



ANNUAL FINANCIAL & COMPLIANCE REPORT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

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KILGORE INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL & COMPLIANCE REPORT

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CERTIFICATE OF BOARD

Kilgore Independent School District
Name of School District

Gregg
County

092-902
County-District

We, the undersigned, certify that the attached annual financial & compliance reports of the above named school district were reviewed and X approved disapproved for the year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on the 23rd of February, 2026.



Signature of Board Vice-President



Signature of Board President

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FINANCIAL SECTION

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MAYS & ASSOCIATES^{PLLC}
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows 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 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 61-71 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 February 23, 2026, 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.

The logo for Mays & Associates, PLLC. It features the company name in a blue, cursive script font. Below the script, the text "Mays & Associates, PLLC" is written in a smaller, blue, sans-serif font.

Mays & Associates, PLLC

Baytown, Texas
February 23, 2026

KILGORE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025. 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 \$57,864,096 (*net position*).
- The District's governmental funds reported combined ending fund balances of \$ \$84,387,967, a decrease of \$28,366,859 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 \$15,419,100 or 38% of total general fund expenditures.
- The District's bonded debt decreased by \$11,090,000 during the year due to regularly scheduled debt payments and a \$9 million principal reduction related to Series 2022 bond remarketing.

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.

KILGORE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$57,864,096 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.

	Governmental Activities		Change 2025-2024
	2025	2024	
Current and other assets	\$ 91,215,784	\$ 119,379,273	\$ (28,163,489)
Capital assets and non current assets	139,527,669	119,745,403	19,782,266
Total assets	<u>230,743,453</u>	<u>239,124,676</u>	<u>(8,381,223)</u>
Total deferred outflows of resources	<u>7,675,888</u>	<u>9,255,637</u>	<u>(1,579,749)</u>
Other liabilities	8,885,562	10,135,842	(1,250,280)
Long-term liabilities	162,743,945	168,545,773	(5,801,828)
Total liabilities	<u>171,629,507</u>	<u>178,681,615</u>	<u>(7,052,108)</u>
Total deferred inflows of resources	<u>8,925,738</u>	<u>10,855,974</u>	<u>(1,930,236)</u>
Net position:			
Net investment in capital assets	52,857,438	45,825,032	7,032,406
Restricted	7,917,666	11,653,000	(3,735,334)
Unrestricted	(2,911,008)	1,364,692	(4,275,700)
Total net position	<u>\$ 57,864,096</u>	<u>\$ 58,842,724</u>	<u>\$ (978,628)</u>

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 \$(2,911,008) at August 31, 2025. Unrestricted net position decreased over the prior year by \$4,275,700 due to ongoing operations and reflects a deficit balance. 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	
	2025	2024
Federal and state programs	\$ 1,788,514	\$ 1,657,673
Debt Services	6,129,152	9,995,327
	<u>\$ 7,917,666</u>	<u>\$ 11,653,000</u>

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

COMPARATIVE SCHEDULE OF CHANGES IN STATEMENT OF ACTIVITIES					
	Governmental Activities				Change
	2025	%	2024	%	2025-2024
Revenues					
Program revenues:					
Charges for services	\$ 694,271	1%	\$ 807,022	1%	\$ (112,751)
Operating grants & contributions	7,417,056	13%	10,038,391	18%	(2,621,335)
General revenues:					
Property taxes	22,687,017	39%	21,460,942	38%	1,226,075
State aid - formula grants	22,655,930	39%	22,206,092	40%	449,838
Grants and contributions not restricted	961,009	2%	343,308	1%	617,701
Investment earnings	2,926,145	5%	884,311	2%	2,041,834
Other	484,393	1%	164,568	0%	319,825
Total revenues	<u>57,825,821</u>	<u>100%</u>	<u>55,904,634</u>	<u>100%</u>	<u>1,921,187</u>
Expenses:					
Instruction and related services	27,779,582	47%	26,030,759	52%	1,748,823
Instructional and school leadership	3,487,069	6%	4,484,666	9%	(997,597)
Support services - student	7,427,588	13%	7,093,616	14%	333,972
Child nutrition	2,151,908	4%	1,980,425	4%	171,483
General administration	1,678,354	3%	1,667,653	3%	10,701
Support services - non-student related	12,917,662	22%	4,727,801	9%	8,189,861
Debt service	2,923,478	5%	3,524,082	7%	(600,604)
Shared service arrangements and other charges	438,808	1%	396,128	1%	42,680
Total expenses	<u>58,804,449</u>	<u>100%</u>	<u>49,905,130</u>	<u>100%</u>	<u>8,899,319</u>
Increase (decrease) in net position	(978,628)		5,999,504		(6,978,132)
Net position, beginning	<u>58,842,724</u>		<u>52,843,220</u>		<u>5,999,504</u>
Net position, ending	<u>\$ 57,864,096</u>		<u>\$ 58,842,724</u>		<u>\$ (978,628)</u>

The District's net position decreased by \$978,628 during fiscal year 2025, primarily due to expenses exceeding revenues, largely related to facilities maintenance and operations costs.

Governmental accounting standards require the District to report its proportionate share of the net pension and net OPEB liabilities on the government-wide Statement of Net Position, thereby recognizing the long-term obligations associated with employee retirement benefits.

At August 31, 2025, the District reported a net pension liability of \$11,389,783 for its proportionate share of the Teachers Retirement System of Texas (TRS) pension plan and a net OPEB liability of \$8,053,844 for its proportionate share of TRS-Care. At August 31, 2024, the District's net pension and net OPEB liabilities were \$13,468,219 and \$6,061,096, respectively.

The primary revenues of the District are generated from the following sources: property taxes, state-aid formula grants, and operating grants and contributions. When combined, these represented approximately 91% or \$52,760,003 of total revenues. The remaining 9% or \$5,065,818 was generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expenses of the District are due to the following sources: instruction and related services, student support services, and non-student support services. When combined these represented 82% or \$48,124,832 of total expenses. The remaining functional expenses represent less than 18% or \$10,679,617 of total expenditures.

KILGORE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025, the District's governmental funds reported combined fund balances of \$84,387,967, a decrease of \$28,366,859 in comparison with the prior year. Approximately 68% or \$57,225,713 of combined fund balance constitutes *capital acquisition and contractual obligations*.

Governmental Fund Balances					
	General Fund	Debt Service Fund	Capital Projects	NonMajor Funds	Totals
Total Fund Expenditure	\$ 40,029,636	\$ 15,317,950	\$ 27,530,373	\$ 6,722,398	\$ 89,600,357
Nonspendable	\$ 1,485	\$ -	\$ -	\$ 110,081	111,566
Restricted	-	5,667,599	49,879,681	1,678,433	57,225,713
Committed	8,711,236	-	-	256,538	8,967,774
Assigned	2,663,814	-	-	-	-
Unassigned	15,419,100	-	-	-	15,419,100
Total fund balances	\$ 26,795,635	\$ 5,667,599	\$ 49,879,681	\$ 2,045,052	\$ 84,387,967

The general fund is the District's primary operating fund. A useful measure of liquidity is the comparison of unassigned and total fund balance to total General Fund expenditures. As of August 31, 2025, unassigned fund balance totaled \$15,419,100, representing 39 percent of total General Fund expenditures. Total fund balance decreased by \$164,843 from the prior year, primarily due to a reduction in committed fund balance of \$1,112,763. Unassigned fund balance increased by \$947,920 as a result of current-year operating results and the release or reclassification of certain committed amounts, reflecting a greater portion of fund balance available for general operations at year-end.

The debt service fund has a total fund balance of \$5,667,599, all of which is reserved for the payment of debt service. The net decrease in the debt service fund balance during the current year was \$3,978,863. This decrease results from expenditures exceeding debt service revenues. Decrease primarily relates to a \$9 million principal reduction related to Series 2022 bond remarketing.

The capital projects fund has a fund balance of \$49,879,681. This decrease of \$24,388,48 is mainly due to the facilities acquisition and construction costs during the year.

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		Actuals
	Original	Final	
Total revenues	\$ 38,390,571	\$ 38,504,272	\$ 39,691,444
Total expenditures	39,910,900	41,432,277	40,029,636
Other financing sources (uses)	-	-	173,349
Net change in fund balance	\$ (1,520,329)	\$ (2,928,005)	\$ (164,843)

KILGORE INDEPENDENT SCHOOL DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS

The District originally adopted a deficit budget for fiscal year 2025 and subsequently amended it during the year, with the final amended budget reflecting a projected deficit of \$2,928,005. Actual revenues exceeded budgeted amounts by \$1,187,172, primarily due to higher-than-anticipated state and local revenues, while actual expenditures were \$1,402,641 below budget. Despite these favorable variances, expenditures exceeded revenues for the year, resulting in a decrease in General Fund balance of \$164,843.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The District’s investment in capital assets for its governmental type activities as of August 31, 2025, 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 \$19,025,445 primarily due to current year additions offset by depreciation.

