

ANNUAL FINANCIAL & COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

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KILGORE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL & COMPLIANCE REPORT
AUGUST 31, 2023

TABLE OF CONTENTS

	PAGE	TEA EXHIBIT
CERTIFICATE OF BOARD	1	-
FINANCIAL SECTION		
Independent Auditors' Report	5	-
Management's Discussion and Analysis	8	-
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	16	A-1
Statement of Activities	17	B-1
Fund 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	E-1
Statement of Changes in Fiduciary New Position – Fiduciary Funds	26	E-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	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability	58	G-6
Schedule of District Contributions for Pensions	60	G-7
Schedule of the District's Proportionate Share of the Net OPEB Liability	62	G-8
Schedule of District Contributions for Other Post Employment Benefits (OPEB)	64	G-9
Notes to Required Supplementary Information	66	
Compliance Schedules:		
Schedule of Delinquent Taxes Receivable	68	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Fund	70	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund	71	J-3
Schedule of State Compensatory and Bilingual Education Program Expenditures	72	J-4
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 *Government Auditing Standards*	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	K-1
Notes to Schedule of Expenditures of Federal Awards	85	

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CERTIFICATE OF BOARD

Kilgore Independent School District	**Gregg**	**092-902**
Name of School District	County	County-District

We, the undersigned, certify that the attached annual financial & compliance reports of the above named school district were reviewed and __X__ approved ____ disapproved for the year ended August 31, 2023, at a meeting of the Board of Trustees of such school district on the 4th day of December, 2023.

Signature of Board Secretary

Signature of Board President

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, 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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and TRS pension and OPEB schedules on pages 8-15 and 57-66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying compliance schedules required by the Texas Education Agency and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 4, 2023, 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
December 4, 2023

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, 2023. 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 $52,843,220 *(net position)*.

- The District's governmental funds reported combined ending fund balances of $126,143,699, a decrease of $14,219,676 in comparison with the prior year. The decrease in governmental fund balances was due primarily to ongoing construction projects related to last year's bond sale.

- The unassigned fund balance for the general fund was $15,139,905 or 42% of total general fund expenditures.

- The District's bonded debt decreased by $4.4 million as a result of regularly scheduled debt payments 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.

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 C-4 and E-1 through E-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 E-1 & E-2). We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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 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.

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 by $52,843,220 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
	2023	2022	2023-2022
Current and other assets	$ 133,357,065	$ 145,185,777	$ (11,828,712)
Capital assets and non current assets	96,607,378	74,854,207	21,753,171
Total assets	229,964,443	220,039,984	9,924,459
Total deferred outflows of resources	9,985,507	4,642,112	5,343,395
Other liabilities	8,277,268	3,592,647	4,684,621
Long-term liabilities	166,411,677	166,793,412	(381,735)
Total liabilities	174,688,945	170,386,059	4,302,886
Total deferred inflows of resources	12,417,785	12,188,675	229,110
Net position:			
Net investment in capital assets	37,296,857	27,694,952	9,601,905
Restricted	8,433,027	6,642,928	1,790,099
Unrestricted	7,113,336	7,769,482	(656,146)
Total net position	$ 52,843,220	$ 42,107,362	$ 10,735,858

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, amounted to $7,113,336 at August 31, 2023. Unrestricted net position decreased over the prior year by $656,146 due to ongoing operations. 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	
	2023	2022
Federal and state programs	$ 1,517,212	$ 1,248,638
Debt Services	6,915,815	5,394,290
	$ 8,433,027	$ 6,642,928

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION

	Governmental Activities				Change
	2023	%	2022	%	2021-2022
Revenues					
Program revenues:					
Charges for services	$ 573,526	1%	$ 1,219,473	2%	$ (645,947)
Operating grants & contributions	9,099,889	15%	7,509,831	15%	1,590,058
General revenues:					
Property taxes	24,443,171	41%	19,395,259	40%	5,047,912
State aid - formula grants	18,279,381	31%	19,008,833	39%	(729,452)
Grants and contributions not restricted	593,709	1%	527,536	1%	66,173
Investment earnings	6,393,189	11%	1,099,912	2%	5,293,277
Other	295,534	0%	161,172	0%	134,362
Total revenues	59,678,399	100%	48,922,016	100%	10,756,383
Expenses:					
Instruction and related services	25,460,135	52%	22,056,162	52%	3,403,973
Instructional and school leadership	2,948,786	6%	2,724,065	6%	224,721
Support services - student	7,705,102	16%	7,245,137	17%	459,965
Administrative support services	3,266,304	7%	1,499,883	4%	1,766,421
Support services - non-student based	5,443,846	11%	5,012,548	12%	431,298
Debt service	3,726,915	8%	3,453,406	8%	273,509
Intergovernmental charges	391,453	1%	317,336	1%	74,117
Total expenses	48,942,541	100%	42,308,537	100%	6,634,004
Increase (decrease) in net position	10,735,858		6,613,479		4,122,379
Net position, beginning	42,107,362		35,493,883		6,613,479
Prior period adjustment	-		-		-
Net position, ending	$ 52,843,220		$ 42,107,362		$ 10,735,858

Governmental Activities

The increase in Net Position of $10,735,858 results primarily from excess revenues over expenses, which was due to property taxes and investment earnings.

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, 2023, the District reported a net pension liability of $11,594,938 for its proportionate share of TRS's net pension liability and a net OPEB liability of $6,854,237 for its proportionate share of the District's Other Post-Employment benefits other than pensions. At August 31, 2022, the District's net pension liability and OPEB liability was $3,629,907 and $10,015,781, respectively.

Revenues are generated primarily from the following three sources: property taxes, state-aid formula grants, and operating grants and contributions. When combined ($51,822,441), these represented approximately 87 percent of total revenues. The remaining $7,855,958 or 13 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 79 percent of total expenses. The remaining functional expenses represent less than 21 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, 2023, the District's governmental funds reported combined fund balances of $126,143,699, a decrease of $14,219,676 in comparison with the prior year. Approximately 12% or $15,139,905 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 $15,139,905 while total fund balance reached $27,629,203. 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, 2023, these were 42% and 76%, respectively. Unassigned fund balance decreased $43,004 from the prior year primarily due to results of operation.

The debt service fund has a total fund balance of $5,686,634, 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 $398,635.

At August 31, 2023, the District had a restricted construction fund balance totaling $91,100,235, which will be used for current and future construction projects.

