

**KILGORE JUNIOR COLLEGE DISTRICT  
KILGORE, TEXAS**

**FINANCIAL STATEMENTS  
AUGUST 31, 2017 AND 2016**

**WITH REPORT  
OF CERTIFIED PUBLIC ACCOUNTANTS**

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**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**

**ORGANIZATIONAL DATA**

**For the Fiscal Year 2017**

**BOARD OF TRUSTEES**

**OFFICERS**

Larry A. Woodfin, President  
Brian Nutt, Vice-President  
J. Karol Pruett , Secretary

**TERM EXPIRES**

2023  
2019  
2021

**MEMBERS**

G. Scott Andrews  
Joe Carrington  
Lon Ford  
Robert D. Heath  
James N. Walker  
Cecilia Sanders

**TERM EXPIRES**

2023  
2019  
2023  
2019  
2021  
2021

**PRINCIPAL ADMINISTRATIVE OFFICERS**

Dr. Brenda Kays	President
Dr. Michael Turpin	Vice-President of Instruction
Fred Gore	Vice-President of Administrative Services, Chief Financial Officer
Jonnie Stice	Controller
Dr. Michael W. Jenkins	Vice-President of Student Development
Dr. Staci Martin	Vice-President of Institutional Planning
Askala Harris	Executive Director of Development
Tony Johnson	Director of Human Resources
Nancy Law	Assistant to the President
Leah Gorman	Executive Director of the Kilgore College Foundation & Alumni Association
Dr. Julie H. Fowler	Executive Dean



December 4, 2017

Honorable Chair, Board of Trustees, and President  
The Citizens of the Kilgore Junior College District

Dear Board Members and President:

The following comprehensive annual financial report of the Kilgore Junior College District (“the District”) for the fiscal year ended August 31, 2017, is hereby submitted. Responsibility for the preparation and integrity of the financial information, and the completeness and fairness of the presentation, including all disclosures, rests with the District. The District relies upon a comprehensive framework of internal controls. Since the cost of controls should not exceed the benefits derived, the internal controls are designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

The financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and follow any applicable Governmental Accounting Standards Board (GASB) pronouncements. The independent accounting firm of Henry & Peters, PC conducted the audit of the financial statements and related notes and has issued unmodified (“clean”) opinion on the Kilgore Junior College financial statements for the year ended August 31, 2017.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

#### PROFILE OF DISTRICT

The Kilgore Junior College District main campus is located in Kilgore, Texas, a city of approximately 14,000, located in the northeast section of the state commonly referred to as the Piney Woods. Additionally, since 1976, the District has maintained an educational center in Longview. The District was created in 1935 as a part of the Kilgore Independent School District. In 1946, additional school districts were invited to join a union for junior college purposes and the District is currently comprised of seven independent school districts including Gladewater, Kilgore, Leverett’s Chapel, Overton, Sabine, West Rusk County Consolidated and White Oak school districts located in Gregg, Rusk, Smith and Upshur counties. The District is governed by a nine-member Board of Trustees, which has governance responsibilities over all activities related to the District. This District is considered a special-purpose government engaged in business-type activities for financial reporting purposes.

The Kilgore Junior College District is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associates degrees in Arts, Mathematical Sciences, Business, Computer Science, Public Service, Industrial Technologies, Science and Health Sciences. The District also offers education and training in a wide variety of workforce programs. Kilgore College is also the home of excellent athletic programs, the world famous Kilgore College Rangerettes, and The East Texas Oil Museum.

### COMPONENT UNIT REPORTING

In accordance with the provisions of GASB 39, the financial statements of the Kilgore College Foundation, a separate 501(c)(3) corporation, are presented discretely in the accompanying financial statements. The Kilgore College Foundation is a nonprofit corporation organized under the Texas Corporation Act. Its mission is to support educational, scientific and charitable purposes in order to promote and support the District.

### MISSION STATEMENT

The mission of Kilgore College is to “provide a learner-centered environment that focuses on student access, success and completion via collaborative partnerships.”

- Kilgore College promotes **access** through its open-door admission, distance learning opportunities, dual credit courses, developmental education, continuing education, and comprehensive financial aid programs.
- Kilgore College promotes **success** through high quality innovative instruction and holistic student support service and activities.
- Kilgore College promotes **completion** by providing a foundation for students to flourish either through university transfer or entry into the workforce as highly skilled and technologically advanced employees.
- Kilgore College leads and promotes **partnerships** through outreach to area schools and universities, small business/entrepreneurial expansion, adult education and literacy, responsiveness to economic development needs, and promotion of social and cultural advancement.

### FINANCIAL CONDITION

In a challenging East Texas economy, the District has seen both four years of declines in its property tax base and three years of modest decreases in enrollment. Despite a 1.3% decline in enrollment, the District was able to increase tuition and fees to its students and realize a 1.9% increase in tuition and fees revenue. Despite the increase in rates, Kilgore College’s tuition and fee levels continue to be among the lowest of the fifty Texas community colleges. The cost of attending Kilgore College continues to be very affordable. Efforts on the part of the District to support student progress toward a degree, offer additional continuing education opportunities to meet market needs, and partner with other educational institutions are expected to stabilize and increase enrollments.