The following table summarizes the investment in capital assets as of August 31, 2025 and 2024.

	2025	2024
Land	\$ 4,594,081	\$ 4,642,287
Buildings and improvements	96,154,726	95,939,163
Furniture and equipment	26,393,738	24,928,398
Construction in progress	58,892,320	38,188,396
	186,034,865	163,698,244
Accumulated depreciation	(50,184,271)	(46,873,095)
Net capital assets	\$ 135,850,594	\$116,825,149

Long-Term Liabilities

As of August 31, 2025, the District had bonded debt totaling \$121,430,000. Bonded debt decreased by \$11,090,000 from the prior year as a result of regularly scheduled debt payments and a \$9 million principal reduction associated with Series 2022 remarketing 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, 2025 are as follows:

	Outstanding 9/1/2024	Additions	Reductions	Outstanding 8/31/2025
General obligation bonds	\$ 132,520,000	\$ -	\$ (11,090,000)	\$ 121,430,000
Deferred bond components	12,748,280	-	(1,305,443)	11,442,837
Other liabilities	25,347,493	6,602,051	(2,078,436)	29,871,108
	\$ 170,615,773	\$ 6,602,051	\$ (14,473,879)	\$ 162,743,945

Additional information on the District’s assets and 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 2025-2026.

- The District’s taxable value for 2025 increased \$86,456,907, or 4.15% from 2024 values.
- Federal, state and local revenue combined for general fund in the 2025-2026 budget are projected to increase from the 2024-2025 final amended budget by just over \$2 million. This increase is a direct result of changes to the school funding formulas during the most recent Texas Legislative session. Additionally, certain

KILGORE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

funding allotments have increased due to increased student counts in those areas – specifically, special education and career and technical education.

- The 2025-2026 general operating expenditure budget has a projected increase from the final amended 2024-2025 revised budget. From 2023-2024 revised levels, an increase of \$181,586. This increase is attributable to several factors:
 - The Board of Trustees approved salary increases for all staff.
 - Additionally, the 2025-26 expenditure budget includes projected increases in several functions due to economic inflation and costs of services utilized by the district.
- Within the 2025-2026 expenditure budget is an undefined capital needs budget of \$600,000.
- The district's overall tax rate for 2025-2026 was decreased by \$0.0499 from 2024-2025 to \$1.1051, \$0.6669 maintenance and operations plus \$0.437787 debt service. The M & O rate remains the same after tax compression, but the debt rate has been lowered after the district's voters rejected a Voter-Approval Tax Rate election. 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.
 - 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.
 - Construction on the new Kilgore High School building 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 2024-2025 budget adopted for debt service reflects the board's standing practice of keeping the debt service tax rate generally 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 2025-2026 general fund budget was adopted based on anticipated average daily attendance considering attendance reductions seen during the 2024-2025 school year. Because of the continued attendance declines during the 2024-2025 school year this approach was considered to be very conservative at the time. 2024-2025 was the first time Kilgore ISD adopted a deficit budget. Administration committed to closely examining expenditures in the 2024-25 with the goal of strictly adhering to staffing ratios and developing programs that specifically target serving the students in our community well.

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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2025

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 22,439,147
1120 Current Investments	63,425,367
1220 Property Taxes - Delinquent	2,478,246
1230 Allowance for Uncollectible Taxes	(679,971)
1240 Due from Other Governments	3,227,921
1267 Due from Fiduciary Funds	1,638
1290 Other Receivables, Net	211,870
1300 Inventories	110,081
1410 Prepayments	1,485
Capital Assets:	
1510 Land	4,594,081
1520 Buildings, Net	60,716,533
1530 Furniture and Equipment, Net	11,647,660
1580 Construction in Progress	58,892,320
1800 Restricted Assets	3,677,075
1000 Total Assets	230,743,453
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	3,522,351
1706 Deferred Outflow Related to TRS OPEB	4,153,537
1700 Total Deferred Outflows of Resources	7,675,888
LIABILITIES	
2110 Accounts Payable	3,465,790
2140 Accrued Interest	178,945
2150 Payroll Deductions and Withholdings	1,927
2160 Accrued Wages Payable	2,183,925
2200 Accrued Expenses	2,968,392
2300 Unearned Revenue	86,583
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	2,165,000
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	141,135,318
2540 Net Pension Liability (District's Share)	11,389,783
2545 Net OPEB Liability (District's Share)	8,053,844
2000 Total Liabilities	171,629,507
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	710,804
2606 Deferred Inflow Related to TRS OPEB	8,214,934
2600 Total Deferred Inflows of Resources	8,925,738
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	52,857,438
Restricted:	
3820 Restricted for Federal and State Programs	1,788,514
3850 Restricted for Debt Service	6,129,152
3900 Unrestricted	(2,911,008)
3000 Total Net Position	\$ 57,864,096

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

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 26,127,122	\$ 45,845	\$ 2,651,598	\$ (23,429,679)
12 Instructional Resources and Media Services	484,456	8,089	8,524	(467,843)
13 Curriculum and Instructional Staff Development	1,168,004	-	176,114	(991,890)
21 Instructional Leadership	690,386	-	17,491	(672,895)
23 School Leadership	2,796,683	76,848	47,797	(2,672,038)
31 Guidance, Counseling, and Evaluation Services	2,444,014	-	494,949	(1,949,065)
33 Health Services	412,523	-	6,151	(406,372)
34 Student (Pupil) Transportation	1,736,225	-	21,438	(1,714,787)
35 Food Services	2,834,826	189,879	2,668,646	23,699
36 Extracurricular Activities	2,151,908	355,610	24,865	(1,771,433)
41 General Administration	1,678,354	-	15,083	(1,663,271)
51 Facilities Maintenance and Operations	11,351,966	18,000	235,388	(11,098,578)
52 Security and Monitoring Services	866,472	-	43,532	(822,940)
53 Data Processing Services	664,737	-	5,228	(659,509)
61 Community Services	34,487	-	26,340	(8,147)
72 Debt Service - Interest on Long-Term Debt	2,915,133	-	973,912	(1,941,221)
73 Debt Service - Bond Issuance Cost and Fees	8,345	-	-	(8,345)
99 Other Intergovernmental Charges	438,808	-	-	(438,808)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 58,804,449</u>	<u>\$ 694,271</u>	<u>\$ 7,417,056</u>	<u>(50,693,122)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			13,054,223
DT	Property Taxes, Levied for Debt Service			9,632,794
SF	State Aid - Formula Grants			22,655,930
GC	Grants and Contributions not Restricted			961,009
IE	Investment Earnings			2,926,145
MI	Miscellaneous Local and Intermediate Revenue			484,393
TR	Total General Revenues			<u>49,714,494</u>
CN	Change in Net Position			(978,628)
NB	Net Position - Beginning			<u>58,842,724</u>
NE	Net Position - Ending			<u>\$ 57,864,096</u>

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

KILGORE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 18,439,032	\$ 1,976,066	\$ -
1120 Investments - Current	6,951,971	74,327	56,399,069
1220 Property Taxes - Delinquent	1,674,995	803,251	-
1230 Allowance for Uncollectible Taxes	(517,218)	(162,753)	-
1240 Due from Other Governments	2,561,815	7,822	-
1260 Due from Other Funds	594,951	-	-
1290 Other Receivables	211,870	-	-
1300 Inventories	-	-	-
1410 Prepayments	1,485	-	-
1800 Restricted Assets	-	3,677,075	-
1000 Total Assets	<u>\$ 29,918,901</u>	<u>\$ 6,375,788</u>	<u>\$ 56,399,069</u>
LIABILITIES			
2110 Accounts Payable	\$ 47,672	\$ -	\$ 3,416,618
2150 Payroll Deductions and Withholdings Payable	1,925	-	-
2160 Accrued Wages Payable	1,914,499	-	-
2170 Due to Other Funds	-	67,691	134,378
2200 Accrued Expenditures	-	-	2,968,392
2300 Unearned Revenue	1,393	-	-
2000 Total Liabilities	<u>1,965,489</u>	<u>67,691</u>	<u>6,519,388</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,157,777	640,498	-
2600 Total Deferred Inflows of Resources	<u>1,157,777</u>	<u>640,498</u>	<u>-</u>
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 Contractual Obligation	-	-	49,879,681
3480 Retirement of Long-Term Debt	-	5,667,599	-
Committed Fund Balance:			
3510 Construction	6,830,094	-	-
3545 Other Committed Fund Balance	1,881,142	-	-
Assigned Fund Balance:			
3560 Claims and Judgments	2,663,814	-	-
3600 Unassigned Fund Balance	15,419,100	-	-
3000 Total Fund Balances	<u>26,795,635</u>	<u>5,667,599</u>	<u>49,879,681</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 29,918,901</u>	<u>\$ 6,375,788</u>	<u>\$ 56,399,069</u>