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	$ 37,458,389	$ 37,527,555
Total expenditures	37,247,789	39,908,574
Other financing sources (uses)	-	(1,881,202)
Net change in fund balance	$ 210,600	$ (4,262,221)

The District originally adopted a surplus budget for fiscal year 2023. The District subsequently amended its budget during the year and created a deficit of $4,262,221. Actual revenues surpassed budgeted revenues by $774,690, which was primarily related to local and federal revnue. Actual expenditures fell below budgeted expenditures by $3.4 million. Final amended budget projected a decreased of $4.2 million; however, the general fund balance increased by $4,220,702 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, 2023, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets (capital outlays) increased during the current year by $15,167,501 due primarily to current year additions offset by depreciation.

The following table summarizes the investment in capital assets as of August 31, 2023 and 2022.

	2023	2022
Land	$ 4,642,287	$ 4,443,838
Buildings and improvements	91,863,961	89,115,591
Furniture and equipment	21,712,286	16,017,996
Construction in progress	20,570,035	7,837,353
	138,788,569	117,414,778
Accumulated depreciation	(44,626,445)	(42,560,571)
Net capital assets	$ 94,162,124	$ 74,854,207

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, 2023, the District had bonded debt totaling $134,490,000. The District's bonded debt decreased by $4,455,000 over the prior year due to regularly scheduled debt payments made during the year. 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, 2023 are as follows:

	Outstanding 9/1/2022	Additions	Reductions	Outstanding 8/31/2023
General obligation bonds	$ 138,945,000	$ -	$ (4,455,000)	$ 134,490,000
Deferred bond components	14,202,724	-	(727,222)	13,475,502
Other liabilities	13,645,688	7,965,031	(3,164,544)	18,446,175
	$ 166,793,412	$ 7,965,031	$ (8,346,766)	$ 166,411,677

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Kilgore Independent School District Board of Trustees and district administrators considered the following factors when setting the budget and tax rates for 2023-2024.

- The District's taxable value for 2023 increased $327,733,614, or 18.67% from 20221 values.
- Federal, state and local revenue combined for general fund in the 2023-2024 budget are projected to increase from the 2022-2023 final amended budget by $2,963,354. This increase is a result of increases in property values causing an increase in property tax collections, and increases in interest revenue caused by rising interest rates as a result of inflation in the economy.
- The 2023-2024 general operating expenditure budget decreased from 2022-2023 revised levels, an increase of $345,000. This increase is attributable to several factors. The Board of Trustees approved salary increases

for all staff. Additionally, amounts supplanted from the federal ESSER funds have been placed back within the general fund operating budget as most of the ESSER funds have been depleted.

- Within the 2023-2024 expenditure budget is an undefined capital needs budget of $1,350,000.

- The district's overall tax rate for 2023-2024 was decreased by $0.2178 from 2022-2023 to $1.1675, $0.6775 maintenance and operations plus $0.4900 debt service. The M & O rate is declining for the fifth year in a row, but because of the voter-approved bond election, the debt rate will remain the same, causing an overall decrease of $0.2178. The Maintenance and Operations tax rate declines are a result of changes created by HB3 in 2019.

- 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 2) $4 million for renovations at R.E. St. John Memorial Stadium.

    - District voters approved both Propositions in November 2021.

    - The election proposes to raise the debt service rate $0.2377, bringing our total debt rate to $0.49.

    - Construction projects began in April of 2022. The renovations at R. E. St. John Stadium are complete at this time. Athletic facilities construction around Kilgore High School – new Tennis Facility, Soccer and Track practice field are also complete at this time.

    - Construction on the new Kilgore High School building is in progress at this time, groundbreaking activities began in December 2022.

    - 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 2023-2024 budget adopted for debt service reflects boards 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 2023-2024 general fund budget was based on anticipated average daily attendance considering attendance reductions seen during the 2022-2023 school year. Because of the continued COVID attendance issues during the 2022-2023 school year this approach was considered to be very conservative at the time.

- 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 aide Kilgore ISD in its effort to maintain local control and all "options for funding" available to the school district.
- The District was 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. During the year, the plaintiffs' attorney and the district's attorney reached an agreement for settlement on October 18, 2022. The judge of record in Gregg County recorded the agreement and the district paid out the settlement amount not to exceed $2,970,967.56 designated as the Maximum Settlement Amount. Per the settlement agreement, the settlement was paid to a Third-Party to manage the payment of claims. Taxpayers wishing to make claims against the Maximum Settlement Amount were required to complete the form requesting the refund. The Claims Management Entity set up a dedicated website and sent out multiple mailing through the US Postal Service to inform taxpayers of the process. Taxpayers had 75 days in which to claim their refund. This process was completed in the Spring of 2023. Any unclaimed monies were reported to the District. These recouped funds were set aside by the Board of Trustees for Post-Secondary Readiness.
- As of August 31, 2023, the estimated set-aside of $4,544,956 in the General Fund remains. At this time, the Board of Trustees is considering several options for these funds. District Administration along with the Board of Trustees will determine the best use of these funds, considering both current and future needs.

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, 2023

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 27,854,497
1120	Current Investments	101,468,790
1220	Property Taxes - Delinquent	2,220,721
1230	Allowance for Uncollectible Taxes	(657,291)
1240	Due from Other Governments	2,214,606
1290	Other Receivables, Net	164,039
1300	Inventories	90,218
1410	Prepayments	1,485
	Capital Assets:	
1510	Land	4,642,287
1520	Buildings, Net	60,438,238
1530	Furniture and Equipment, Net	8,511,564
1580	Construction in Progress	20,570,035
1800	Restricted Assets	2,445,254
1000	Total Assets	229,964,443
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflow Related to TRS Pension	6,409,796
1706	Deferred Outflow Related to TRS OPEB	3,575,711
1700	Total Deferred Outflows of Resources	9,985,507
LIABILITIES		
2110	Accounts Payable	3,967,065
2140	Interest Payable	182,078
2160	Accrued Wages Payable	1,992,803
2180	Due to Other Governments	49
2200	Accrued Expenses	570,170
2300	Unearned Revenue	1,565,103
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	1,970,000
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	145,995,502
2540	Net Pension Liability (District's Share)	11,594,938
2545	Net OPEB Liability (District's Share)	6,851,237
2000	Total Liabilities	174,688,945
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	1,077,536
2606	Deferred Inflow Related to TRS OPEB	11,340,249
2600	Total Deferred Inflows of Resources	12,417,785
NET POSITION		
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	37,296,857
	Restricted:	
3820	Restricted for Federal and State Programs	1,517,212
3850	Restricted for Debt Service	6,915,815
3900	Unrestricted	7,113,336
3000	Total Net Position	$ 52,843,220