Recognizing that revenues from state appropriations and property taxes are not likely to see increases, the District has actively continued to review the viability of its programs and its staffing and expense levels. Programs with limited demand have been eliminated or phased-out from the Districts offered programs and the District has continued to trim full-time employment to respond to relatively static revenues.

With regard to the manner in which revenues for the District might be enhanced, the District has already implemented plans to include new partnerships, increase the promotion and availability of contract training and adult education, and more sophisticated development efforts.

## FINANCIAL PLANNING AND BUDGETING

The Board provides leadership and guidance in developing the District's long-term goals and strategic plans. The Board reviews educational programs, student activities, fiscal needs, and facilities to meet the future needs of the District and community. Current goals are outlined in the Kilgore College "Strategic Plan 2016 – 2019." This strategic plan reflects the input of the Board of Trustees, faculty, staff, students and the communities served by the District. The Strategic Plan 2016 – 2019 includes the following goals:

- I. Improve student learning and success
- II. Enhance college resources to adequately support student learning and success
- III. Provide students with safe, well-maintained, and accessible environments that foster student achievement and engagement
- IV. Provide instructional programming that enables students to achieve marketable credentials that provide a living wage by focusing and aligning workforce curriculum with service area industry standards and needs

Each of the above goals is supported by specific, actionable steps to enable the District to accomplish each goal.

An itemized budget covering the operation of the District must be approved on or before September 1<sup>st</sup> of each year for the fiscal year. The annual budget is developed using a zero-based or bottom-up approach to allow for a more careful scrutiny of the necessity of each component of the budget. After this information is collected from the departments, it is compiled into a proposed District-wide budget. That budget, accompanied by revenue projections is then presented to the Board for their review. The revenues and expenditures of the District are monitored by the President, the Vice President of Administration/CFO, and the Board to ensure that the adopted budget of the District is being adhered to and to maintain a balanced budget. Department heads may transfer resources within a department as they see fit. However, additions to the budget or unusual transactions require oversight and approval by the President or her designee, or the Board.

## CERTIFICATE OF ACHIEVEMENT

The Kilgore Junior College District will be submitting its comprehensive annual financial report (CAFR) for the fiscal year ended August 31, 2017 to the Government Finance Officers Association of the United States and Canada (GFOA) for the Certificate of Achievement for Excellent in Financial Reporting Program. This is the first year that the District will be applying for this award. In order to be awarded a Certificate of Achievement, a government must publish and easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR will meet the Certificate of Achievement Program's requirements.

## ACKNOWLEDGEMENTS

We are grateful to the Board of Trustees for its interest in planning and oversight of the financial operations of the District. We especially want to acknowledge the staff of the Business Office for their hard work and dedicated service, for we could not have accomplished the preparation of this report without their diligent efforts. We would also like to thank the accounting firm of Henry & Peters for their assistance with the audit.

Respectively submitted,



Frederic S. Gore, C.P.A.  
Vice President of Administration/CFO



## Independent Auditor's Report

The Board of Trustees  
Kilgore Junior College District  
Kilgore, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Kilgore Junior College District (District) as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Kilgore College Foundation, the discretely presented component unit of the District, as of and for the year ended August 31, 2017. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit, Kilgore College Foundation as of and for the years ended August 31, 2017 and 2016, audited separately by other auditors as of and for the year ended August 31, 2017, were not audited in accordance with Government Auditing Standards

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Kilgore Junior College District and the discretely presented component unit of the District at August 31, 2017 and 2016, and the changes in financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards for the year ended August 31, 2017, included as supplemental schedules, are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular (STSAC), and are not a required part of the basic financial statements. The additional supplemental schedules and statistical supplement, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, 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 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 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.

Henry + Peters, P.C.

Tyler, Texas  
December 6, 2017



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**KILGORE JUNIOR COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017 AND 2016**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Kilgore Junior College District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2017, with fiscal year 2016 and 2015 data presented for comparative purposes. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual financial report consists of a series of financial statements. The Texas Higher Education Coordinating Board requires all Texas public junior and community colleges to use the *Annual Financial Reporting Requirements for Texas Public Community Colleges* for consistent and uniform reporting. It is intended that each public community and junior college adopt the business-type activities (BTA) model for use in preparing their annual financial reports.

The Statement of Net Position includes all assets and liabilities. The focus of the statement is to report the net resources available to finance future operations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the good or service is provided; and, expenses and liabilities are recognized when others provide the good or service, regardless of when cash is exchanged. The statement is useful to determine the assets available to fund services, as well as identify what the District owes vendors, bondholders, and others at the end of the year. The Statement of Net Position presents to the readers of the financial statements a fiscal snapshot of the District.

The Statement of Revenues, Expenses, and Changes in Net Position provides information about the activities of the District as a whole and presents a longer-term view of the District's finances. The District is dependent on three primary sources of revenues: state appropriations, tuition and fees, and ad-valorem taxes. Activities are presented as either operating or non-operating. Under this reporting model, state appropriations, ad-valorem taxes and gifts are reported as non-operating revenues. Because of the District's dependency on the non-operating revenues, there is a significant operating deficit. The utilization of long-term assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing, and investing activities.