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	2,024,049	\$	22,439,147
	-		63,425,367
	-		2,478,246
	-		(679,971)
	658,284		3,227,921
	-		594,951
	-		211,870
	110,081		110,081
	-		1,485
	-		3,677,075
\$	2,792,414	\$	95,486,172
\$	1,500	\$	3,465,790
	2		1,927
	269,426		2,183,925
	391,244		593,313
	-		2,968,392
	85,190		86,583
	747,362		9,299,930
	-		1,798,275
	-		1,798,275
	110,081		110,081
	-		1,485
	1,678,433		1,678,433
	-		49,879,681
	-		5,667,599
	-		6,830,094
	256,538		2,137,680
	-		2,663,814
	-		15,419,100
	2,045,052		84,387,967
\$	2,792,414	\$	95,486,172

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KILGORE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2025

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 84,387,967
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 \$186,034,865 and the accumulated depreciation is \$50,184,271. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase net position. (See Note II. D.)	135,850,594
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 II. E.)	(135,112,564)
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.	1,798,275
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 \$11,389,783, a deferred resource inflow related to TRS in the amount of \$710,804 and a deferred resource outflow related to TRS in the amount of \$3,522,351. The net effect of these pension related items is a decrease to net position. (See Note II. H.)	(8,578,236)
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 \$8,053,844, a deferred inflow related to TRS OPEB in the amount of \$8,214,934, and a deferred resource outflow related to TRS OPEB in the amount of \$4,153,537. The net effect of these OPEB related items is a decrease to net position. (See Note II. I.)	(12,115,241)
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.	(8,366,699)
29 Net Position of Governmental Activities	\$ 57,864,096

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, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 14,894,962	\$ 10,365,175	\$ 3,141,891
5800 State Program Revenues	24,728,520	832,275	-
5900 Federal Program Revenues	67,962	141,637	-
5020 Total Revenues	39,691,444	11,339,087	3,141,891
EXPENDITURES:			
Current:			
0011 Instruction	20,435,861	-	-
0012 Instructional Resources and Media Services	443,157	-	-
0013 Curriculum and Instructional Staff Development	935,495	-	-
0021 Instructional Leadership	647,758	-	-
0023 School Leadership	2,551,252	-	-
0031 Guidance, Counseling, and Evaluation Services	1,858,218	-	-
0033 Health Services	390,847	-	-
0034 Student (Pupil) Transportation	1,638,244	-	-
0035 Food Services	3,108	-	-
0036 Extracurricular Activities	1,937,840	-	-
0041 General Administration	1,605,968	-	-
0051 Facilities Maintenance and Operations	5,372,966	-	-
0052 Security and Monitoring Services	779,087	-	-
0053 Data Processing Services	653,873	-	-
0061 Community Services	5,532	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	11,090,000	-
0072 Interest on Long-Term Liabilities	-	4,219,605	-
0073 Bond Issuance Cost and Fees	-	8,345	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	331,622	-	27,530,373
Intergovernmental:			
0099 Other Intergovernmental Charges	438,808	-	-
6030 Total Expenditures	40,029,636	15,317,950	27,530,373
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(338,192)	(3,978,863)	(24,388,482)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	173,349	-	-
1200 Net Change in Fund Balances	(164,843)	(3,978,863)	(24,388,482)
0100 Fund Balance - September 1 (Beginning)	26,960,478	9,646,462	74,268,163
3000 Fund Balance - August 31 (Ending)	\$ 26,795,635	\$ 5,667,599	\$ 49,879,681

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	541,647	\$	28,943,675
	449,635		26,010,430
	5,896,445		6,106,044
	6,887,727		61,060,149
	2,659,394		23,095,255
	20,458		463,615
	176,114		1,111,609
	17,491		665,249
	150,367		2,701,619
	494,949		2,353,167
	6,151		396,998
	21,438		1,659,682
	2,713,334		2,716,442
	137,065		2,074,905
	15,083		1,621,051
	235,388		5,608,354
	43,532		822,619
	5,228		659,101
	26,406		31,938
	-		11,090,000
	-		4,219,605
	-		8,345
	-		27,861,995
	-		438,808
	6,722,398		89,600,357
	165,329		(28,540,208)
	-		173,349
	165,329		(28,366,859)
	1,879,723		112,754,826
\$	2,045,052	\$	84,387,967

KILGORE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (28,366,859)
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 II. D.)	22,868,274
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 II. D.)	(3,669,483)
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 II. E.)	10,155,716
Changes in the District's proportionate share of the net pension liability, deferred outflows or resources, and deferred inflows of resources related to the Teacher Retirement System of Texas for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is a decrease to net position.	(721,574)
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.	1,157,749
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating inter-fund transactions, recognizing the net effect of retirement of capital assets, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(2,402,451)
Change in Net Position of Governmental Activities	\$ (978,628)

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

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 176,954
Restricted Assets	<u>37,810</u>	<u>-</u>
Total Assets	<u>37,810</u>	<u>\$ 176,954</u>
LIABILITIES		
Due to Other Funds	-	1,638
Due to Student Groups	<u>-</u>	<u>25</u>
Total Liabilities	<u>-</u>	<u>1,663</u>
NET POSITION		
Restricted for Scholarships	37,810	-
Restricted for Student Groups	<u>-</u>	<u>175,291</u>
Total Net Position	<u>\$ 37,810</u>	<u>\$ 175,291</u>

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

KILGORE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Contributions to Student Groups	\$ -	\$ 16,285
Miscellaneous Revenue - Student Activities	-	42,943
Enterprising Services Revenue	-	186,779
Earnings from Temporary Deposits	1,706	-
Total Additions	<u>1,706</u>	<u>246,007</u>
DEDUCTIONS:		
Other Deductions	-	241,968
Total Deductions	<u>-</u>	<u>241,968</u>
Change in Fiduciary Net Position	1,706	4,039
Total Net Position - September 1 (Beginning)	<u>36,104</u>	<u>171,252</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 37,810</u></u>	<u><u>\$ 175,291</u></u>

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

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Kilgore Independent School District (the “District”) have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) 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. 91 and 93* of the American Institute of Certified Public Accountants (“AICPA”); and it complies with the requirements of the appropriate version of Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

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

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements, which includes the statement of net position and the statement of activities, report on all of the non-fiduciary activities of the District’s primary government. These statements exclude the effects of interfund activities that do not involve services provided or used. In this context, the District’s governmental activities are typically funded by tax revenues and intergovernmental revenues. The District does not have business-type activities, which would normally depend significantly on fees and charges for financial support.

The statement of activities provides a comparison between direct expenses and program revenues for each program or function of the District’s governmental activities. *Direct expenses* are specifically associated with a program or function and are clearly attributable to that function. *Indirect costs* are allocated proportionally, based on the ratio of function’s expense to total expense. *Program revenues* are categorized as 1) Charges for services, goods, or privileges purchased by students, applicants, or users who directly benefit from a specific function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, such as taxes, are reported as *general revenues*.

2. Fund Financial Statements

The District presents separate financial statements for governmental and fiduciary funds. Fiduciary funds, though excluded from the government-wide financial statements, are still reported in separate fiduciary fund financial statements. During the fiscal year, the District segregates transactions related to specific functions or activities into separate funds to aid financial management and demonstrate legal compliance.

Fund financial statements are designed to present the District’s financial information at a more detailed level, with the focus on major funds. These major individual governmental funds are reported in separate columns to highlight their financial activity. All remaining nonmajor governmental funds are aggregated and presented in a single column for reporting purposes.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

C. Fund Accounting

The District utilizes funds to manage and organize its financial records during the fiscal year. A fund is an accounting entity with its own set of self-balancing accounts, meaning it independently tracks its financial resources and obligations. There are two categories of funds: governmental and fiduciary.

1. 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 funds:

- **General Fund** – is the District’s primary operating fund and accounts for resources that finance the fundamental operations of the District. It includes all financial resources not required to be accounted for in another fund. Major revenue sources for the General Fund include local property taxes and state funding, such as the Foundation School Program.