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

EXHIBIT B-1

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 23,956,938	$ 36,848	$ 5,030,666	$ (18,889,424)
12	Instructional Resources and Media Services	524,105	18,038	27,671	(478,396)
13	Curriculum and Instructional Staff Development	979,092	-	175,105	(803,987)
21	Instructional Leadership	482,148	-	25,326	(456,822)
23	School Leadership	2,466,638	169,067	77,706	(2,219,865)
31	Guidance, Counseling, and Evaluation Services	1,676,655	-	402,950	(1,273,705)
33	Health Services	314,479	-	11,320	(303,159)
34	Student (Pupil) Transportation	1,332,042	-	40,774	(1,291,268)
35	Food Services	2,453,930	161,583	2,619,292	326,945
36	Extracurricular Activities	1,927,996	187,990	110,471	(1,629,535)
41	General Administration	3,266,304	-	33,843	(3,232,461)
51	Facilities Maintenance and Operations	3,995,157	-	35,165	(3,959,992)
52	Security and Monitoring Services	844,895	-	173,069	(671,826)
53	Data Processing Services	600,850	-	9,373	(591,477)
61	Community Services	2,944	-	491	(2,453)
72	Debt Service - Interest on Long-Term Debt	3,719,141	-	326,667	(3,392,474)
73	Debt Service - Bond Issuance Cost and Fees	7,774	-	-	(7,774)
99	Other Intergovernmental Charges	391,453	-	-	(391,453)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 48,942,541	$ 573,526	$ 9,099,889	(39,269,126)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	15,721,211
DT	Property Taxes, Levied for Debt Service	8,721,960
SF	State Aid - Formula Grants	18,279,381
GC	Grants and Contributions not Restricted	593,709
IE	Investment Earnings	6,393,189
MI	Miscellaneous Local and Intermediate Revenue	295,534
TR	Total General Revenues	50,004,984
CN	Change in Net Position	10,735,858
NB	Net Position - Beginning	42,107,362
NE	Net Position - Ending	$ 52,843,220

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

KILGORE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 22,553,493	$ 3,278,926	$ 388,840
1120	Investments - Current	6,283,574	1,782	95,183,434
1220	Property Taxes - Delinquent	1,669,003	551,718	-
1230	Allowance for Uncollectible Taxes	(516,832)	(140,459)	-
1240	Due from Other Governments	1,509,719	11,436	-
1260	Due from Other Funds	403,443	-	-
1290	Other Receivables	164,039	-	-
1300	Inventories	-	-	-
1410	Prepayments	1,485	-	-
1800	Restricted Assets	-	2,445,254	-
1000	Total Assets	$ 32,067,924	$ 6,148,657	$ 95,572,274
	LIABILITIES			
2110	Accounts Payable	$ 65,196	$ -	$ 3,901,869
2160	Accrued Wages Payable	1,743,584	-	-
2170	Due to Other Funds	-	28,050	-
2180	Due to Other Governments	-	-	-
2200	Accrued Expenditures	-	-	570,170
2300	Unearned Revenue	1,477,770	22,714	-
2000	Total Liabilities	3,286,550	50,764	4,472,039
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	1,152,171	411,259	-
2600	Total Deferred Inflows of Resources	1,152,171	411,259	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	-	-	-
3430	Prepaid Items	1,485	-	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractural Obligation	-	-	91,100,235
3480	Retirement of Long-Term Debt	-	5,686,634	-
	Committed Fund Balance:			
3510	Construction	7,942,857	-	-
3545	Other Committed Fund Balance	1,881,142	-	-
	Assigned Fund Balance:			
3560	Claims and Judgments	2,663,814	-	-
3600	Unassigned Fund Balance	15,139,905	-	-
3000	Total Fund Balances	27,629,203	5,686,634	91,100,235
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 32,067,924	$ 6,148,657	$ 95,572,274

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 1,633,238	$ 27,854,497
-	101,468,790
-	2,220,721
-	(657,291)
693,451	2,214,606
-	403,443
-	164,039
90,218	90,218
-	1,485
-	2,445,254
$ 2,416,907	$ 136,205,762
$ -	$ 3,967,065
249,219	1,992,803
375,393	403,443
49	49
-	570,170
64,619	1,565,103
689,280	8,498,633
-	1,563,430
-	1,563,430
90,218	90,218
-	1,485
1,426,994	1,426,994
-	91,100,235
-	5,686,634
-	7,942,857
210,415	2,091,557
-	2,663,814
-	15,139,905
1,727,627	126,143,699
$ 2,416,907	$ 136,205,762

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KILGORE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT C-2

	Total Fund Balances - Governmental Funds	$	126,143,699
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 $138,788,569 and the accumulated depreciation is $44,626,445. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase net position. (See Note 6.)		94,162,124
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.)		(147,965,502)
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.		1,563,430
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 $11,594,938, a deferred resource inflow related to TRS in the amount of $1,077,536 and a deferred resource outflow related to TRS in the amount of $6,409,796. The net effect of these pension related items is a decrease to net position. (See Note 9.)		(6,262,678)
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 $6,851,237, a deferred inflow related to TRS OPEB in the amount of $11,340,249, and a deferred resource outflow related to TRS OPEB in the amount of $3,575,711. The net effect of these OPEB related items is a decrease to net position. (See Note 8.)		(14,615,775)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, 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.		(182,078)
19	**Net Position of Governmental Activities**	$	52,843,220

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 31,2023

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 17,614,798	$ 8,986,700	$ 4,556,145
5800	State Program Revenues	20,093,738	183,340	-
5900	Federal Program Revenues	593,709	143,327	-
5020	Total Revenues	38,302,245	9,313,367	4,556,145
	EXPENDITURES:			
	Current:			
0011	Instruction	18,337,003	-	-
0012	Instructional Resources and Media Services	526,725	-	-
0013	Curriculum and Instructional Staff Development	831,326	-	-
0021	Instructional Leadership	495,995	-	-
0023	School Leadership	2,428,393	-	-
0031	Guidance, Counseling, and Evaluation Services	1,380,468	-	-
0033	Health Services	326,495	-	-
0034	Student (Pupil) Transportation	1,998,579	-	-
0035	Food Services	2,234	-	-
0036	Extracurricular Activities	1,798,454	-	-
0041	General Administration	1,423,748	-	-
0051	Facilities Maintenance and Operations	5,065,015	-	-
0052	Security and Monitoring Services	662,884	-	-
0053	Data Processing Services	599,852	-	-
0061	Community Services	2,298	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	-	4,455,000	-
0072	Interest on Long-Term Liabilities	-	4,451,958	-
0073	Bond Issuance Cost and Fees	-	7,774	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	191,662	-	19,444,379
	Intergovernmental:			
0099	Other Intergovernmental Charges	391,453	-	-
6030	Total Expenditures	36,462,584	8,914,732	19,444,379
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,839,661	398,635	(14,888,234)
	OTHER FINANCING SOURCES (USES):			
8949	Other (Uses)	(1,881,180)	-	-
1200	Net Change in Fund Balances	(41,519)	398,635	(14,888,234)
0100	Fund Balance - September 1 (Beginning)	27,670,722	5,287,999	105,988,469
3000	Fund Balance - August 31 (Ending)	$ 27,629,203	$ 5,686,634	$ 91,100,235