## STATEMENT OF NET POSITION

The District's combined net position increased \$1.4 million compared to a \$.6 million decrease in the prior year, increasing from \$68.5 million to \$69.9 million.

Condensed Statement of Net Position (\$ in millions)	2016 to 2017			
	2017	2016	2015	Change
Current assets	\$ 21.4	\$ 21.2	\$ 24.4	0.6%
Non-current assets	12.5	11.6	11.8	8.1%
Non-current - capital assets	48.3	48.7	45.2	-1.0%
Total assets	82.1	81.5	81.4	0.7%
Deferred outflow of resources related to pensions	1.8	2.2	0.9	-18.8%
Current liabilities	(5.8)	(6.1)	(5.4)	-4.4%
Non-current liabilities	(6.4)	(7.1)	(6.2)	-10.2%
Total liabilities	(12.2)	(13.2)	(11.6)	-7.5%
Deferred inflow of resources related to pensions	1.8	2.0	1.5	-9.0%
Net Position:				
Net investment in capital assets	47.3	47.4	44.0	-0.1%
Restricted	12.0	11.2	11.0	6.6%
Unrestricted	10.6	9.9	14.1	7.0%
Total Net Position	\$ 69.9	\$ 68.5	\$ 69.1	2.0%

The Statement of Net Position helps identify the entity's ability to meet future obligations. One of the analytical tools used to determine this is comparing the current assets to current liabilities, or the current ratio. Current assets are those assets which can be converted quickly to pay current obligations, while current obligations are those obligations which are expected to be satisfied within one business cycle. The District's current assets of \$21.4 million were sufficient to cover current liabilities of \$5.8 million, giving a current ratio of 3.7 compared to 3.5 in fiscal year 2016.

Another analytical tool used to evaluate the financial stability of an entity is to compare expendable net position to operating expenses. As of August 31, 2017 and 2016, the District had expendable net assets of \$15.2 million and \$14.5 million, respectively. Operating expenses for the same period were \$47.1 million and \$44.3 million. This represents a ratio of 32.3% and 32.7% respectively.

The District's accumulated cash and cash equivalent balances decreased from \$10.8 million in 2016 to \$10.4 million in the current year. This decrease is largely due to the paying down of liabilities.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Total operating revenues for fiscal year 2017 were \$16.4 million. Operating revenues increased \$0.5 million or 3.0%.

**Operating Revenues**

(\$ in millions)	<b>2017</b>		<b>2016</b>		<b>2015</b>	
Tuition and fees	48.9%	\$ 8.0	49.5%	\$ 7.9	52.0%	\$ 7.0
Federal grants and contracts	13.6%	2.2	12.3%	1.9	11.4%	1.9
State grant and contracts	4.6%	0.8	5.1%	0.8	4.2%	1.4
Auxiliary enterprises	26.7%	4.4	28.0%	4.4	29.7%	4.3
Other	6.2%	1.0	5.2%	0.8	2.7%	0.5
Total		\$ 16.4		\$ 15.8		\$ 15.1

The District also had \$32.7 million in non-operating state appropriation, tax, federal non-operating, gift, and other revenues. The largest portion of non-operating revenues comes from state appropriations which are generated from four areas: general revenue generated from contact hour reimbursement, employee/retiree group insurance payments, employer retirement contributions, and special allocations or adjustments.

**Non-Operating Revenues**

(\$ in millions)	<b>2017</b>		<b>2016</b>		<b>2015</b>	
State appropriations	40.3%	\$ 13.2	39.5%	\$ 12.1	39.0%	\$ 13.1
Ad valorem taxes (net)	20.1%	6.6	21.7%	6.7	18.9%	6.5
Federal revenue, non-operating	33.8%	11.1	32.6%	10.0	36.6%	10.6
Gifts	2.9%	0.9	4.6%	1.4	2.8%	1.2
Investment, Endowment and Other	2.8%	0.9	1.7%	0.5	2.7%	0.1
Total		\$ 32.7		\$ 30.7		\$ 31.5

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – CONTINUED**

Total operating expenses totaled \$47.2 million, which is a \$2.9 million or a 6.6% increase from fiscal year 2016. Expenditures for Auxiliary enterprises held the most significant change totaling \$1.4 million or a 26.0% increase.

<b>Operating &amp; Non-Operating Expenses</b> (\$ in millions)	<b>2017</b>		<b>2016</b>		<b>2015</b>	
Instruction	35.0%	\$ 16.7	35.2%	\$ 16.7	35.0%	\$ 16.9
Public service	1.1%	0.5	2.0%	0.9	2.0%	0.9
Academic support	6.3%	3.0	6.7%	3.2	6.3%	3.3
Student services	5.7%	2.7	5.6%	2.7	5.5%	2.7
Institutional support	15.2%	7.2	12.4%	5.9	15.2%	7.2
Operation and maintenance of plant and Depreciation	12.7%	6.1	12.1%	5.7	10.2%	5.2
Scholarships and fellowships	9.2%	4.4	8.4%	4.0	9.8%	4.0
Auxiliary enterprises	13.8%	6.6	11.0%	5.2	15.8%	6.5
Total operating expense		<u>\$ 47.2</u>		<u>\$ 44.3</u>		<u>\$ 46.7</u>
Total non-operating (income) expense		<u>1.0%</u> <u>0.5</u>		<u>6.6%</u> <u>3.1</u>		<u>0.2%</u> <u>0.7</u>
		\$ 47.7		\$ 47.4		\$ 47.4

There was an operating loss for fiscal year 2017 of \$30.8 million, with an increase in net position of \$1.4 million, compared to fiscal year 2016 when they were \$28.5 and \$0.7 million decrease, respectively.