This fund covers all expenditures related to the District's daily operations, except for specific programs funded by federal or state government, as well as food service, debt service, and capital projects. It plays a central role in supporting the District’s mission, in partnership with the community, to enable and motivate students to reach their full potential. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

- **Debt Service Fund** – is used to account for the accumulation of resources to pay the principal and interest on long-term debt issued by the District. These funds ensure that the District can meet its debt obligations as they come due. Major revenue sources for the Debt Service Fund include dedicated property taxes. Transfers from other funds or special assessments that set aside to pay off debt. . 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.
- **Capital Projects Fund** – This fund accounts for proceeds from the sale of voter-approved bonds and other resources to be 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.
- **Nonmajor Governmental Funds** - 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

2. Fiduciary Funds

Fiduciary Funds are used to manage resources that the Districts holds in a trust or as an agent for others, such as pension funds, scholarship donations, or various campus organization fundraising resources. These funds are excluded from the government-wide financial statements because the resources they contain are held for the benefit of individuals, organizations, or other governments and are not available to support the government's own programs or services. The District uses the following fiduciary funds:

- ***Private Purpose Trust Fund*** – This fund accounts for donations to scholarship funds received by the District for awards to current and former students for post-secondary education purposes.
- ***Custodial Funds*** – These funds account 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.

The private purpose trust fund and custodial funds meet the requirements for reporting as fiduciary activities. The assets derived from these funds are not from the District's owned revenue sources. In addition, they do not meet the criteria for District-mandated or voluntary nonexchange transactions. Lastly, these assets are for the benefits of individuals, namely students or others, and the District does not have administrative involvement or direct financial involvement for these funds.

D. Measurement Focus and Basis of Accounting

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

The fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. These statements reflect only current assets (such as cash and receivables expected to be collected within the year) and current liabilities (those expected to be settled within the fiscal year). Long-term assets and liabilities, such as capital assets and long-term debt, are not reported in these statements.

Revenues are recognized when they are both measurable (the amount can be determined) and available (expected to be collected within the current period or within 60 days after the fiscal year ends). Property tax revenue and state funding follow the susceptible-to-accrual concept, meaning they must be available and measurable to be recognized. Taxes not collected within 60 days are reported as deferred inflows of resources. Miscellaneous revenues, such as fees or minor revenues, are recorded when received because they are generally not measurable until collection. Interest revenue and building rentals are recognized when earned, as they are measurable and available. State and Federal grants revenue is recognized when eligible expenditures are incurred. If funds are received before expenditures are made, they are recorded as unearned revenues. If expenditures are made before receiving grant funds, they are reported as receivables.

**KILGORE INDEPENDENT SCHOOL DISTRICT
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Expenditures are recognized when a liability is incurred, similar to accrual accounting. However, debt service payments (principal and interest), compensated absences, claims, and judgments are recorded only when payment is due, not when the liability is incurred.

The government-wide financial statements (using the *accrual basis*) include all assets and liabilities, including long-term ones. In contrast, the fund financial statements (using *modified accrual*) exclude long-term items like capital assets and long-term debt. As a result, reconciliations are provided in the fund financial statements to explain these differences.

3. 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 fund financial statements use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

- ***Revenues-Exchange and Non-exchange Transactions***

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

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

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

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

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

- **Unearned Revenues**

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

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
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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.

E. Assets, Liabilities, and Net Position or Fund Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash on hand, demand deposits, investment pools, and short-term investments with maturities of three months or less from the date of acquisition to be cash and cash equivalents.

2. 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 consist of balances in privately managed public funds investment pools. 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
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3. Property Taxes

The District levies property taxes on October 1, as per the Texas Property Tax Code. Taxes are due upon receipt of the bill and become delinquent after February 1 of the following year, subject to interest and penalties. A tax lien is attached to properties on January 1 to secure payment.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year.

Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

4. Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations. Interfund receivables and payables are eliminated in the government-wide financial statements as are transfers between funds.

5. Inventories

The District reports inventories of supplies using the first-in, first-out method of accounting. Inventories for food, school, maintenance, and custodial supplies are carried at cost and charged to a respective fund expenditure account when consumed. Inventories of food commodities are recorded at fair values. Although commodities are received at no cost, their fair value is provided by the Texas Department of Agriculture and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized in an equal amount.

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.

7. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as those with an initial individual cost of more than \$5,000 and an estimated useful life of more than five years. Such assets are recorded at historical cost, or if unavailable, at estimated historical cost. Donated assets are recorded at their acquisition value or estimated fair value on the date of donation.

Furniture and equipment costing in excess of \$5,000 are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed, but interest incurred during construction is not capitalized. When assets are retired or disposed of, their related costs or other recorded amounts are removed from the records.

**KILGORE INDEPENDENT SCHOOL DISTRICT
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Capital assets of the District are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Capital Asset:	Years
Buildings and infrastructure	45
Building and improvements	8-20
Furniture, fixtures and equipment	3-20
Vehicles	6

8. 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 three items that qualify for reporting in this category:

- Deferred outflow of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred 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 net 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** is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life of all members.

9. Long-Term Obligations

In the government-wide financial statements, long-term indebtedness is reported as a liability. Bond premiums and discounts, as well as defeasance costs, are deferred and amortized over the life of the bonds using the straight-line method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium, discount, and other costs.

In the fund financial statements, bond premiums (net of discounts) are recognized in the current period and recorded as other financing sources. Issuance costs are recognized in the current period as debt service expenditures. The face amount of the debt issued is reported as other financing sources; whereas, bonds refunded during the period are recorded as other financing uses.

10. Compensated Absences

The District provides paid leave in accordance with Texas Education Code and Board policy. Employees earn five days of state personal leave per year, which accumulates without limit and is transferable among Texas school districts, and five days of local leave per year, which accumulates to a maximum of 20 days. The District also provides certain statutory leave benefits, including temporary disability and assault leave. Workers' compensation benefits are not considered compensated absences.

In accordance with GASB Statement No. 101, *Compensated Absences*, a liability is recognized for leave attributable to services already rendered that accumulates and is more likely than not to be used for time off or otherwise paid or settled. The District does not compensate employees for unused state personal leave or local leave upon separation or retirement; therefore, no liability for accumulated leave balances is recorded in the government-wide financial statements.

The implementation of GASB 101 did not result in a material change in the District's accounting for compensated absences, and no prior-period adjustment was required. Liabilities for compensated absences, when applicable, are generally liquidated by the General Fund.

11. 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 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.

12. 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

13. 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

14. 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 investment 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.

15. Budgetary Data

The Board adopts an “appropriated budget” for the General Fund, Debt Services 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 31, 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

16. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. 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 probable that the foundation revenue estimate as of August 31 will change and those changes could be material. For the year ended August 31, 2025, the District received approximately 43% of revenues from the State of Texas.

17. 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 database for policy development and funding plans.

18. Implementation of New Accounting Standards

GASB issued Statement No. 101, "*Compensated Absences*", which is effective for fiscal year ending August 31, 2025. The Statement requires governments to recognize a liability for compensated absences for leave that has not been used and leave that has been used but not paid. The liability is measured at the amount of the cash payment or noncash settlement to be made for the use of leave. The Statement did not have a material impact on the financial statements.

GASB issued Statement No. 102, "*Certain Risk Disclosures*", requires governments to disclose information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal year ending August 31, 2025, and the District implemented the Statement. The Statement did not have a material impact on the financial statements.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

A summary of the District's cash and investments by fund at August 31, 2025 is shown below:

	Cash and Deposits	Investment Pools	BOK Financial	Total Investments	Total Cash & Investments
Governmental Funds:					
General fund	\$ 18,439,032	\$ 6,951,971	\$ -	\$ 6,951,971	\$ 25,391,003
Debt service fund	1,976,066	-	74,327	74,327	2,050,393
Capital projects fund	-	56,399,069	-	56,399,069	56,399,069
Non-major governmental funds	2,024,049	-	-	-	2,024,049
Total governmental funds	22,439,147	63,351,040	74,327	63,425,367	85,864,514
Fiduciary funds	176,954	37,810	-	214,764	214,764
Total	\$ 22,616,101	\$ 63,388,850	\$ 74,327	\$ 63,640,131	\$ 86,079,278

At August 31, 2025, the net carrying amount of the District's cash and deposits was \$22,616,101 and the bank balance was \$23,807,200. At August 31, 2025, the District's combined deposits were fully insured by FDIC insurance or collateralized with securities held by the Bank's agent in the District's name.

**KILGORE INDEPENDENT SCHOOL DISTRICT
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The Public Funds Investment Act (“the Act”) and Board policy governs the District’s investment policies. The 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 of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits. 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) securities lending programs, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools and (9) guaranteed investment contracts.

