and Actual Investment Earnings	159,975	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	302,460	219,898
Contributions Paid to TRS Subsequent to the Measurement Date (Calculated by District)	608,878	-
Total	<u>\$ 2,919,358</u>	<u>\$ 1,220,071</u>

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
2022	\$ 353,783
2023	388,790
2024	374,750
2025	96,606
2026	(112,105)
Thereafter	(11,415)
	<u>\$ 1,090,409</u>

9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN (OPEB)

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 benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards

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.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2020 are as follows:

Net OPEB Liability	
Total OPEB Liability	\$ 40,010,833,815
Less: Plan Fiduciary Net Position	(1,996,317,932)
Net OPEB Liability	<u>\$ 38,014,515,883</u>
Net Position as percentage of Total OPEB Liability	4.99%

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public and 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. 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*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1,020	999

*or surviving spouse

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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee of the public or charter school. 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	
	2020	2021
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%
Employer Contributions		\$ 202,308
Member Contributions		\$ 149,503
NECE On-Behalf Contributions		\$ 283,724

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to 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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2019. Updated procedures were used to roll forward the Total OPEB Liability to August 31, 2020.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All 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.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019, rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
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.
Salary Increases *	3.05% to 9.05%*
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc Post-Employment Benefit Changes	None
*Includes inflation at 2.30%	

Discount Rate. A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30% 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (2.33%) in measuring the Net OPEB Liability:

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the net OPEB liability	\$ 12,672,350	\$ 10,560,312	\$ 8,892,105

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2021, the District reported a liability of \$10,560,312 for its proportionate share of the TRS’ 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	\$ 10,560,312
State's proportionate share that is associated with the District	14,190,528
Total	<u>\$ 24,750,840</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021

For the fiscal years ended August 31, 2021 and 2020, the District's proportion of the collective Net OPEB Liability was as follows:

2021	2020	
Measurement Year	Measurement Year	
8/31/2020	8/31/2019	Increase/(Decrease)
0.0277796829%	0.0274498569%	0.0003298260%

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 health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability	\$ 8,626,422	\$ 10,560,312	\$ 13,135,980

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 changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the TOL.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change decreased the TOL.
- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the TOL.
- There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the District recognized OPEB expense of (\$139,015) and revenue of (\$98,534) for support provided by the State.

At August 31, 2021, 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	\$ 552,934	\$ 4,832,939
Changes in Actuarial Assumptions	651,352	2,899,916
Net Difference Between Projected and Actual Investment Earnings	3,431	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	703,840	-
District Contributions Paid to TRS Subsequent to the Measurement Date	202,308	-
Total	<u>\$ 2,113,865</u>	<u>\$ 7,732,855</u>

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

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:

Year Ended August 31:	OPEB Expense Amount
2022	\$ (980,568)
2023	(981,027)
2024	(981,289)
2025	(981,217)
2026	(699,150)
Thereafter	(1,198,047)
	<u>\$ (5,821,298)</u>

10. MEDICARE PART D – ON BEHALF PAYMENTS

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. Subsidy payments made on behalf of the District for fiscal years 2021, 2020, and 2019 were \$102,132, \$99,069, and \$81,714, respectively.

11. OTHER POST EMPLOYMENT BENEFITS

The District does not provide post employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA) and TRS Care described above (Note 9). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the District.

12. OPERATING LEASE

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of August 31, 2021. Rental expenditures for the year ended August 31, 2021 approximated \$12,076.

13. RISK MANAGEMENT

General

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance.

In addition, the District participated in the following TASB Risk Management Fund (the Fund) programs:

- Auto Liability
- Auto Physical Damage
- Privacy & Information Security
- Property
- School Liability

The Fund was created and is operated under the provisions 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.

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021

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, 2021, the Fund anticipates that Kilgore ISD 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 plan year (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, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the year ended August 31, 2021, 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 provisions 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, 2021, the Fund anticipates that Kilgore ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year (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, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Health Insurance

The District participates in the Teacher Retirement System of Texas Active Care health care coverage program. This program is a statewide program for public education employees established by the 77th Texas Legislature.

Workers' Compensation

The District participates in the Deep East Texas Self Insurance Fund (DETSIF) for workers' compensation coverage. The DETSIF was created to formulate, develop, administer a program of modified self-funding for the DETSIF's membership, obtain competitive costs for workers' compensation coverage and develop comprehensive loss control program. The District pays an annual premium to the DETSIF for its workers' compensation coverage and transfers the risk of loss to the DETSIF. The District's agreement with the DETSIF provides that that DETSIF will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. The DETSIF maintains stop loss coverage for any claim in excess of the DETSIF's self-insured retention of \$1,000,000 per accident. In the event that the DETSIF was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the DETSIF. 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At August 31, 2021, the District had no commitments under construction contracts.