**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the District’s ability to generate net cash flows to meet its obligations as they come due, and its need for external financing. The District’s total cash and cash equivalents decreased by \$400 thousand to \$10.4 million.

<b>Cash Provided By (Used By)</b> (\$ in millions)	<b>2017</b>		<b>2016</b>		<b>2015</b>	
Operating activities	\$	(27.1)	\$	(24.2)	\$	(27.8)
Non-capital financing activities		28.4		25.5		28.5
Capital and related financing activities		(1.6)		(5.1)		(2.1)
Investing activities		<u>(0.1)</u>		<u>(0.2)</u>		<u>0.1</u>
Change in cash and cash equivalents	\$	(0.4)	\$	(4.0)	\$	(1.3)

The primary cash receipts from operating activities consist of tuition and fees, housing, board, bookstore sales, and grant revenues. Cash outlays include payment of wages, benefits, supplies, utilities, plant maintenance, and scholarships. State and federal allocations and ad-valorem taxes are the primary source of non-capital financing. Accounting standards require that we reflect this source of revenue as non-operating even though these sources are used for operating purposes in the District’s budget. Cash flows from capital and capital related financing activities include proceeds from issuing debt and receiving gifts; disbursements are for principal and interest payments on debt, and payment on buildings and other capital acquisitions. Cash flows from investing activities represent the annual effect of the purchase, sale and maturity of investments.

## **FINANCIAL HIGHLIGHTS**

- The District's overall activities remained very stable during this year. The overall activities of the District are considered to be business-type activities. The net position increased by \$1.4 million or 2.0%.
- As of August 31, 2017, assets of the District exceeded liabilities by \$69.9 million. Of this amount, \$10.6 million is unrestricted net assets which may be used to meet ongoing operations, up from \$9.9 million in fiscal year 2016.
- During the year, the District's \$47.7 million in expenditures was less than its revenues by \$1.4 million.
- Total cost of the District's instructional programs increased by \$12 thousand, or 0.1%.
- Local property tax remained consistent with prior year at 0.175. The net assessed valuation of the District declined 6.8%. Tax revenue collections were down 5.6% or \$388 thousand.
- Net tuition and fees increased \$148 thousand or 1.9%.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The District has a Capital Asset Policy that requires assets whose original purchase price was over \$5,000 to be recorded as a capital asset. At the end of fiscal year 2017, the District had \$48.3 million invested in a broad range of capital assets, including equipment, buildings, and facilities. Included in Buildings & Improvements is \$1.7 million of building additions and improvements the District made in fiscal year 2017.

#### **Capital Assets at Year-end (Net of Depreciation) (\$ in millions)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Land	\$ 4.2	\$ 4.2	\$ 3.9
Buildings & Improvements	41.7	41.1	38.7
Equipment	2.0	2.2	1.9
Books and Exhibits	0.4	0.4	0.4
Construction in Progress	-	0.8	0.3
Totals	\$ 48.3	\$ 48.7	\$ 45.2

### **Debt**

At year-end, the District had \$415 thousand in bonds and notes outstanding. The final payment to retire these bonds is February 2018.

#### **Outstanding Debt, at Year-end (\$ in millions)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenue bonds (backed by specific fee revenues)	\$ 0.4	\$ 0.8	\$ 1.2
Kilgore ISD Tuition Payable	0.5	0.6	-
Totals	\$ 0.9	\$ 1.4	\$ 1.2

## **COMPONENT UNIT**

The Kilgore College Foundation is presented as a discrete component unit. The following is a summary of the Foundations Statements of Financial Position and Statements of Activities for the fiscal year ended August 31, 2017, with fiscal year 2016 and 2015 data presented for comparative purposes.

### **Condensed Statement of Financial Position**

(\$ in millions)	<b>2016 to 2017</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Cash	\$ 0.1	\$ 0.5	\$ 0.1	-90.4%
Investments	7.4	6.5	6.4	14.4%
Funds held by others	-	-	-	0.0%
Total assets	<u>7.5</u>	<u>7.0</u>	<u>6.5</u>	<u>6.5%</u>
Net Assets:				
Unrestricted	0.4	0.4	0.4	1.9%
Temporarily restricted	2.4	2.0	1.7	19.6%
Permanently restricted	<u>4.7</u>	<u>4.6</u>	<u>4.4</u>	<u>1.3%</u>
Total net position	\$ 7.5	\$ 7.0	\$ 6.5	6.1%

### **Condensed Statements of Activities**

(\$ in millions)	<b>2016 to 2017</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Total support	\$ 1.7	\$ 0.8	\$ 0.6	110.4%
Total expenditures	<u>1.2</u>	<u>0.3</u>	<u>0.6</u>	<u>337.6%</u>
Change in net assets	0.5	0.5	0.0	-12.7%

## **RELATED PARTIES**

The Texas Shakespeare Festival Foundation is presented as a related party. Due to the interpretation of Governmental Standards Board Statement No. 39, the District does not feel the foundation meets the requirement of discrete component unit. The Texas Shakespeare Festival Foundation contributed gifts of \$196,565 and \$145,410 during fiscal year 2017 and 2016, respectively.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that are charged for the business-type activities. One of those factors is the economy. The District's employment growth has mirrored its population growth the past ten years, averaging minimal annual gains.