The District’s cash equivalents and investments at August 31, 2025 are as shown below:

Investment Type:	Rating	Value at August 31, 2025	Fair Value Measurements Using:			Percent of Portfolio	WAM (Days/Years)
			(Level 1)	(Level 2)	(Level 3)		
Cash in Bank		\$ 22,616,101				26%	
<i>Cash equivalents measured at amortized costs:</i>							
TexPool	AAAm	608,551				1%	< 365 days
LoneStar	AAA/AAAm	59,020,505				69%	< 365 days
TexasCLASS	AAAm	3,759,794				4%	< 365 days
Cash and cash equivalents - subtotal		86,004,951					
<i>Investments measured at cost not subject to level reporting:</i>							
BOK Short-term Cash fund I		74,327				0%	
Total cash & investments		\$ 86,079,278	\$ -	\$ -	\$ -	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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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 related 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, 2025, the District's investments in TexPool, TexasClass and LoneStar were rated AAAm, AAA, and AAAf, respectively, by Standard and Poor's.

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

2) Custodial Credit Risk

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.

At year end, the District was not exposed to interest rate risk.

The District's sinking funds at August 31, 2025 were invested in the following:

Investment Type:	Value at August 31, 2025	Fair Value Measurement Using:			Maturity
		(Level 1)	(Level 2)	(Level 3)	
Investment measured at amortized cost:					
BOK Short-term Cash Fund I	\$ 3,677,075	\$ -	\$ -	\$ -	N/A
Total Restricted Assets	<u>\$ 3,677,075</u>				

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

B. Receivables and Unearned Revenue

Receivables as of August 31, 2025, for the District's individual major funds 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 delinquent:				
Property taxes	\$ 1,674,995	\$ 803,251	\$ -	\$ 2,478,246
Subtotal - property taxes receivables	1,674,995	803,251	-	2,478,246
Less: allowance for uncollectibles	(517,218)	(162,753)	-	(679,971)
Net property taxes receivables	\$ 1,157,777	\$ 640,498	\$ -	\$ 1,798,275
Due from other governments:				
Due from state	\$ 2,433,116	\$ -	\$ 24,099	\$ 2,457,215
Due from federal	-	-	634,185	634,185
Due from other	128,699	7,822	-	136,521
Net due from other governments	\$ 2,561,815	\$ 7,822	\$ 658,284	\$ 3,227,921
Other receivables:				
Other receivables	\$ 211,870	\$ -	\$ -	\$ 211,870
Net other receivables	\$ 211,870	\$ -	\$ -	\$ 211,870

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, 2025 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.

Unearned revenue at August 31, 2025, for the District's governmental funds is as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - General fund	\$ 1,157,777	\$ -
Delinquent property taxes receivable - Debt service fund	640,498	-
State allotments - General fund	-	1,393
Nonmajor governmental fund	-	85,190
Total deferred revenue	\$ 1,798,275	\$ 86,583

Property Taxes

Property taxes are considered available when collected within the current period. The District levies taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and become past due, subject to interest and penalty, 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 securing payment of all taxes, penalties, and interest ultimately imposed. The tax rates assessed for the year ended August 31, 2025 to finance general fund operations and voter approved debt service principal and interest payments were \$0.6669 and \$0.4882, respectively, per \$100 of assessed valuation for a total tax rate of \$1.1551.

The net assessed/appraised value for school tax purposes was \$1,942,814,401, upon which the current year's total levy value was \$22,441,449.

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Current tax collections for the year ended August 31, 2025 were 96% of the year-end adjusted levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The property taxes receivable allowance is approximately 31% of outstanding property taxes receivable at August 31, 2025.

C. Interfund Receivables, Payables and Transfers

Interfund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. Interfund balances in the fund financial statements at August 31, 2025 consisted of the following:

Fund	Receivable	Payable
General fund:		
Debt service fund	\$ 67,691	\$ -
Capital projects fund	134,378	-
Nonmajor governmental funds	391,244	-
Custodial fund	1,638	-
Total general fund	\$ 594,951	\$ -
Debt service fund:		
General fund	\$ -	\$ 67,691
Capital projects fund		
General fund	\$ -	\$ 134,378
Nonmajor governmental funds:		
General fund	\$ -	\$ 391,244
Custodial fund		
General fund	\$ -	\$ 1,638
Total	\$ 594,951	\$ 594,951

District expenditures are paid from a centralized-pooled operating bank account maintained in the general fund. Since all cash transactions flow through this account, each District fund carries a receivable/payable balance with the general fund, which will be repaid within one year.

D. Capital Assets

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

	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
<u>Capital assets not being depreciated:</u>					
Land purchase and improvements	\$ 4,642,287	\$ 125,140	\$ (173,346)	\$ -	\$ 4,594,081
Construction in progress	38,188,396	21,014,733	-	(310,809)	58,892,320
Total capital assets not being depreciated	42,830,683	21,139,873	(173,346)	(310,809)	63,486,401
<u>Capital assets being depreciated:</u>					
Buildings and improvements	95,939,163	187,892	-	27,671	96,154,726
Furniture and equipment	24,928,398	1,540,509	(358,307)	283,138	26,393,738
Total capital assets being depreciated	120,867,561	1,728,401	(358,307)	310,809	122,548,464
<u>Less accumulated depreciation for:</u>					
Buildings and Improvements	(33,269,894)	(2,168,299)	-	-	(35,438,193)
Furniture and Equipment	(13,603,201)	(1,501,184)	358,307	-	(14,746,078)
Total accumulated depreciation	(46,873,095)	(3,669,483)	358,307	-	(50,184,271)
Capital assets, net	\$ 116,825,149	\$ 19,198,791	\$ (173,346)	\$ -	\$ 135,850,594

**KILGORE INDEPENDENT SCHOOL DISTRICT
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Depreciation expense was charged to the following functions as follows:

Expenditures:		
Instruction	\$	1,843,078
Instructional resources and media services		36,998
Curriculum and instructional staff development		88,710
Instructional leadership		53,089
School leadership		215,598
Guidance, counseling and evaluation services		187,790
Health services		31,682
Student (pupil) transportation		132,448
Food services		216,781
Extracurricular activities		165,584
General administration		129,365
Facilities maintenance and operations		447,565
Security and monitoring services		65,648
Data processing services		52,598
Community services		2,549
Total depreciation expense	\$	<u>3,669,483</u>

E. 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 several 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, 2025.

During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of general obligation bonds principal and interest through the debt service fund as the payments become due. Principal and interest expenditures for note and loan payables are accounted for in the general fund. Other long-term liabilities, such as net pension and OPEB liabilities and compensated absences, are generally liquidated with resources from the general fund.

Bonded debt as of August 31, 2025 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	23,020,000
Unlimited tax school building bonds, series 2022 (fixed)	2.50%-5.00%	02/15/48	81,780,000	78,800,000
Unlimited tax school building bonds, series 2022 (adjustable)	Variable	02/15/52	24,380,000	15,360,000
			<u>\$ 138,455,000</u>	<u>\$ 121,430,000</u>

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.

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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 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, 2025, the District received \$141,637 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.

Variable Rate Terms - In January 2022, the District issued Adjustable Rate Unlimited Tax School Building Bonds, Series 2022 totaling \$24,380,000. The bonds bore interest at an initial rate of 2.00% from the closing date through August 14, 2025. Thereafter, the bonds will bear interest in a mode and at a rate determined by the remarketing agent. In no event will the interest rate borne by the bonds exceed the lessor of: (a) 8.00%, and (b) maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended. In addition, at the option of the District, the bonds bearing interest at a variable rate or flexible rate may be converted in a whole or in part to a fixed rate to their maturity.

In August 2025, the bonds were remarketed at a rate of 4.00% through August 14, 2026 (yield of 2.93%). In connection with the remarketing, the District reduced outstanding principal by \$9,000,000. The principal reduction was accounted for as a partial extinguishment of debt in fiscal year 2025. Following the remarketing, \$15,360,000 remains outstanding. After August 14, 2026, the bonds will again be subject to remarketing and will bear interest at a rate determined by the remarketing agent in accordance with the bond documents.