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 576,345	$ 31,733,988
324,972	20,602,050
7,830,604	8,567,640
8,731,921	60,903,678
4,755,662	23,092,665
27,389	554,114
165,830	997,156
18,367	514,362
150,789	2,579,182
381,859	1,762,327
6,213	332,708
23,528	2,022,107
2,512,301	2,514,535
168,749	1,967,203
15,652	1,439,400
19,866	5,084,881
169,601	832,485
4,182	604,034
491	2,789
-	4,455,000
-	4,451,958
-	7,774
-	19,636,041
-	391,453
8,420,479	73,242,174
311,442	(12,338,496)
-	(1,881,180)
311,442	(14,219,676)
1,416,185	140,363,375
$ 1,727,627	$ 126,143,699

Total Net Change in Fund Balances - Governmental Funds	$	(14,219,676)
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.)		21,764,344
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.)		(2,456,427)
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.)		5,182,222
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 derease to net position.		(665,597)
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.		979,395
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 increase net position.		151,597
Change in Net Position of Governmental Activities	$	10,735,858

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

EXHIBIT E-1

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	$ -	$ 202,823
Restricted Assets	34,174	-
Total Assets	34,174	$ 202,823
NET POSITION		
Restricted for Scholarships	34,174	-
Restricted for Student Groups	-	202,823
Total Net Position	$ 34,174	$ 202,823

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

EXHIBIT E-2

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Contributions to Student Groups	$ -	$ 39,807
Miscellaneous Revenue - Student Activities	-	16,575
Enterprising Services Revenue	-	250,420
Earnings from Temporary Deposits	1,520	-
Total Additions	1,520	306,802
DEDUCTIONS:		
Other Deductions	-	262,775
Total Deductions	-	262,775
Change in Fiduciary Net Position	1,520	44,027
Total Net Position - September 1 (Beginning)	32,654	158,796
Total Net Position - August 31 (Ending)	$ 34,174	$ 202,823

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

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 FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting entity - The Board is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. 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

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 – 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 funds are aggregated and presented in a single column. Separate financial statements are provided for fiduciary funds, which are excluded from the government-wide financial statements.

Fund Accounting

The District uses funds to maintain its financial records. 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. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance.

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.

- 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 *capital projects fund* is used to account for proceeds from the sale of voter-approved bonds and other resources to used for Board authorized acquisition, construction, and renovations of major capital facilities as well as providing their furnishings and equipment. Upon completion of a bond project, any unused proceeds are transferred to the debt service fund to retire related bond principal.

- 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 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 on the statement of net position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded as revenues in the year of levy.

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 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 60 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 current fiscal year 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) 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.

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 G-1, J-2, and

J-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.

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, 2023, 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 2022-2023 fiscal year was based, was $1.7 billion.

The tax rates assessed for the year ended August 31, 2023, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt, were $.8953 and $.4900, respectively, for a total of $1.3853 per $100 valuation.

Current tax collections for the year ended August 31, 2023 were 97% 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 31% of outstanding property taxes receivable at August 31, 2023. 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.

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.)

Assets	Years
Infrastructure	45
Buildings	45
Buildings and improvements	8-20
Office equipment	3-15
Computer equipment	3-10
Vehicles	6

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 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 remailing 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.

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.

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.

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.

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. The District receives approximately 34% of total governmental revenues from the State of Texas.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. 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, 2023 is shown below:

	Cash and Deposits	Investment Pools	BOK Financial	Total Investments	Total Cash & Investments
Governmental funds:					
General fund	$ 22,553,493	$ 6,283,574	$ -	$ 6,283,574	$ 28,837,067
Debt service fund	3,278,926	-	1,782	1,782	3,280,708
Capital projects fund	388,840	95,183,434	-	95,183,434	95,572,274
Nonmajor governmental funds	1,633,238	-	-	-	1,633,238
Total governmental funds	27,854,497	101,467,008	1,782	101,468,790	129,323,287
Fiduciary funds	202,823	-	-	-	202,823
Total cash and investments	$ 28,057,320	$ 101,467,008	$ 1,782	$ 101,468,790	$ 129,526,110

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, 2023, the carrying amount of the District's deposits (cash and certificate of deposits) was $28,057,320 and the bank balance was $28,779,511. The District's cash deposits at August 31, 2023 were entirely covered by FDIC insurance and/or by pledged collateral held by the depository bank's agent bank in the District's name.

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.

As of August 31, 2023, the District had the following investments:

			Fair Value Measurements Using:				
Investment Type:	Rating	Value at August 31, 2023	(Level 1)	(Level 2)	(Level 3)	Percent of Portfolio	WAM (Days/Years)
Cash in Bank		$ 28,057,320				22%	
Investments measured at amortized costs:							
TexPool	AAAm	551,603				0%	< 365 days
TexasCLASS	AAAm	3,363,980				3%	< 365 days
Lone Star	AAA/AAAm	97,551,425				75%	< 365 days
Investments measured at cost not subject to level reporting:							
BOK Short-term Cash Fund I		1,782				0%	< 365 days
Investments - subtotal		101,468,790	-	-	-		
Total cash & investments		$ 129,526,110	$ -	$ -	$ -	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, 2023, 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.

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, 2023 were invested in the following:

		Fair Value Measurement Using:			
Investment Type:	Value at August 31, 2023	(Level 1)	(Level 2)	(Level 3)	Maturity
Investment measured at amortized cost:					
BOK Short-term Cash Fund I	$ 2,445,254	$ -	$ -	$ -	N/A
Total Restricted Assets	$ 2,445,254				

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:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	$ 1,669,003	$ 551,718	$ -	$ 2,220,721
Due from other governments-state	1,354,603	-	12,934	1,367,537
Due from other governments-federal	-	-	680,607	680,607
Due from other governments-other	155,116	11,436	-	166,552
Subtotal - due from other governments	1,509,719	11,436	693,541	2,214,696
Other receivables	164,039	-	-	164,039
Gross receivables	3,342,761	563,154	693,541	4,599,456
Less: allowance for uncollectibles	(516,832)	(140,459)	-	(657,291)
Net total receivables	$ 2,825,929	$ 422,695	$ 693,541	$ 3,942,165

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, 2023, 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.