Challenges in the East Texas economy have impacted the District primarily through declines in the District's tax base over the last four years and three years of modest declines in enrollment. However, the region has begun to see a rebound in its economy. Unemployment rate for the East Texas Region has declined over the past year from 5.2% to 3.8%. While still higher than the statewide unemployment percentage for these same periods of 4.6% and 3.5%, these are nevertheless encouraging trends.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - CONTINUED**

The District has faced various economic issues centered on traditional funding sources. A mix of state appropriations, local property taxes, tuition and fees, state and federal grants, and private giving fund Texas public community college districts. During the 83<sup>rd</sup> Legislature, funding patterns were changed to where now community colleges receive funding based on three strategies: core operations, student success, and contact hour funding. The legislature also fixed the rate which the state would pay versus the institution would pay for employee insurance and retirement. The District's tax base valuation has decreased 6.8% going into the next fiscal year. Tuition and fee rates had slight increases for academic year 2016-2017 including an increase effective in the Fall semester. Going into 2016-2017 tuition and fees were increased, a 19% increase for in-district students and 4.0% increase for out-of-district students. State and federal grants continue to fluctuate from year to year. The District has been working with the Kilgore College Foundation to begin some major fundraising over the next few years.

Continuing to meet the District's financial challenges will require exploration of non-traditional ways of revenue generation that may include economic development, partnerships with public and private sector entities, increasing emphasis on contract training and adult education, and sophisticated fundraising and development efforts.

The District has many aging facilities. Over the past ten years, the District has done some major renovations and repairs, roof replacements, furnishing upgrades and construction of a new building and a residence hall in excess of \$34 million. All will be completed without having to take on additional bonded debt. This has made a dramatic improvement to the campus, but additional improvements are still necessary. The District recently updated its facilities master plan, so in the foreseeable future it is expected that the District will be continuing its efforts towards repairs and improvements throughout the campus, including the campus in Longview, Texas. The District has already started to purchase key pieces of property in Longview, preparing to add instructional programs and will be putting emphasis on improving its technology infrastructure. The District also in fiscal year 2016 outsourced all of its facilities services, maintenance, custodial, and grounds, in an effort to improve the overall facilities. Fiscal year 2018 will see the District fully retire its bonded debt, making significant financial resources available for future use.

While it is not possible to predict the effects of future economic conditions, management believes the District has a solid and stable financial position and is well equipped to handle the increasing demands for a better educated workforce. The District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the current fiscal year.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This discussion is presented in a condensed format as additional analysis. The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kilgore College Vice President of Administrative Services and CFO Fred Gore, 1100 Broadway, Kilgore, TX 75662.

**BASIC FINANCIAL STATEMENT**

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**STATEMENTS OF NET POSITION**  
**AUGUST 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
Current assets		
Cash and cash equivalents	\$ 7,809,541	\$ 8,112,005
Short-term investments	8,792,662	8,748,814
Accounts receivable, net	3,121,810	3,055,993
Inventories	1,041,574	1,024,647
Prepaid expenses	525,555	215,458
Other assets	84,760	84,760
Total current assets	<u>21,375,902</u>	<u>21,241,677</u>
Noncurrent assets		
Restricted cash and cash equivalents	2,628,259	2,657,236
Other long-term investments	425,000	425,000
Endowment investments	9,453,576	8,483,823
Capital assets, net (see note 6)	<u>48,251,378</u>	<u>48,722,039</u>
Total noncurrent assets	<u>60,758,213</u>	<u>60,288,098</u>
Total assets	<u>82,134,115</u>	<u>81,529,775</u>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>		
Deferred outflow of resources related to pensions	<u>1,797,899</u>	<u>2,214,478</u>
<b><u>LIABILITIES</u></b>		
Current liabilities		
Accounts payable	269,607	824,506
Accrued liabilities	811,001	1,107,879
Accrued compensable absences - current portion	227,169	216,015
Funds held for others	1,156,451	1,086,371
Unearned revenue	2,823,337	2,340,238
Deposits	122,731	122,732
Long-term liabilities - current portion	465,000	450,000
Total current liabilities	<u>5,875,296</u>	<u>6,147,741</u>
Noncurrent liabilities		
Accrued compensable absences	371,630	438,164
Long-term liabilities	<u>6,010,007</u>	<u>6,664,817</u>
Total noncurrent liabilities	<u>6,381,637</u>	<u>7,102,981</u>
Total liabilities	<u>12,256,933</u>	<u>13,250,722</u>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>		
Deferred inflow of resources related to pensions	<u>1,816,537</u>	<u>1,996,466</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	47,301,334	47,371,989
Restricted for:		
Expendable	4,565,538	4,602,710
Nonexpendable	7,391,434	6,617,266
Unrestricted	<u>10,600,238</u>	<u>9,905,100</u>
Total net position (Schedule D)	<u>\$ 69,858,544</u>	<u>\$ 68,497,065</u>

See accompanying notes to financial statements.