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds Payable:					
Unlimited tax qualified school construction bonds, series 2012	\$ 4,250,000	\$ -	\$ -	\$ 4,250,000	\$ -
Unlimited tax refunding bonds, series 2020	24,045,000	-	(1,025,000)	23,020,000	1,075,000
Unlimited tax school building bonds, series 2022 (fixed)	79,845,000	-	(1,045,000)	78,800,000	1,090,000
Unlimited tax school building bonds, series 2022 (adjustable)	24,380,000	-	(9,020,000)	15,360,000	-
Sub-Total Bonds Payable	132,520,000	-	(11,090,000)	121,430,000	2,165,000
Deferred Amounts:					
Premium on issuance of bonds	12,748,280	-	(1,305,443)	11,442,837	-
Total Long-Term Debt	145,268,280	-	(12,395,443)	132,872,837	2,165,000
Other Liabilities:					
Arbitrage liability	5,818,178	2,369,576	-	8,187,754	-
Net pension liability	13,468,219	-	(2,078,436)	11,389,783	-
OPEB liability	6,061,096	1,992,748	-	8,053,844	-
Compensated absences	-	2,239,727	-	2,239,727	-
Total Other Liabilities	25,347,493	6,602,051	(2,078,436)	29,871,108	-
Total Long-term Liabilities	\$ 170,615,773	\$ 6,602,051	\$ (14,473,879)	\$ 162,743,945	\$ 2,165,000

**KILGORE INDEPENDENT SCHOOL DISTRICT
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Debt service requirements at August 31, 2025 were as follows:

Fiscal Year Ending August 31,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2026	\$ 2,165,000	\$ 4,240,530	\$ 6,405,530
2027	6,985,000	4,043,655	11,028,655
2028	3,370,000	3,816,655	7,186,655
2029	3,540,000	3,643,905	7,183,905
2030	3,725,000	3,462,280	7,187,280
2031-2035	21,205,000	14,721,625	35,926,625
2036-2040	22,990,000	10,887,825	33,877,825
2041-2045	25,130,000	7,373,775	32,503,775
2046-2050	24,330,000	3,483,828	27,813,828
2051-2053	7,990,000	322,800	8,312,800
Total	\$ 121,430,000	\$ 55,996,878	\$ 177,426,878

Defeased Debt

The District has defeased certain general obligation and other bonds in prior years by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2025, 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.

As of August 31, 2025, the District has calculated an arbitrage liability of \$8.2 million, which is subject to change by February 15, 2027. The arbitrage liability is reported as noncurrent liability in the statement of position.

F. 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 District adopted GASB 87, which pertains to lease accounting; however, management determined that the implementation did not have a significant impact on the financial statements. Accordingly, no lease-related assets or liabilities were recognized in the disclosures.

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G. Subscription-Based Information Technology Arrangements

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.

The District has entered into subscription based IT contracts, however, management determined that the impact of these arrangements is not material to the government-wide financial statements. Accordingly, no related assets or liabilities were recognized.

H. Defined Benefit Pension Plan

Plan Description. The District participates in a multiple-employer cost-sharing 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. Detail information about the Teacher Retirement System's 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/learning-resources/publications>; by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

Components of the net pension liability of the pension plan as of August 31, 2024 are as follows:

Total pension liability	\$ 271,627,434,294
Less: plan fiduciary net position	(210,543,258,495)
Net pension liability	\$ 61,084,175,799
Net position as percentage of total pension liability	77.51%

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

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There are no automatic post-employment benefit changes; including automatic cost-of-living adjustments COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc COLAs.

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

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

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

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in 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 2019 thru 2025.

	Contribution Rates	
	2024	2025
Member	8.25%	8.25%
Non-employer contributing entity (NECE) (State)	8.25%	8.25%
Employers	8.25%	8.25%
2025 Employer contributions		\$ 1,125,506
2025 Member contributions		\$ 2,262,759
2025 NECE on-behalf contributions		\$ 1,562,346

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

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

KILGORE INDEPENDENT SCHOOL DISTRICT

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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 colleges, 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 1.9% of the member's salary beginning in fiscal year 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2023 rolled forward to August 31, 2024
Actuarial cost method	Individual entry age Normal
Asset valuation method	Fair Value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate as of August 2024*	3.87%
Last year ending August 31 in projection period (100 years)	2123
Inflation	2.30%
Salary increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None
* Source: the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.	

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

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 to 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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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, 2024 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%	4.4%	1.0%
Non-U.S. developed	13.0%	4.2%	0.8%
Emerging markets	9.0%	5.2%	0.7%
Private equity	14.0%	6.7%	1.2%
Stable value:			
Government bonds	16.0%	1.9%	0.4%
Absolute return*	0.0%	4.0%	0.0%
Stable value hedge funds	5.0%	3.0%	0.2%
Real return:			
Real estate	15.0%	6.6%	1.2%
Energy, natural resources and infrastructure	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk parity	8.0%	4.0%	0.4%
Asset allocation leverage			
Cash	2.0%	1.0%	0.0%
Asset allocation leverage	-6.0%	1.3%	-0.1%
Inflation expectation			2.4%
Volatility drag****			<u>-0.7%</u>
Expected Return	<u>100%</u>		<u>7.9%</u>
* Absolute return includes credit sensitive investments.			
** Target allocations are based on the FY2024 policy model.			
*** Capital market assumptions come from 2024 SAA study SMA survey (as of 12/31/2023)			
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

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	\$ 18,192,370	\$ 11,389,783	\$ 5,753,357

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2025, the District reported a net pension liability of \$11,389,783 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	\$ 11,389,783
State's proportionate share that is associated with the District	16,934,986
Total	\$ 28,324,769

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 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, 2023 through August 31, 2024.

For the fiscal years ended August 31, 2025 and 2024, the District's proportion of the collective net pension liability was as follows:

2025	2024	
Measurement Year	Measurement Year	
8/31/2024	8/31/2023	Increase/(Decrease)
0.0186460457%	0.0196071486%	-0.0009611029%

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the net pension liability since the prior measurement period:

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

For the year ended August 31, 2025, the District recognized pension expense of \$3,871,094 and revenue of \$2,024,014 for support provided by the State in the government-wide financial statements.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

At August 31, 2025, 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	\$ 627,789	\$ 88,926
Changes in actuarial assumptions	588,079	78,841
Net difference between projected and actual investment earnings	69,235	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,111,742	543,037
District contributions paid to TRS subsequent to the measurement date	1,125,506	-
Total	\$ 3,522,351	\$ 710,804

The District recognized \$1,125,506 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025.

The other 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
2026	\$ 292,182
2027	1,481,749
2028	307,985
2029	(376,942)
2030	(18,934)
Thereafter	1
	\$ 1,686,041

I. 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 TRS-Care's fiduciary net position is available in the separately issued TRS 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/learningresources/publications>; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2024 are as follows:

Total OPEB Liability	\$ 35,168,178,563
Less: Plan Fiduciary Net Position	(4,816,646,311)
Net OPEB Liability	\$ 30,351,532,252
Net Position as a Percentage of Total OPEB Liability	13.70%

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school.

The actual District 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	
	2024	2025
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%
2025 Employer contributions		\$ 241,004
2025 Member contributions		\$ 178,279
2025 NECE on-behalf contributions		\$ 302,010

In addition to the District's 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.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2023. Updated procedures were used to roll forward the Total OPEB Liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions:

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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, 2021.

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, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2023, rolled forward to August 31, 2024
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.87% as of August 31, 2024
Aging factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary increases	2.95% to 8.95%, including inflation*
Ad hoc post-employment benefit changes	None
*Includes inflation at 2.30%	

Discount Rate. A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26% in the discount rate since the previous year. Since the plan is a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer’s “20-Bond GO Index” as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% point lower than and 1% point higher than the discount rate that was used (3.87%) in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the net OPEB liability	\$ 9,568,343	\$ 8,053,844	\$ 6,830,106

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Healthcare Trend Rate Sensitivity Analysis. 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	\$ 6,558,660	\$ 8,053,844	\$ 10,002,217

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2025, the District reported a liability of \$8,053,844 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	\$ 8,053,844
State's proportionate share that is associated with the District	10,091,357
Total	\$ 18,145,201

The net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2023 thru August 31, 2024.

For the fiscal years ended August 31, 2025 and 2024, the District's proportion of the collective net OPEB liability was as follows:

2025 Measurement Year 8/31/2024	2024 Measurement Year 8/31/2023	Increase/(Decrease)
0.0265352129%	0.0273783187%	-0.0008431058%

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 single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study. This change decreased the total OPEB liability.
- The tables used to model the impact of aging on the underlying claims were revised.
- There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$(2,228,435).

For the year ended August 31, 2025, the District recognized OPEB expense of \$(2,228,435) and revenue of \$(1,311,690) for support provided by the State.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

On August 31, 2025, 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	\$ 1,543,651	\$ 4,019,305
Changes in actuarial assumptions	1,030,797	2,627,876
Net difference between projected and actual investment earnings	-	22,553
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,338,085	1,545,200
District contributions paid to TRS subsequent to the measurement date	241,004	-
Total	\$ 4,153,537	\$ 8,214,934

The District recognized \$241,004 as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31:	OPEB Expense Amount
2026	\$ (1,126,380)
2027	(761,611)
2028	(944,598)
2029	(795,354)
2030	(494,889)
Thereafter	(179,569)
	\$ (4,302,401)

J. Medicare Part D – On Behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$197,907, \$143,409 and \$136,903, respectively. These payments are recorded as equal revenues and expenditures/expenses in the financial statements.