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means when a purchase order is prepared, the appropriate accounts are checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes.

Prior to the end of the year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at year end, the District likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, outstanding encumbrances are not considered expenditures for the fiscal year, only a commitment to expend resources. If the District allows encumbrances to lapse, even though it plans to honor encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually reappropriated in the following year's budget. Open encumbrances at fiscal year end may be included in restricted, committed, or assigned fund balance, as appropriate. The District had no outstanding encumbrances at year.

15. CONTINGENT LIABILITIES

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, the District has assigned \$4,544,956 of general fund fund balance, taking a conservative approach in planning for the District's future.

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 collectability 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 statement for such contingencies.

16. RELATED ORGANIZATIONS

The Kilgore ISD Education Foundation ("Foundation"), a non-profit entity which was organized in 2009 to provide funds for District teaching and education programs, is a "related organization" as defined by GASB Statement No. 61. The members of the Board of Directors of the Foundation serve without financial compensation. The operations of the Foundation are not financially significant to the overall operations of the District, and therefore are not reported in the District's financial statements.

17. EXCESS EXPENDITURES OVER APPROPRIATIONS

The TEA requires the budgets for the General, Child Nutrition Program, and Debt Service Funds to be filed with the TEA. The budget should not be exceeded in any functional category under TEA requirements. For the year ended August 31, 2021, expenditures exceeded appropriations in the following functional categories:

Fund	Function	Final Budget	Actual	Variance
General	23-School Leadership	\$ 2,189,411	\$ 2,203,240	\$ (13,829)

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021**

18. PRIOR PERIOD ADJUSTMENT

In fiscal year 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As such, a prior period adjustment was necessary to restate net position for custodial funds as follows:

	<u>Custodial Funds</u>
Beginning Net Position - As Originally Stated	\$ -
Restatement due to :	
Change in accounting principle	130,185
Beginning Net Position - As Restated	<u>\$ 130,185</u>

19. COVID-19 PANDEMIC IMPACTS

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees, and vendors all of which are uncertain and cannot be predicted.

While this school year has created unique challenges, the financial position of the District has remained stable. As of the date of these financial statements, COVID-19 had not materially affected results of operations in 2021. However, the impact of response efforts on future operations are unknown and cannot be predicted.

20. SUBSEQUENT EVENTS

On November 2, 2021, district voters passed Propositions A & B totaling \$113 million for the construction of a new high school and renovations to existing school facilities.

In preparing the financial statements, the District has evaluated subsequent events through November 15, 2021, the date the financials were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 16,574,206	\$ 16,627,931	\$ 17,164,588	\$ 536,657
5800 State Program Revenues	19,521,143	20,828,507	20,224,402	(604,105)
5900 Federal Program Revenues	350,000	350,000	317,270	(32,730)
5020 Total Revenues	36,445,349	37,806,438	37,706,260	(100,178)
EXPENDITURES:				
Current:				
0011 Instruction	18,908,315	18,839,091	17,316,867	1,522,224
0012 Instructional Resources and Media Services	462,021	501,520	494,324	7,196
0013 Curriculum and Instructional Staff Development	879,726	929,740	857,851	71,889
0021 Instructional Leadership	377,923	374,945	306,370	68,575
0023 School Leadership	2,077,455	2,189,411	2,203,240	(13,829)
0031 Guidance, Counseling, and Evaluation Services	1,525,518	1,509,593	1,463,928	45,665
0032 Social Work Services	18,940	26,945	21,962	4,983
0033 Health Services	399,034	399,168	295,693	103,475
0034 Student (Pupil) Transportation	1,650,526	1,676,063	1,264,512	411,551
0035 Food Services	12,300	23,283	6,427	16,856
0036 Extracurricular Activities	1,309,563	1,355,277	1,350,278	4,999
0041 General Administration	1,409,796	1,552,034	1,458,819	93,215
0051 Facilities Maintenance and Operations	5,975,791	6,301,994	4,167,619	2,134,375
0052 Security and Monitoring Services	387,705	393,736	133,287	260,449
0053 Data Processing Services	459,016	489,070	468,293	20,777
0061 Community Services	21,320	21,366	17,372	3,994
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	220,000	-	220,000
Intergovernmental:				
0099 Other Intergovernmental Charges	349,000	349,000	326,823	22,177
6030 Total Expenditures	36,223,949	37,152,236	32,153,665	4,998,571
1100 Excess of Revenues Over Expenditures	221,400	654,202	5,552,595	4,898,393
OTHER FINANCING SOURCES (USES):				
7949 Other Resources	-	600,000	485,672	(114,328)
1200 Net Change in Fund Balances	221,400	1,254,202	6,038,267	4,784,065
0100 Fund Balance - September 1 (Beginning)	20,048,085	20,480,085	20,480,085	-
3000 Fund Balance - August 31 (Ending)	\$ 20,269,485	\$ 21,734,287	\$ 26,518,352	\$ 4,784,065