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)	$ 1,152,171	$ -	$ 1,152,171
Delinquent property taxes (Debt Service Fund)	411,259	-	411,259
Funds received prior to meeting all eligibility requirements:			
General Fund (State allotments)	-	1,477,770	1,477,770
Debt Service Fund (State allotments)		22,714	
Nonmajor Govermental Funds	-	64,619	64,619
Total unearned revenue	$ 1,563,430	$ 1,565,103	$ 3,105,819

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, 2023, is as follows:

Fund	Receivable	Payable
General Fund:		
Nonmajor Governmental Funds	$ 375,393	$ -
Debt Service Fund	28,050	-
Debt Service Fund:		
General Fund	$ -	$ 28,050
Nonmajor Governmental Funds:		
General Fund	$ -	$ 375,393
	$ 403,443	$ 403,443

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.

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2023 is as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 4,443,838	$ 198,449	$ -	$ -	$ 4,642,287
Construction in progress	7,837,353	8,592,266	-	4,140,416	20,570,035
Total Capital Assets, not depreciated	12,281,191	8,790,715	-	4,140,416	25,212,322
Capital assets, being depreciated:					
Buildings and improvements	89,115,591	4,522,200	-	-	93,637,791
Furniture and equipment (including vehicles)	16,017,996	5,361,562	(390,553)	-	20,989,005
Total Capital Assets, being depreciated	105,133,587	9,883,762	(390,553)	-	114,626,796
Less accumulated depreciation for:					
Buildings and improvements	(29,610,838)	(1,814,885)		-	(31,425,723)
Furniture and equipment	(12,949,733)	(641,542)	390,553	-	(13,200,722)
Total accumulated depreciation	(42,560,571)	(2,456,427)	390,553	-	(44,626,445)
Capital assets, net	$ 74,854,207	$ 16,218,050	$ -	$ 4,140,416	$ 95,212,673

Depreciation expense was charged to governmental functions as follows:

11	Instruction	$ 1,280,484
12	Instructional resources and media services	30,726
13	Curriculum and instructional staff development	55,292
21	Instructional leadership	28,521
23	School leadership	143,015
31	Guidance, counseling, & evaluation services	97,721
33	Health services	18,449
34	Student (pupil) transportation	112,126
35	Food services	139,431
36	Extracurricular activities	109,081
41	General administration	79,815
51	Facilities maintenance and operations	281,956
52	Security and monitoring services	46,161
53	Data processing services	33,494
61	Community services	155
	Total depreciation expense - governmental activities	$ 2,456,427

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, 2023.

Bonded debt as of August 31, 2023 is as follows:

Description	Interest Rate Payable	Maturity Date	Original Issue	Outstanding
Unlimited tax qualified school construction bonds (QSCB), series 2012	3.50%	02/15/27	$ 4,250,000	$ 4,250,000
Unlimited tax refunding bonds, series 2020	4.00%-5.00%	02/15/37	28,045,000	25,025,000
Unlimited tax school building bonds, series 2022 (fixed)	2.50%-5.00%	02/15/48	81,780,000	80,835,000
Unlimited tax school building bonds, series 2022 (adjustable)	Variable	02/15/52	24,380,000	24,380,000
			$ 138,455,000	$ 134,490,000

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 (QSCB), 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, 2023, the District received $143,327 in such subsidies. The amount received was recorded as federal revenue in the Debt Service Fund to offset its debt service requirement.

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 3).

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2023:

Bonds payable:	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Unlimited tax qualified school construction bonds, series 2012	$ 4,250,000	$ -	$ -	$ 4,250,000	$ -
Unlimited tax school building bonds, series 2012	2,575,000	-	(2,575,000)	-	-
Unlimited tax refunding bonds, series 2020	25,960,000	-	(935,000)	25,025,000	980,000
Unlimited tax school building bonds, series 2022	81,780,000	-	(945,000)	80,835,000	990,000
Unlimited tax school building bonds, series 2022	24,380,000	-	-	24,380,000	-
	138,945,000	-	(4,455,000)	134,490,000	1,970,000
Deferred amounts:					
Premium on issuance of bonds	14,202,724	-	(727,222)	13,475,502	-
Total bonds payable	153,147,724	-	(5,182,222)	147,965,502	1,970,000
Other liabilities:					
Net pension liability	3,629,907	7,965,031		11,594,938	-
Net OPEB liability	10,015,781	-	(3,164,544)	6,851,237	-
Total other liabilities	13,645,688	7,965,031	(3,164,544)	18,446,175	-
Governmental activities long-term liabilities	$ 166,793,412	$ 7,965,031	$ (8,346,766)	$ 166,411,677	$ 1,970,000

Debt service requirements to maturity are as follows:

Year Ended August 31,	General Obligation Bonds Principal	Interest	Total Requirements
2024	$ 1,970,000	$ 4,320,605	$ 6,290,605
2025	2,070,000	4,219,605	6,289,605
2026	2,165,000	4,601,330	6,766,330
2027	6,985,000	4,404,455	11,389,455
2028	3,370,000	4,177,455	7,547,455
2029-2033	19,485,000	18,249,100	37,734,100
2034-2038	22,930,000	14,115,750	37,045,750
2039-2043	23,670,000	10,641,475	34,311,475
2044-2048	27,465,000	6,845,913	34,310,913
2049-2053	24,380,000	1,986,800	26,366,800
	$ 134,490,000	$ 73,562,488	$ 208,052,488

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, 2023, 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, 2023.

8. LEASES

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The requirements of this statement were originally effective for the reporting periods beginning after December 31, 2019; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 87 to reporting periods after June 15, 2021, with earlier application encouraged.

GASB 87 had no significant impact to the District's financial statements, therefore are not present within the disclosures.

9. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). Under GASB 96, a SBITA is defined as a contract that conveys controls of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.

GASB 96 had no significant impact to the District's financial statements, therefore are not present within the disclosures.

10. RISK MANAGEMENT

Unemployment Compensation Pool, Auto, Liability, and/or Property Programs

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. During the year ended August 31, 2023, the District participated in the following TASB Risk Management Fund (the Fund) programs:

- Unemployment Compensation Pool
- 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.

During the year ended August 31, 2023, the District provided unemployment compensation coverage to its employees through participation in the Fund. 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.

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, 2023, the Fund anticipates that Kilgore ISD has no additional liability beyond the contractual obligation for payment of contribution.