K. 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: payments are made on a monthly basis for all covered employees. The District contributes \$300 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

III. OTHER INFORMATION

A. Risk Management

Unemployment Compensation Pool, Auto, Liability, and/or Property Casualty 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, 2024, 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, 2025, 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, 2025, 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, 2025, 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, 2024, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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 which 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.

B. Litigation and Contingencies

The District participates in numerous state and federal grant programs governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. To the extent that the District has not complied with the rules and regulations governing the grants, if any, claims may be disallowed. Any disallowed claims, including amounts already collected, may constitute a liability of the District.

In the opinion of the Administration, no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants exist; therefore, no provision has been recorded in the accompanying government-wide or fund financial statements.

C. Construction and Other Significant Commitments

At August 31, 2025, the District had commitments under construction contracts totaling approximately \$37 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 that 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 school 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 school 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 re-appropriated in the following year's budget. Open encumbrances at fiscal year are included in restricted, committed, or assigned fund balance, as appropriate.

D. 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.

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

E. Excess Expenditures over Appropriations

The TEA requires the budgets for the General, Child Nutrition Program, and Debt Service Funds to be filed with the TEA. The budget should not be exceeded in any functional category under TEA requirements. For the year ended August 31, 2025 expenditures exceeded appropriations in the following functional category:

Fund	Function	Final Budget	Actual	Variance
General	81 - Facilities acquisition and construction	\$ 163,910	\$ 331,622	\$ (167,712)
Child nutrition program	35 - Food Services	\$ 2,645,278	\$ 2,663,876	\$ (18,598)
Debt service	71 - Principal on Long-Term Liabilities	\$ 5,045,000	\$ 11,090,000	\$ (6,045,000)

F. Subsequent Events

In preparing the financial statements, the District has evaluated subsequent events through February 23, 2026, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

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	\$ 14,597,181	\$ 14,702,603	\$ 14,894,962	\$ 192,359
5800 State Program Revenues	23,399,390	23,566,669	24,728,520	1,161,851
5900 Federal Program Revenues	394,000	235,000	67,962	(167,038)
5020 Total Revenues	38,390,571	38,504,272	39,691,444	1,187,172
EXPENDITURES:				
Current:				
0011 Instruction	20,464,269	20,437,284	20,435,861	1,423
0012 Instructional Resources and Media Services	479,048	497,362	443,157	54,205
0013 Curriculum and Instructional Staff Development	878,782	945,688	935,495	10,193
0021 Instructional Leadership	655,431	650,605	647,758	2,847
0023 School Leadership	2,506,561	2,562,943	2,551,252	11,691
0031 Guidance, Counseling, and Evaluation Services	1,853,596	1,858,618	1,858,218	400
0033 Health Services	411,820	411,820	390,847	20,973
0034 Student (Pupil) Transportation	1,789,173	1,869,888	1,638,244	231,644
0035 Food Services	8,000	8,250	3,108	5,142
0036 Extracurricular Activities	1,720,897	2,029,354	1,937,840	91,514
0041 General Administration	1,794,191	1,804,558	1,605,968	198,590
0051 Facilities Maintenance and Operations	5,256,453	6,084,629	5,372,966	711,663
0052 Security and Monitoring Services	775,862	801,267	779,087	22,180
0053 Data Processing Services	840,167	818,167	653,873	164,294
0061 Community Services	6,650	7,934	5,532	2,402
Debt Service:				
0071 Principal on Long-Term Liabilities	20,000	20,000	-	20,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	163,910	331,622	(167,712)
Intergovernmental:				
0099 Other Intergovernmental Charges	450,000	460,000	438,808	21,192
6030 Total Expenditures	39,910,900	41,432,277	40,029,636	1,402,641
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,520,329)	(2,928,005)	(338,192)	2,589,813
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	173,349	173,349
1200 Net Change in Fund Balances	(1,520,329)	(2,928,005)	(164,843)	2,763,162
0100 Fund Balance - September 1 (Beginning)	26,960,478	26,960,478	26,960,478	-
3000 Fund Balance - August 31 (Ending)	\$ 25,440,149	\$ 24,032,473	\$ 26,795,635	\$ 2,763,162

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, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Pension Liability (Asset)	0.018646046%	0.019607149%	0.01953087%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,389,783	\$ 13,468,219	\$ 11,594,938
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	16,934,986	18,365,247	17,042,427
Total	<u>\$ 28,324,769</u>	<u>\$ 31,833,466</u>	<u>\$ 28,637,365</u>
District's Covered Payroll	\$ 26,876,685	\$ 25,339,781	\$ 24,512,100
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.38%	53.15%	47.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

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, 2024 for year 2025, August 31, 2023 for year 2024, 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, and August 31, 2015 for year 2016.

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	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
0.014253678%	0.014754677%	0.01522182%	0.01536562%	0.01507144%	0.0184229%	0.157815%
\$ 3,629,907	\$ 7,902,304	\$ 7,912,777	\$ 8,457,612	\$ 4,819,036	\$ 5,608,679	\$ 5,578,550
8,825,766	19,136,930	16,379,690	18,386,603	10,929,124	13,494,212	12,956,186
\$ 12,455,673	\$ 27,039,234	\$ 24,292,467	\$ 26,844,215	\$ 15,748,160	\$ 19,102,891	\$ 18,534,736
\$ 22,997,135	\$ 23,122,658	\$ 21,134,970	\$ 21,106,735	\$ 20,477,271	\$ 19,102,891	\$ 18,534,736
15.78%	34.18%	37.44%	40.07%	23.53%	29.36%	30.10%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 1,125,506	\$ 1,050,771	\$ 1,007,854
Contribution in Relation to the Contractually Required Contribution	(1,125,506)	(1,050,771)	(1,007,854)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 27,427,370	\$ 26,876,685	\$ 25,339,781
Contributions as a Percentage of Covered Payroll	4.10%	3.91%	3.98%

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.

2022	2021	2020	2019	2018	2017	2016
\$ 911,254	\$ 608,878	\$ 607,624	\$ 532,767	\$ 517,705	\$ 489,665	\$ 467,467
(911,254)	(608,878)	(607,624)	(533,152)	(517,705)	(489,665)	(467,467)
\$ -	\$ -	\$ -	\$ (385)	\$ -	\$ -	\$ -
\$ 24,512,100	\$ 22,997,135	\$ 23,122,658	\$ 21,134,970	\$ 21,106,735	\$ 20,477,271	\$ 20,243,405
3.72%	2.65%	2.63%	2.52%	2.45%	2.39%	2.31%

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, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.026535213%	0.027378319%	0.028613578%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 8,053,844	\$ 6,061,096	\$ 6,851,237
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	10,091,357	7,313,644	8,357,432
Total	<u>\$ 18,145,201</u>	<u>\$ 13,374,740</u>	<u>\$ 15,208,669</u>
District's Covered Payroll	\$ 26,876,685	\$ 25,339,778	\$ 24,512,100
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	29.97%	23.92%	27.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. For example, the amounts for FY 2025 are for the measurement date of August 31, 2024, etc.

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 2022 Plan Year 2021		FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.025964793%		0.027779683%		0.027449857%		0.027281303%		0.026217293%	
\$	10,015,781	\$	10,560,312	\$	12,981,373	\$	13,621,805	\$	11,400,917
13,418,914		14,190,528		17,249,342		17,382,427		15,603,594	
\$	23,434,695	\$	24,750,840	\$	30,230,715	\$	31,004,232	\$	27,004,511
\$	22,997,135	\$	23,122,658	\$	21,134,970	\$	21,106,735	\$	20,477,271
43.55%		45.67%		61.42%		64.54%		55.68%	
6.18%		4.99%		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 THE YEAR ENDED AUGUST 31, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 241,004	\$ 241,032	\$ 237,504
Contribution in Relation to the Contractually Required Contribution	(241,004)	(241,032)	(237,504)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 27,427,370	\$ 26,876,685	\$ 25,339,778
Contributions as a Percentage of Covered Payroll	0.88%	0.90%	0.94%

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.

2022	2021	2020	2019	2018
\$ 233,150	\$ 202,308	\$ 212,189	\$ 194,290	\$ 188,224
(233,150)	(202,308)	(212,189)	(194,825)	(188,224)
\$ -	\$ -	\$ -	\$ (535)	\$ -
\$ 24,512,100	\$ 22,997,135	\$ 23,122,658	\$ 21,134,970	\$ 2,106,735
0.95%	0.88%	0.92%	0.92%	0.89%

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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, 2025.