**THE KILGORE COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
Cash in bank	\$ 51,068	\$ 531,122
Investments	7,428,729	6,494,517
Total assets	<u>\$ 7,479,797</u>	<u>\$ 7,025,639</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	\$ 422,005	\$ 414,137
Temporarily restricted	2,369,805	1,982,171
Permanently restricted	4,687,987	4,629,331
Total net assets	<u>\$ 7,479,797</u>	<u>\$ 7,025,639</u>

See accompanying notes to financial statements.

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b><u>REVENUES</u></b>		
Operating revenues		
Tuition and fees (net of discounts of \$7,846,914 and \$6,799,431, respectively)	\$ 8,007,870	\$ 7,859,465
Federal grants and contracts	2,234,474	1,948,530
State grants and contracts	748,778	815,528
Non-governmental grants and contracts	137,643	153,994
Sales and services of educational activities	20,257	437,906
Auxiliary enterprises (net of discounts of \$2,171,087 and \$2,210,909, respectively)	4,363,353	4,443,384
General operating revenues	854,147	229,588
Total operating revenues (Schedule A)	16,366,522	15,888,395
<b><u>EXPENSES</u></b>		
Operating expenses		
Instruction	16,702,842	16,690,139
Public service	519,977	927,066
Academic support	3,008,788	3,182,148
Student services	2,715,992	2,656,965
Institutional support	7,228,881	5,874,814
Operation and maintenance of plant	4,438,088	4,082,558
Scholarships and fellowships	4,363,302	4,002,801
Auxiliary enterprises	6,577,743	5,219,589
Depreciation	1,632,173	1,630,713
Total operating expenses (Schedule B)	47,187,786	44,266,793
Operating loss	(30,821,264)	(28,378,398)
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
State appropriations	13,179,513	12,124,339
Ad valorem taxes (net)	6,560,191	6,674,038
Federal revenue, non-operating	11,054,470	10,038,080
Gifts	937,126	1,421,900
Investment income	111,738	76,020
Endowment income/(loss)	821,629	464,260
Interest on capital related debt	(23,555)	(38,587)
Loss on disposal of fixed assets	-	(266,513)
Other non-operating revenues	-	250
Other non-operating expenses	(458,369)	(2,801,640)
Net non-operating revenues (Schedule C)	32,182,743	27,692,147
Increase (decrease) in net position	1,361,479	(686,251)
<b><u>NET POSITION</u></b>		
Net position - beginning of year	68,497,065	69,183,316
Net position - end of year	\$ 69,858,544	\$ 68,497,065

See accompanying notes to financial statements.

**THE KILGORE COLLEGE FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>UNRESTRICTED NET ASSETS</u></b>		
Support:		
Contributions	\$ 13,659	\$ 21,879
Realized gains on securities	606	-
Net unrealized gains on securities	30,198	6,488
Interest and dividends earned	15,412	14,280
Net assets released from restrictions	574,051	-
Total support	<u>633,926</u>	<u>42,647</u>
Expenditures:		
Administrative costs	8,048	4,255
Executive search fees	26,666	-
Scholarships and other distributions	591,343	-
Total expenditures	<u>626,057</u>	<u>4,255</u>
Net increase in unrestricted net assets	<u>7,869</u>	<u>38,392</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>		
Support:		
Contributions	297,784	209,663
Realized gains on securities	27,537	12,256
Net unrealized gains on securities	412,298	83,273
Interest and dividends earned	224,065	203,007
Total support	<u>961,684</u>	<u>508,199</u>
Expenditures:		
Scholarships and other distributions	-	270,000
Total expenditures	<u>-</u>	<u>270,000</u>
Net assets released from restrictions	<u>574,051</u>	<u>-</u>
Total net assets released from restrictions	<u>574,051</u>	<u>-</u>
Net increase in temporarily restricted net assets	<u>387,633</u>	<u>238,199</u>
<b><u>PERMANENTLY RESTRICTED NET ASSETS</u></b>		
Support:		
Contributions	<u>58,656</u>	<u>235,433</u>
Total support	<u>58,656</u>	<u>235,433</u>
Net increase in permanently restricted net assets	<u>58,656</u>	<u>235,433</u>
Increase in net assets	454,158	512,024
Net assets at beginning of year	<u>7,025,639</u>	<u>6,513,615</u>
Net assets at end of year	<u>\$ 7,479,797</u>	<u>\$ 7,025,639</u>

See accompanying notes to financial statements.