The District also participates in the Fund's Auto, Liability, and Property programs. 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, 2023, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Health Care

The District provides medical insurance coverage for its employees through the TRS-Active Care insurance provided by the TRS. This is a premium-based plan in which payments are made on a monthly basis for all covered employees. The District contributes $150 per month for each employee enrolled in the health insurance plan. Employees are able to choose from three types of coverage and are responsible for premiums in excess of the District subsidy, including dependent coverage.

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.

11. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The pension plan is administered by the TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the 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://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 pension liability of the pension plan as of August 31, 2022 are as follows:

Total Pension Liability	$	243,553,045,455
Less: Plan Fiduciary Net Position		(184,185,617,196)
Net Pension Liability	$	59,367,428,259
Net Position as Percentage of Total Pension Liability		75.62%

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

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.

	Contribution Rates	
	2022	2023
Member	8.0%	8.0%
Non-Employer Contributing Entity (NECE) (State)	7.75%	8.0%
Employers	7.75%	8.0%
2023 Employer Contributions		$ 1,007,854
2023 Member Contributions		$ 2,027,181
2023 NECE On-Behalf Contributions		$ 1,339,539

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.

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.

- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is a surcharge an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2020*	3.91%*
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.3%
Salary Increases	2.95% to 8.95% 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, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

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

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

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity*	14.0%	7.7%	1.55%
Stable Value			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return*	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Return			
Real Estate	15.0%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
Risk Parity	8.0%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	-6.0%	3.6%	-0.05%
Inflation Expectation			2.70%
Volatility Drag****			-0.91%
Expected Return	100%		8.19% R

*Absolute Return includes Credit Sensitive Investments.
**Target allocations are based on the FY2022 policy model.
***Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022)
****The volatility drag results from the conversion between arithmetic and geometric mean returns.
R Immaterial rounding difference

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the pension plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.00%) or 1% point higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability	$ 18,037,327	$ 11,594,938	$ 6,373,079

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2023, the District reported a net pension liability of $11,594,938 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	$ 11,594,938
State's proportionate share that is associated with the District	17,042,427
Total	$ 28,637,365

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 through August 31, 2022.

For the fiscal years ended August 31, 2023 and 2022, the District's proportion of the collective Net Pension Liability was as follows:

2023	2022	
Measurement Year 8/31/2022	Measurement Year 8/31/2021	Increase/(Decrease)
0.0195308070%	0.0142536777%	0.0052771293%

Changes Since the Prior Actuarial Valuation. The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

For the year ended August 31, 2023, the District recognized pension expense of $3,302,514 and revenue of $1,629,063 for support provided by the State in the government-wide financial statements.

At August 31, 2023, 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	$ 168,126	$ 252,792
Changes in Actuarial Assumptions	2,160,514	538,460
Difference Between Projected and Actual Investment Earnings	1,145,543	-
Changes in Proportion and Difference Between the Employer Contributions and Proportionate Share of Contributions	1,927,759	286,284
District Contributions Paid to TRS Subsequesnt to the Measurement Date of the Net Pension Liability	1,007,854	-
Total	$ 6,409,796	$ 1,077,536

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
2024	$ 1,067,936
2025	704,237
2026	429,384
2027	1,674,174
2028	448,674
Thereafter	1
	$ 4,324,406

12. 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.

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, 2022 are as follows:

Net OPEB Liability:	
Total OPEB Liability	$ 27,061,642,520
Less: Plan Fiduciary Net Position	(3,117,937,218)
Net OPEB Liability	$ 23,943,705,302
Net Position as a Percentage of Total OPEB Liability	11.52%

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.

	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.

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	
	2022	2023
Member	0.65%	0.65%
Non-Employer Contributing Entity (NECE) (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
2023 Employer Contributions		$ 237,504
2023 Member Contributions		$ 164,710
2023 NECE On-Behalf Contributions		$ 286,681

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 hiring a TRS retiree, employers 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 $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022.

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, 2021. Updated procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. 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, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

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

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
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%*
Health Trend Rates	The initial medical trend rates were 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees - 30% 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 3.91% was used to measure the Total OPEB Liability. There was an increase of 1.96% 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, 2021 using the Fixed-Income Market Data/Yield Curve/Data 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% point lower than and 1% point higher than the discount rate that was used (3.91%) in measuring the Net OPEB Liability:

	1% Decrease in Discount Rate (.2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of the Net OPEB liability	$ 8,078,151	$ 6,851,237	$ 5,857,278

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2023, the District reported a liability of $6,851,237 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	$ 6,851,237
State's proportionate share that is associated with the District	8,357,432
Total	$ 15,208,669

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 thru August 31, 2022.

For the fiscal years ended August 31, 2023 and 2022, the District's proportion of the collective Net OPEB Liability was as follows:

Meaurement Year 8/31/2022	Meaurement Year 8/31/2021	Increase/(Decrease)
0.0286135783%	0.0259647926%	0.0026487857%

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	$ 5,645,450	$ 6,851,237	$ 8,414,384

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 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the Total OPEB Liability.
- There were no changes in benefit in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was ($1,927,878).

At August 31, 2023 the District reported its proportionate share of the TRS' 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	$ 380,905	$ 5,707,695
Changes in Actuarial Assumptions	1,043,579	4,759,832
Net Difference Between Projected and Actual Investment Earnings	20,408	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	1,893,315	872,722
District Contributions Paid to TRS Subsequent to the Measurement Date	237,504	-
Total	$ 3,575,711	$ 11,340,249

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
2024	$ (1,520,523)
2025	(1,520,499)
2026	(1,229,914)
2027	(836,575)
2028	(1,028,431)
Thereafter	(1,866,150)
	$ (8,002,092)

For the year ended August 31, 2023, the District recognized OPEB expense of ($1,927,878) and revenue of ($1,185,987) for support provided by the State.

13. 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 2023, 2022, and 2021 were $136,903 $103,548, and $102,132, respectively.

14. 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 12). 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.

15. CONTINGENT LIABILITIES

The District was previously involved in a lawsuit whereby taxpayers were seeking to recover the additional local option homestead exemption which the District's Board of Trustees rescinded in 2015. Although the District believed it was correct in its decision to rescind the local homestead option, the District took a conservative approach in planning for the District's future. The District ultimately settled the lawsuit in 2023 for approximately $2.9 million; however, unclaimed funds per the settlement agreement would be recouped by the District. The net settlement was approximately $1.9 million, which was less than the anticipated amount reported as assigned general fund balance of $4.5 million in the prior year..

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. ENCUMBRANCES AND COMMITMENTS

At August 31, 2023, the District had commitments under construction contracts totaling approximately $79.3 million.