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.014754677%	0.01522182%	0.01536562%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,902,304	\$ 7,912,777	\$ 8,457,612
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	19,136,930	16,379,690	18,386,603
Total	<u>\$ 27,039,234</u>	<u>\$ 24,292,467</u>	<u>\$ 26,844,215</u>
District's Covered Payroll	\$ 23,122,658	\$ 21,134,970	\$ 21,106,735
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	34.18%	37.44%	40.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.01507144%		0.0184229%		0.157815%		0.0096033%	
\$	4,819,036	\$	5,608,679	\$	5,578,550	\$	2,565,175
10,929,124		13,494,212		12,956,186		11,379,214	
\$	15,748,160	\$	19,102,891	\$	18,534,736	\$	13,944,389
\$	20,477,271	\$	19,102,891	\$	18,534,736	\$	13,944,389
23.53%		29.36%		30.10%		18.40%	
82.17%		78.00%		78.43%		83.25%	

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 608,878	\$ 607,624	\$ 532,767
Contribution in Relation to the Contractually Required Contribution	(608,878)	(607,624)	(533,152)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (385)
District's Covered Payroll	\$ 22,997,135	\$ 23,122,658	\$ 21,134,970
Contributions as a Percentage of Covered Payroll	2.65%	2.63%	2.52%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2018		2017		2016		2015	
\$	517,705	\$	489,665	\$	467,467	\$	476,561
	(517,705)		(489,665)		(467,467)		(476,561)
\$	-	\$	-	\$	-	\$	-
\$ 21,106,735		\$ 20,477,271		\$ 20,243,405		\$ 19,695,797	
2.45%		2.39%		2.31%		2.42%	

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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.027779683%	0.027449857%	0.027281303%	\$ 0.026217293%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 10,560,312	\$ 12,981,373	\$ 13,621,805	\$ 11,400,917
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	14,190,528	17,249,342	17,382,427	\$ 15,603,594
Total	<u>\$ 24,750,840</u>	<u>\$ 30,230,715</u>	<u>\$ 31,004,232</u>	<u>\$ 27,004,511</u>
District's Covered Payroll	\$ 23,122,658	\$ 21,134,970	\$ 21,106,735	\$ 20,477,271
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	45.67%	61.42%	64.54%	\$ 55.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 202,308	\$ 212,189	\$ 194,290	\$ 188,224
Contribution in Relation to the Contractually Required Contribution	202,308	(212,189)	(194,825)	(188,224)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (535)</u>	<u>\$ -</u>
District's Covered Payroll	\$ 22,997,135	\$ 23,122,658	\$ 211,349,702	\$ 2,106,735
Contributions as a Percentage of Covered Payroll	0.88%	0.92%	0.92%	0.89%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2021**

Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balance

Budgetary Information

The District adopts an “appropriated budget” for the General Fund, the Debt Service Fund, and the Child Nutrition Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available or estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2021.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2020. The budget was adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods and purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year’s budget.

Excess Expenditures over Appropriations

The TEA requires the budgets for the General, Child Nutrition Programs, and Debt Service Funds to be filed with the TEA. The budget should not be exceeded in any functional category under TEA requirements. For the year ended June 30, 2021, expenditures exceeded appropriations in the following functional categories:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	23-School Leadership	\$ 2,189,411	\$ 2,203,240	\$ (13,829)

Major Special Revenue Fund

The District’s special revenue fund for the ESSER II fund 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.

Notes to the Schedule of the District’s Proportionate Share of the Net Pension Liability

Changes of Assumptions

There were no changes in assumptions since the prior measurement date.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2021**

Notes to Schedule of the District's Proportionate Share of the Net OPEB Liability

Changes of Assumptions

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 changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the TOL.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change decreased the TOL.
- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the TOL.
- There were no changes in benefit terms since the prior measurement date.