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 13,881,922	\$ 12,315,344
Receipts of grants and contracts	3,120,895	2,918,049
Other receipts	-	229,587
Payments to or on behalf of employees	(23,646,677)	(23,562,709)
Payments to suppliers for goods and services	(15,953,495)	(12,081,123)
Payments to students under federal grants	(4,115,079)	(4,002,801)
Other cash payments	(349,008)	(43,713)
Net cash used by operating activities	<u>(27,061,442)</u>	<u>(24,227,366)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts of appropriations	10,046,393	10,030,649
Ad valorem tax revenues	6,560,191	6,674,038
Receipts for Title IV transactions	10,892,711	9,951,471
Gifts and grants (other than capital)	927,124	1,421,900
Disbursements for student organizations and other agency transactions	(69,956)	(103,060)
Misc other non-operating expenses	-	(824,534)
Non-capital disbursements for campus enhancements	-	(1,676,166)
Net cash provided by non-capital financing activities	<u>28,356,463</u>	<u>25,474,298</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(1,132,533)	(4,697,266)
Payments on capital debt and leases - principal	(400,000)	(390,048)
Payments on capital debt and leases - interest	(23,555)	(38,587)
Net cash used by capital and related financing activities	<u>(1,556,088)</u>	<u>(5,125,901)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings (losses)	943,227	(272)
Investment and endowment purchases	(1,013,601)	(192,328)
Net cash used by investing activities	<u>(70,374)</u>	<u>(192,600)</u>
Decrease in cash and cash equivalents	(331,441)	(4,071,569)
Cash and cash equivalents beginning of year	<u>10,769,241</u>	<u>14,840,810</u>
Cash and cash equivalents end of year	<u>\$ 10,437,800</u>	<u>\$ 10,769,241</u>

See accompanying notes to financial statements.

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**  
**CONTINUED**

	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash used		
by operating activities:		
Operating loss	\$ (30,821,264)	\$ (28,378,398)
Adjustments to reconcile operating loss to net cash used		
by operating activities:		
Depreciation expense	1,632,173	1,630,713
On-behalf state benefits	2,536,613	2,093,689
Miscellaneous nonoperating expense	(419,085)	-
Changes in assets and liabilities:		
Receivables, net	153,191	(560,388)
Inventories	(16,927)	50,771
Prepaid expenses	(310,097)	(110,649)
Accounts payable and accrued liabilities	(840,273)	1,891,718
Unearned revenue	483,099	134,979
Compensable absences	(55,380)	(139,908)
Changes in deferred inflows and outflows:		
Deferred outflow	416,579	(1,343,256)
Deferred inflow	179,929	503,363
Net cash used by operating activities	<u>\$ (27,061,442)</u>	<u>\$ (24,227,366)</u>

See accompanying notes to financial statements.



**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**1. REPORTING ENTITY**

Kilgore Junior College District (District) was established in 1935, in accordance with the laws of the State of Texas, to serve the educational needs of the District and the surrounding communities. The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

The District is a comprehensive, public, two-year institution offering academic, general, occupational, developmental, and continuing adult education programs through a network of campuses in East Texas. The District is governed by a nine-member Board of Trustees, which has governance responsibilities over all activities related to the College.

**Discrete Component Unit**

Using the criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, the District's management has determined that the Kilgore College Foundation (Foundation) should be reported as a discrete component unit because of the nature and significance of its relationship with the District.

The Foundation is a Texas nonprofit corporation chartered in 1997 to support educational, scientific and charitable purposes in order to promote and support the District. The District does not appoint a voting majority nor does it fund or is obligated to pay debt related to this Foundation. However, the District does have the ability to significantly influence the policies of this Foundation. The Foundation is incorporated and chartered entirely separate from the District, with separate management and control, and a separate Board of Directors. It is accounted for separately in the Basic Financial Statements of the District. The Foundation's Notes to financial statements are disclosed in Note 23. Complete financial statements of the Kilgore College Foundation can be obtained from the business office of the District.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Guidelines**

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

**Tuition Discounting**

*Texas Public Education Grants*

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Section 56.033). When the student uses the award for tuition and fees and/or auxiliary charges, the amount is recorded as tuition and/or auxiliary revenue and a corresponding amount is recorded as a discount. If the amount is dispersed directly to the student, the amount is recorded as scholarship expense.

*Title IV, HEA Program Funds*

Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as restricted revenue. When the award is used by the student for tuition and fees and/or auxiliary charges a corresponding amount is recorded as a discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Tuition Discounting - Continued**

*Other Tuition Discounts*

When the award is used by the student for tuition and fees and/or auxiliary charges, the amount is recorded as tuition and/or auxiliary revenue and a corresponding amount is recorded as a discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

**Basis of Accounting**

The financial statements of the District have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

**Budgetary Data**

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

**Cash and Cash Equivalents**

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

**Deferred Outflows**

In addition to assets, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

**Investments**

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months, but less than one year at time of purchase. (The governing board has designated public fund investment pools comprised of \$168,400 and \$167,324 at August 31, 2017 and August 31, 2016, respectively, to be short-term investments.) Long-term investments have an original maturity of greater than one year at the time of purchase.

**Inventories**

Inventories, consisting of consumable office supplies, physical plant supplies, bookstore stock, and food service supplies, are valued at the lower of cost, under the "first in, first out" method, or market, and are charged to expense as consumed.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Capital Assets**

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment and 5 years for telecommunications and peripheral equipment.

**Pensions**

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

**Unearned Revenue**

Tuition and fees of \$2,823,337 and \$2,340,238 have been reported as unearned revenues at August 31, 2017 and 2016, respectively.

**Deferred Inflows**

In addition to liabilities, the District is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB.