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.

17. 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.

18. SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated subsequent events through December 4, 2023, the date the financials were available to be issued. The District is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT G-1

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 17,112,225	$ 17,181,391	$ 17,614,798	$ 433,407
5800	State Program Revenues	19,996,164	19,996,164	20,093,738	97,574
5900	Federal Program Revenues	350,000	350,000	593,709	243,709
5020	Total Revenues	37,458,389	37,527,555	38,302,245	774,690
	EXPENDITURES:				
	Current:				
0011	Instruction	18,812,994	18,648,913	18,337,003	311,910
0012	Instructional Resources and Media Services	499,614	550,257	526,725	23,532
0013	Curriculum and Instructional Staff Development	837,149	900,159	831,326	68,833
0021	Instructional Leadership	579,563	583,261	495,995	87,266
0023	School Leadership	2,365,406	2,428,996	2,428,393	603
0031	Guidance, Counseling, and Evaluation Services	1,530,948	1,525,127	1,380,468	144,659
0032	Social Work Services	25,000	-	-	-
0033	Health Services	323,611	328,111	326,495	1,616
0034	Student (Pupil) Transportation	1,932,058	3,853,330	1,998,579	1,854,751
0035	Food Services	140,000	122,076	2,234	119,842
0036	Extracurricular Activities	1,491,319	1,798,656	1,798,454	202
0041	General Administration	1,580,168	1,606,488	1,423,748	182,740
0051	Facilities Maintenance and Operations	5,656,562	5,621,052	5,065,015	556,037
0052	Security and Monitoring Services	574,565	663,367	662,884	483
0053	Data Processing Services	530,104	677,109	599,852	77,257
0061	Community Services	18,728	18,010	2,298	15,712
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	191,662	191,662	-
	Intergovernmental:				
0099	Other Intergovernmental Charges	350,000	392,000	391,453	547
6030	Total Expenditures	37,247,789	39,908,574	36,462,584	3,445,990
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	210,600	(2,381,019)	1,839,661	4,220,680
	OTHER FINANCING SOURCES (USES):				
8949	Other (Uses)	-	(1,881,202)	(1,881,180)	22
1200	Net Change in Fund Balances	210,600	(4,262,221)	(41,519)	4,220,702
0100	Fund Balance - September 1 (Beginning)	27,670,722	27,670,722	27,670,722	-
3000	Fund Balance - August 31 (Ending)	$ 27,881,322	$ 23,408,501	$ 27,629,203	$ 4,220,702

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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.01953087%	0.014253678%	0.014754677%
District's Proportionate Share of Net Pension Liability (Asset)	$ 11,594,938	$ 3,629,907	$ 7,902,304
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	17,042,427	8,825,766	19,136,930
Total	$ 28,637,365	$ 12,455,673	$ 27,039,234
District's Covered Payroll	$ 24,512,100	$ 22,997,135	$ 23,122,658
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	47.30%	15.78%	34.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

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, 2022 for year 2023, August 31, 2021 for year 2022, 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 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.01522182%	0.01536562%	0.01507144%	0.0184229%	0.157815%	0.0096033%
$ 7,912,777	$ 8,457,612	$ 4,819,036	$ 5,608,679	$ 5,578,550	$ 2,565,175
16,379,690	18,386,603	10,929,124	13,494,212	12,956,186	11,379,214
$ 24,292,467	$ 26,844,215	$ 15,748,160	$ 19,102,891	$ 18,534,736	$ 13,944,389
$ 21,134,970	$ 21,106,735	$ 20,477,271	$ 19,102,891	$ 18,534,736	$ 13,944,389
37.44%	40.07%	23.53%	29.36%	30.10%	18.40%
75.24%	73.74%	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 2023

	2023	2022	2021
Contractually Required Contribution	$ 1,007,854	$ 911,254	$ 608,878
Contribution in Relation to the Contractually Required Contribution	(1,007,854)	(911,254)	(608,878)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 25,339,781	$ 24,512,100	$ 22,997,135
Contributions as a Percentage of Covered Payroll	3.98%	3.72%	2.65%

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.

2020	2019	2018	2017	2016	2015
$ 607,624	$ 532,767	$ 517,705	$ 489,665	$ 467,467	$ 476,561
(607,624)	(533,152)	(517,705)	(489,665)	(467,467)	(476,561)
$ -	$ (385)	$ -	$ -	$ -	$ -
$ 23,122,658	$ 21,134,970	$ 21,106,735	$ 20,477,271	$ 20,243,405	$ 19,695,797
2.63%	2.52%	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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.028613578%	0.025964793%	0.027779683%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 6,851,237	$ 10,015,781	$ 10,560,312
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	8,357,432	13,418,914	14,190,528
Total	$ 15,208,669	$ 23,434,695	$ 24,750,840
District's Covered Payroll	$ 24,512,100	$ 22,997,135	$ 23,122,658
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	27.95%	43.55%	45.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. 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 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.

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.027449857%	0.027281303%	0.026217293%
$ 12,981,373	$ 13,621,805	$ 11,400,917
17,249,342	17,382,427	15,603,594
$ 30,230,715	$ 31,004,232	$ 27,004,511
$ 21,134,970	$ 21,106,735	$ 20,477,271
61.42%	64.54%	55.68%
2.66%	1.57%	0.91%

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	$ 237,504	$ 233,150	$ 202,308
Contribution in Relation to the Contractually Required Contribution	(237,504)	(233,150)	(202,308)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 25,339,778	$ 24,512,100	$ 22,997,135
Contributions as a Percentage of Covered Payroll	0.94%	0.95%	0.88%

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.

2020	2019	2018
$ 212,189	$ 194,290	$ 188,224
(212,189)	(194,825)	(188,224)
$ -	$ (535)	$ -
$ 23,122,658	$ 21,134,970	$ 2,106,735
0.92%	0.92%	0.89%

Notes to Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budgetary Information

The District adopts an "appropriated budget" for the General Fund, 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 year ended August 31, 2023.

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 (principals 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 for fiscal year 2023 was prepared for adoption for budgeted governmental fund types by August 31, 2022. 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.

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

Changes of Assumptions

The following were changes to the actuarial assumptions or other inputs that affected the measurement of the net pension liability since the prior measurement period:

- The discount rate changed from 7.25% to 7%.
- There were no changes in benefit terms since the prior measurement date.

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 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the TOL.
- There were no changes in benefit terms since the prior measurement date.