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COMPLIANCE SCHEDULES

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.040000	0.269200	1,660,756,722
2014	1.040000	0.269200	1,642,326,612
2015	1.040000	0.269200	1,625,663,916
2016	1.040000	0.269200	1,621,378,017
2017	1.040000	0.269200	1,525,689,929
2018	1.040000	0.269200	1,522,560,412
2019	1.040000	0.269200	1,596,699,358
2020	0.970000	0.269200	1,721,589,768
2021 (School year under audit)	0.966400	0.259200	1,682,880,793
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 427,748	\$ -	\$ 16,431	\$ 1,854	\$ (22,882)	\$ 386,581
91,009	-	3,704	966	(1,506)	84,833
95,323	-	4,292	1,141	(1,622)	88,268
116,675	-	12,440	3,246	(1,428)	99,561
119,858	-	9,376	2,579	(145)	107,758
133,867	-	16,363	4,391	400	113,513
219,018	-	25,771	6,824	(2,550)	183,873
275,197	-	49,033	12,867	(5,336)	207,961
798,500	-	376,912	105,126	(18,773)	297,689
-	20,625,387	15,813,755	4,314,115	-	497,517
<u>\$ 2,277,195</u>	<u>\$ 20,625,387</u>	<u>\$ 16,328,077</u>	<u>\$ 4,453,109</u>	<u>\$ (53,842)</u>	<u>\$ 2,067,554</u>

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	<div>Budgeted Amounts</div>		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$297,000	\$297,000	\$154,901	\$(142,099)
5800 State Program Revenues	11,000	11,000	10,981	(19)
5900 Federal Program Revenues	1,878,000	1,878,000	1,751,218	(126,782)
5020 Total Revenues	2,186,000	2,186,000	1,917,100	(268,900)
EXPENDITURES:				
Current:				
0035 Food Services	2,186,000	2,186,000	1,848,003	337,997
6030 Total Expenditures	2,186,000	2,186,000	1,848,003	337,997
1200 Net Change in Fund Balances	-	-	69,097	69,097
0100 Fund Balance - September 1 (Beginning)	640,797	640,797	640,797	-
3000 Fund Balance - August 31 (Ending)	\$640,797	\$640,797	\$709,894	\$69,097

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,957,968	\$ 4,507,968	\$ 4,551,908	\$ 43,940
5800 State Program Revenues	58,301	58,301	96,255	37,954
5900 Federal Program Revenues	139,973	139,973	140,271	298
5020 Total Revenues	4,156,242	4,706,242	4,788,434	82,192
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	37,130,438	4,126,024	2,970,000	1,156,024
0072 Interest on Long-Term Debt	922,641	922,641	1,127,009	(204,368) *
0073 Bond Issuance Cost and Fees	349,075	349,075	347,997	1,078
6030 Total Expenditures	38,402,154	5,397,740	4,445,006	952,734
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,245,912)	(691,498)	343,428	1,034,926
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	28,045,000	28,045,000	28,045,000	-
7916 Premium or Discount on Issuance of Bonds	6,138,578	6,138,578	6,138,578	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(33,829,580)	(34,329,577)	(499,997)
7080 Total Other Financing Sources (Uses)	34,183,578	353,998	(145,999)	(499,997)
1200 Net Change in Fund Balances	(62,334)	(337,500)	197,429	534,929
0100 Fund Balance - September 1 (Beginning)	4,144,476	4,144,476	4,144,476	-
3000 Fund Balance - August 31 (Ending)	\$ 4,082,142	\$ 3,806,976	\$ 4,341,905	\$ 534,929

* In accordance with the Texas Education Agency's Financial Accounting System Resource Guide, each school district must budget all debt service expenditures with function code 71. Function codes 72 and 73 are for reporting purposes only; therefore, debt service expenditures as a whole did not exceed the amended budget.

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FEDERAL AWARDS SECTION

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MAYS & ASSOCIATES^{PLLC}
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
KILGORE INDEPENDENT SCHOOL DISTRICT
Kilgore, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kilgore Independent School District (the District), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-1.

District's Response of Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Mays & Associates, PLLC

Baytown, Texas
November 15, 2021



MAYS & ASSOCIATES^{PLLC}
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
KILGORE INDEPENDENT SCHOOL DISTRICT
Kilgore, Texas

Report on Compliance for Each Major Federal Program

We have audited Kilgore Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2021. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of the 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 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 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 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 consider 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.


Mays & Associates, PLLC

Baytown, Texas
November 15, 2021

**KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted:	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified?	<u> </u> yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u> </u> yes	<u> X </u> no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 750,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

**KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

II. FINANCIAL STATEMENT FINDINGS

2021-1 Excess Expenditure over Appropriations

Condition and Criteria: State law mandates that expenditures not exceed appropriation on a functional level.