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 2025 was prepared for adoption for budgeted governmental fund types by August 31, 2024. 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.

The TEA requires the budgets for the General, Child Nutrition Program, and Debt Service Funds to be filed with the TEA. The budget should not be exceeded in any functional category under TEA requirements. For the year ended August 31, 2025 expenditures exceeded appropriations in the following functional category:

Fund	Function	Final Budget	Actual	Variance
General	81 - Facilities acquisition and construction	\$ 163,910	\$ 331,622	\$ (167,712)
Child nutrition program	35 - Food Services	\$ 2,645,278	\$ 2,663,876	\$ (18,598)
Debt service	71 - Principal on Long-Term Liabilities	\$ 5,045,000	\$ 11,090,000	\$ (6,045,000)

**KILGORE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

Changes in Benefits

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

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:

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

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

Changes in Benefits

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

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 single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

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COMPLIANCE SCHEDULES

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2016 and prior years	Various	Various	\$ Various
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	0.895300	0.490000	1,742,175,269
2024	0.677500	0.490000	1,821,097,987
2025 (School year under audit)	0.666900	0.488200	1,942,814,401
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 9/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2025	(99) Taxes Refunded Under Section 26.1115c
\$ 465,608	\$	\$ 13,231	\$ 2,872	\$ (38,509)	\$ 410,996	
72,174		7,548	1,954	(2,980)	59,692	
87,098		12,829	3,321	(2,717)	68,231	
118,576		16,680	4,318	(3,643)	93,935	
149,184		15,116	4,054	(14,808)	115,206	
200,164		30,502	8,047	(13,583)	148,032	
217,125		34,466	9,113	(10,509)	163,037	
335,585		45,518	24,762	(27,348)	237,957	
678,614		118,618	86,014	(94,250)	379,732	
	22,441,449	12,415,753	9,224,268	-	801,428	
<u>\$ 2,324,128</u>	<u>\$ 22,441,449</u>	<u>\$ 12,710,261</u>	<u>\$ 9,368,723</u>	<u>\$ (208,347)</u>	<u>\$ 2,478,246</u>	

\$ -

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2025

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	\$ 308,894	\$ 308,894	\$ 228,160	\$ (80,734)
5800 State Program Revenues	25,000	25,000	10,725	(14,275)
5900 Federal Program Revenues	2,306,384	2,306,384	2,532,056	225,672
5020 Total Revenues	2,640,278	2,640,278	2,770,941	130,663
EXPENDITURES:				
Current:				
0035 Food Services	2,645,278	2,645,278	2,663,876	(18,598)
6030 Total Expenditures	2,645,278	2,645,278	2,663,876	(18,598)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(5,000)	107,065	112,065
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	5,000	5,000	-	(5,000)
1200 Net Change in Fund Balances	-	-	107,065	107,065
0100 Fund Balance - September 1 (Beginning)	1,657,673	1,657,673	1,657,673	-
3000 Fund Balance - August 31 (Ending)	\$ 1,657,673	\$ 1,657,673	\$ 1,764,738	\$ 107,065

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, 2025

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	\$ 9,277,719	\$ 9,277,719	\$ 10,365,175	\$ 1,087,456
5800 State Program Revenues	-	-	832,275	832,275
5900 Federal Program Revenues	70,136	70,136	141,637	71,501
5020 Total Revenues	9,347,855	9,347,855	11,339,087	1,991,232
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	5,045,000	5,045,000	11,090,000	(6,045,000)
0072 Interest on Long-Term Liabilities	4,219,605	4,219,605	4,219,605	-
0073 Bond Issuance Cost and Fees	83,250	83,250	8,345	74,905
6030 Total Expenditures	9,347,855	9,347,855	15,317,950	(5,970,095)
1200 Net Change in Fund Balances	-	-	(3,978,863)	(3,978,863)
0100 Fund Balance - September 1 (Beginning)	9,646,462	9,646,462	9,646,462	-
3000 Fund Balance - August 31 (Ending)	\$ 9,646,462	\$ 9,646,462	\$ 5,667,599	\$ (3,978,863)

KILGORE INDEPENDENT SCHOOL DISTRICT
 STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
 FOR THE YEAR ENDED AUGUST 31, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	4024411
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	2599983

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	534509
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	597598

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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 23, 2026.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-1.

District's Response of Findings

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

Purpose of this Report

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


Mays & Associates, PLLC

Baytown, Texas
February 23, 2026



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, 2025. 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, 2025.

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 a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

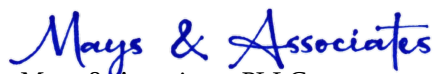
Report on Internal Control over Compliance

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
February 23, 2026

**KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiencies identified? yes ✓ none reported

Noncompliance material to financial statements noted: yes ✓ no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiencies identified? yes ✓ 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 200.51(a)? yes ✓ no

Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
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? ✓ yes no

**KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

II. FINANCIAL STATEMENT FINDINGS

2025-1 Excess Expenditures over Appropriations

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

Cause and Effect: Expenditures exceeded appropriations in three functional categories. Although budget amendments were approved during the year, certain expenditures incurred near fiscal year-end resulted in amounts exceeding the amended budgets. The most noted variance occurred in debt service due to a principal reduction associated with bond remarketing in August 2025.

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

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Noted

**KILGORE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

FINANCIAL STATEMENT FINDINGS

2024-1 Excess Expenditures over Appropriations

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

Current Status: See Corrective Action Plan for Finding 2025-1.



CORRECTIVE ACTION PLAN

2025-1 Excess Expenditures over Appropriations

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

Action taken: When necessary, the District makes Board approved budget amendments during the year. The District will closely monitor expenditures during the year to ensure the final budget amendment provides for all actual expenditures.

Anticipated Completion Date: January 30, 2027.

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

KILGORE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

(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			
<u>Region 10 Education Service Center</u>			
*Special Education Preschool Grants	84.173 A	24661004711001	\$ 81,594
Total Region 10 Education Service Center			<u>81,594</u>
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	25610101092902	1,159,998
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	26610101092902	83,048
Total Assistance Listing Number 84.010			<u>1,243,046</u>
*IDEA - Part B, Formula	84.027 A	256600010929026600	850,252
*IDEA - Part B, Formula	84.027 A	266600010929026600	70,484
Total Assistance Listing Number 84.027			<u>920,736</u>
Total Special Education Cluster (IDEA)			<u>920,736</u>
Career and Technical - Basic Grant	84.048 A	25420006092902	64,684
Title III, Part A - English Language Acquisition	84.365 A	25671001092092	125,531
Title III, Part A - English Language Acquisition	84.365 A	26671001092902	15,094
Title III, Part A - Immigrant	84.365 A	25671003092902	2,401
Total Assistance Listing Number 84.365			<u>143,026</u>
ESEA, Title II, Part A, Teacher Principal Training	84.367 A	25694501092902	225,681
ESEA, Title II, Part A, Teacher Principal Training	84.367 A	26694501092902	16,997
Total Assistance Listing Number 84.367			<u>242,678</u>
COVID 19 - ESSER III - School Emergency Relief	84.425 D	21528001092902	575,614
Title IV, Part A, Subpart 1	84.424 A	25680101092902	90,284
LEP Summer School	84.369 A	69552402	2,727
Total Passed Through Texas Education Agency			<u>3,282,795</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,364,389</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	00438	413,711
*National School Lunch Program - Cash Assistance	10.555	00438	1,730,199
*National School Lunch Prog. - Non-Cash Assistance	10.555	00438	234,690
Total Assistance Listing Number 10.555			<u>1,964,889</u>
Total Child Nutrition Cluster			<u>2,378,600</u>
Local Food for Schools (LFS) Cooperative Agreement Program	10.185	LFS 2024 R1 I-2335	115,012
Warehouse Distribution Fees Reimbursement	10.560	246TX312N2533	9,514
NSLP Equipment Grant	10.579	246TX355N8103	28,930
Total Passed Through the Texas Department of Agriculture			<u>2,532,056</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,532,056</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,896,445</u>
*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, 2024. 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, 2025 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)	\$ 5,896,445
Plus: E-Rate reimbursements	28,080
Plus: IRS Subsidy	141,637
Plus: School Health and Related Services (SHARS)	<u>39,882</u>
Total Federal Program Revenues (Exhibit C-3)	<u><u>\$ 6,106,044</u></u>

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

SCHOOLS FIRST QUESTIONNAIRE

Exhibit L-1

KILGORE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2025

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If payments were not made or warrant hold not cleared within 30 days of when due, then payments are NOT timely.)	Yes
SF4	Was the school district issued a warrant hold? (Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, answer is still YES.)	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 and/or substantial doubt about the district's ability to continue as a going concern?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding 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