COMPLIANCE SCHEDULES

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2014	and prior years	Various	Various	$ Various
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		0.966400	0.259200	1,682,880,793
2022		0.963400	0.259200	1,573,942,418
2023	(School year under audit)	0.895300	0.490000	1,742,175,269
1000	TOTALS			
8000	Total Taxes Refunded Under Section 26.115, Tax Code			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
$ 462,395	$ -	$ 19,630	$ 2,966	$ (48,721)	$ 391,078
77,754	-	4,944	1,280	(1,172)	70,358
87,524	-	4,901	1,269	(1,192)	80,162
97,695	-	6,954	1,800	(2,567)	86,374
171,523	-	42,889	11,102	(2,769)	114,763
178,186	-	15,871	4,111	(1,385)	156,819
226,212	-	36,385	10,100	945	180,672
314,461	-	51,948	14,076	(3,263)	245,174
449,713	-	105,447	29,577	(25,095)	289,594
-	24,134,354	15,091,817	8,436,810	-	605,727
$ 2,065,463	$ 24,134,354	$ 15,380,786	$ 8,513,091	$ (85,219)	$ 2,220,721
		$ 0.00			

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, 2023

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	$ 175,000	$ 175,000	$ 227,122	$ 52,122
5800	State Program Revenues	25,000	61,466	9,579	(51,887)
5900	Federal Program Revenues	2,058,875	2,058,875	2,497,946	439,071
5020	Total Revenues	2,258,875	2,295,341	2,734,647	439,306
	EXPENDITURES:				
	Current:				
0035	Food Services	2,258,875	2,517,340	2,466,073	51,267
6030	Total Expenditures	2,258,875	2,517,340	2,466,073	51,267
1200	Net Change in Fund Balances	-	(221,999)	268,574	490,573
0100	Fund Balance - September 1 (Beginning)	1,248,638	1,248,638	1,248,638	-
3000	Fund Balance - August 31 (Ending)	$ 1,248,638	$ 1,026,639	$ 1,517,212	$ 490,573

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, 2023

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 7,751,205	$ 7,751,205	$ 8,986,700	$ 1,235,495
5800	State Program Revenues	53,383	53,383	183,340	129,957
5900	Federal Program Revenues	140,272	140,272	143,327	3,055
5020	Total Revenues	7,944,860	7,944,860	9,313,367	1,368,507
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	3,396,432	4,683,839	4,455,000	228,839
0072	Interest on Long-Term Liabilities	4,451,960	4,451,960	4,451,958	2
0073	Bond Issuance Cost and Fees	96,468	96,468	7,774	88,694
6030	Total Expenditures	7,944,860	9,232,267	8,914,732	317,535
1200	Net Change in Fund Balances	-	(1,287,407)	398,635	1,686,042
0100	Fund Balance - September 1 (Beginning)	5,287,999	5,287,999	5,287,999	-
3000	Fund Balance - August 31 (Ending)	$ 5,287,999	$ 4,000,592	$ 5,686,634	$ 1,686,042

KILGORE INDEPENDENT SCHOOL DISTRICT

STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES

FOR THE YEAR ENDED AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	4314380
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	2119353

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	582233
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	563403

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mays & Associates, PLLC

Baytown, Texas
December 4, 2023

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

Opinion on Each Major Federal Program

We have audited Kilgore Independent School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Mays & Associates, PLLC

Baytown, Texas
December 4, 2023

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027; 84.173	Special Education Cluster
84.425	Education Stabilization Funds

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

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

II. FINANCIAL STATEMENT FINDINGS

Note Noted

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, 2023

None Noted



CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2023

Note Noted

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101092902	$ 869,317
ESEA, Title I, Part A - Improving Basic Programs	84.010A	24610101092902	92,504
Total Assistance Listing Number 84.010			961,821
*IDEA - Part B, Formula	84.027A	236600010929026600	771,269
*IDEA - Part B, Formula	84.027A	246600010929026600	63,513
*COVID 19 - IDEA, Part B, Formula - (ARP)	84.027X	225350020929025350	172,946
Total Assistance Listing Number 84.027			1,007,728
*COVID 19 - IDEA, Part B, Preschool- (ARP)	84.173X	225360020929025360	9,339
Total Special Education Cluster (IDEA)			1,017,067
Career and Technical - Basic Grant	84.048A	23420006092902	46,677
Title III, Part A - English Language Acquisition	84.365A	23671001092902	63,734
Title III, Part A - English Language Acquisition	84.365A	24671001092902	2,304
Total Assistance Listing Number 84.365			66,038
ESEA, Title II, Part A, Teacher Principal Training	84.367A	23694501092902	149,587
ESEA, Title II, Part A, Teacher Principal Training	84.367A	24694501092902	11,686
Total Assistance Listing Number 84.367			161,273
COVID 19 - ESSER II - School Emergency Relief	84.425D	21521001092902	199,311
COVID 19 - ESSER III - School Emergengy Relief	84.425D	21528001092902	2,676,801
COVID 19 - Learning Supports - (TCLAS) ESSER III	84.425U	21528042092902	162,272
Total Assistance Listing Number 84.425			3,038,384
TITLE IV, PART A, SUBPART 1	84.424A	23680101092902	34,107
LEP Summer School	84.369A	69552102	4,317
LEP Summer School	84.369A	69552202	2,974
Total Assistance Listing Number 84.369			7,291
Total Passed Through Texas Education Agency			5,332,658
TOTAL U.S. DEPARTMENT OF EDUCATION			5,332,658
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Department of Agriculture			
*School Breakfast Program	10.553	71402301	486,005
*National School Lunch Program - Cash Assistance	10.555	71302301	1,701,930
*National School Lunch Prog. - Non-Cash Assistance	10.555	092902	168,216
*Supply Chain Assistance Grant	10.555	226TX400N8903	94,200
*Supply Chain Assistance Grant	10.555	236TX400N8903	36,466
Total Assistance Listing Number 10.555			2,000,812
Total Child Nutrition Cluster			2,486,817
P-EBT Local Level Administrative Cost Grant	10.649	226TX109S9009	3,135
Emergency Food Assistance Program (Food Commodities)	10.569	092902	7,994
Total Passed Through the Texas Department of Agriculture			2,497,946

EXHIBIT K-1

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,497,946
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 7,830,604

*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

1. The District utilizes the fund types specified in 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 is generally 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, 2023. 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 cost 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 are generally included on the balance sheet. Operating statements for 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, 2023 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.

5. Reconciliation of Federal Program Revenues:

Total Expenditures of Federal Awards (Exhibit K-1)	$	7,830,604
Plus: IRS Subsidy		143,327
Plus: School Health and Related Services (SHARS)		593,709
Total Federal program revenues (Exhibit C-3)	$	8,567,640

(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 2023

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 Govenment 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