Cause and Effect: Expenditures exceeded appropriations in one functional category (School Leadership).

Recommendation: District personnel should continue to review all expenditures during the year to ensure that any necessary budget amendments are brought to the Board of Trustees for approval before August 31.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Noted

**KILGORE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021**

STATUS OF PRIOR YEAR FINDINGS

None Noted

**KILGORE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021**

CORRECTIVE ACTION PLAN

2021-1 Excess Expenditure over Appropriations

Recommendation: District personnel should continue to review all expenditures during the year to ensure that any necessary budget amendments are brought to the Board of Trustees for approval before August 31.

Action Taken: District personnel will continue to monitor expenditures during the year to ensure the final budget amendment provides for all actual expenditures. In addition, the District will adjust its 2021-2022 budget to consider anticipated expenditures (and accruals) prior to year-end.

Anticipated Completion Dates: November 30, 2022.

Please contact Revard Pfeffer, Chief Financial Officer, at 903-988-3900 with any questions regarding this corrective action plan.

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
DEPARTMENT OF THE TREASURY			
<u>Passed Through-Texas Div. of Emergency Management</u>			
COVID-19 Coronavirus Relief Fund - CARES Act	21.019	2020-CF-21019	\$ 16,681
Total Passed Through-Texas Div. of Emergency Management			16,681
TOTAL DEPARTMENT OF THE TREASURY			16,681
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010	20610101092902	49,539
ESEA, Title I, Part A - Improving Basic Programs	84.010	21610101092902	768,264
Total Assistance Listing Number 84.010			817,803
*IDEA - Part B, Formula	84.027	206600010929026600	48,636
*IDEA - Part B, Formula	84.027	216600010929026600	677,967
Total Assistance Listing Number 84.027			726,603
Career and Technical - Basic Grant	84.048	21420006092902	45,085
Title III, Part A - English Language Acquisition	84.365	20671001092902	56,860
Title III, Part A - English Language Acquisition	84.365	21671001092902	16,467
Total Assistance Listing Number 84.365			73,327
Educator Assessments	84.367	69451971	500
ESEA, Title II, Part A, Teacher Principal Training	84.367	20694501092902	24,040
ESEA, Title II, Part A, Teacher Principal Training	84.367	21694501092902	91,468
Total Assistance Listing Number 84.367			116,008
COVID-19 ESSER I	84.425	20521001092902	21,565
COVID-19 ARP ESSER II	84.425	21521001092902	1,077,107
COVID-19 ARP ESSER III	84.425	21528001092902	598,145
COVID-19 Prior Purchase Reimb. Progm (PPRP)	84.425	52102035	381,095
Total Assistance Listing Number 84.425			2,077,912
Title IV, Part A, Subpart 1	84.424	20680101092902	6,867
Title IV, Part A, Subpart 1	84.424	21680101092902	30,897
Total Assistance Listing Number 84.424			37,764
Total Passed Through State Department of Education			3,894,502
TOTAL U.S. DEPARTMENT OF EDUCATION			3,894,502
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71402101	345,288
*National School Lunch Program - Cash Assistance	10.555	71302101	1,151,031
*National School Lunch Prog. - Non-Cash Assistance	10.555	00438	117,916
Total Assistance Listing Number 10.555			1,268,947
*Summer Feeding Program - Cash Assistance	10.559	00438	143,162

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
Total Child Nutrition Cluster			1,757,397
Total Passed Through the State Department of Agriculture			1,757,397
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,757,397
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ 5,668,580

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

1. The District utilizes the fund types specified in the Texas Education Agency's (TEA) *Financial Accountability System Resource Guide*.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2021. The information in the SEFA is presented in accordance with the 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).

Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

2. The District has not elected to use the 10% de minimis indirect costs rate under the Uniform Guidance.
3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types and agency funds are accounted for using a current financial resources measurement focus. All federal grant funds are accounted for in the special revenue funds, a component of the governmental fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

4. The District participates in numerous state and federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021 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 provisions have been recorded in the accompanying financial statements for such contingencies.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021**

5. Reconciliation of Federal Program Revenues:

Total Expenditures of Federal Awards	\$ 5,668,580
School Health and Related Services (SHARS)	317,270
IRS Subsidy	<u>140,271</u>
Total Federal Program Revenues	<u><u>\$ 6,126,121</u></u>

(Per TEA *Financial Accountability System Resource Guide* – SHARS reimbursements are not to be reported on Schedule of Expenditures of Federal Awards.)

SCHOOLS FIRST QUESTIONNAIRE

KILGORE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2021

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?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	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 in effect at the 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.	0