**Estimates**

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

**Operating and Non-Operating Revenue and Expense Policy**

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the college's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Restatement**

During the year, the District revealed an error in a system generated report which caused an overstatement of bad debt expense and the allowance for doubtful accounts related to student tuition balances in the amount of \$983,963 for the year ended August 31, 2016. Correction of the error required a prior period adjustment to report the effect retroactively. The financial statements as of and for the year ended August 31, 2016 have been restated to reflect a decrease of \$983,963 to bad debt expense and the allowance for doubtful accounts.

**3. AUTHORIZED INVESTMENTS**

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include 1) obligations of the United States or its agencies, 2) direct obligations of the State of Texas or its agencies, 3) obligations of political subdivisions rated not less than A by a national investment rating firm, 4) certificates of deposit, and 5) other instruments and obligations authorized by statute.

**4. DEPOSITS AND INVESTMENTS**

Cash and deposits included in cash and cash equivalents and short-term investments as reported on Exhibit 1, Statement of Net Position, consist of the items reported below.

	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Bank Deposits		
Demand Deposits	\$ 10,412,530	\$ 10,749,097
Time Deposits	8,624,262	8,581,490
	<u>19,036,792</u>	<u>19,330,587</u>
Petty Cash on Hand	25,270	20,144
	<u>19,062,062</u>	<u>19,350,731</u>
Total Cash and Deposits	<u>\$ 19,062,062</u>	<u>\$ 19,350,731</u>

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**4. DEPOSITS AND INVESTMENTS - CONTINUED**

Reconciliation of Deposits and Investments to Exhibit 1:

<u>Type of Security</u>	<u>Fair Value</u> <u>August 31, 2017</u>	<u>Fair Value</u> <u>August 31, 2016</u>
Managed funds	\$ 9,453,576	\$ 8,483,823
Investment pool	168,400	167,324
Time Deposit	425,000	425,000
Total	<u>10,046,976</u>	<u>9,076,147</u>
Total cash and deposits	<u>19,062,062</u>	<u>19,350,731</u>
Total deposits and investments	<u>\$ 29,109,038</u>	<u>\$ 28,426,878</u>
Cash and short-term investments (Exhibit 1)	\$ 19,230,462	\$ 19,518,055
Investments (Exhibit 1)	<u>9,878,576</u>	<u>8,908,823</u>
Total deposits and investments	<u>\$ 29,109,038</u>	<u>\$ 28,426,878</u>

As of August 31, 2017, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>Less than 1 year</u>
Certificates of deposit	\$ 8,624,262	\$ 8,581,490
Investment pool	168,400	167,324
Total	<u>\$ 8,792,662</u>	<u>\$ 8,748,814</u>

As of August 31, 2017, the District's investments in certificates of deposit are a component of the depository contract, under which certificates are renewed and repriced every 91 days. Investments in Texpool have maturities of less than one year. The District had no investments in any one issuer that represented 5 percent or more of net position at August 31, 2017 and 2016.

**Interest Rate Risk:** In accordance with state law and district policy, the District does not purchase any investments with maturities greater than 10 years.

Managed funds stated at fair value as of August 31, 2017 and 2016 were:

	<u>2017</u>	<u>2016</u>
Cost	\$ 8,171,631	\$ 7,663,061
Unrealized gain	<u>1,281,945</u>	<u>820,762</u>
Fair value	<u>\$ 9,453,576</u>	<u>\$ 8,483,823</u>

**Credit Risk:** In accordance with state law and the District's investment policy, investments in mutual funds and investment pools, if rated, must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A as well. Investments with Texpool have a credit rating of AAA as of August 31, 2017 and 2016, respectively.

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**4. DEPOSITS AND INVESTMENTS - CONTINUED**

**Credit Risk - Continued:** Investments in mutual funds are made up entirely of holdings with Texas Presbyterian Foundation (TPF). Investments managed by TPF are exempt from registration requirements of the federal securities law pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995. Accordingly, these investments are unrated.

**Concentration of Credit Risk:** The District’s investment policy does not place a limit on the amount the District may invest in any one issuer.

**Credit Risk:** The District’s investments have no custodial credit risk.

**5. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to their fair value measurement of the instrument.

The fair value hierarchy of investments at August 31, 2017 follows:

	<u>Level 2</u>	<u>2017 Total</u>	<u>2016 Total</u>
Managed funds	<u>\$ 9,453,576</u>	<u>\$ 9,453,576</u>	<u>\$ 8,483,823</u>

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**6. CAPITAL ASSETS**

Capital assets activity for the year ended August 31, 2017 was as follows:

	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017
<u>Not Depreciated:</u>				
Land	\$ 4,208,950	\$ -	\$ -	\$ 4,208,950
Construction in progress	807,997	-	807,997	-
Subtotal	5,016,947	-	807,997	4,208,950
<u>Other Capital Assets:</u>				
Land improvements and infrastructure	4,162,305	424,870	-	4,587,175
Buildings	60,919,846	1,313,723	-	62,233,569
Leasehold improvements	1,872,823	-	-	1,872,823
Equipment	7,381,532	156,667	-	7,538,199
Capital lease	100,144	-	-	100,144
Exhibits	1,910,020	39,947	-	1,949,967
Library books	1,221,846	34,307	81,323	1,174,830
Subtotal	77,568,516	1,969,514	81,323	79,456,707
Total cost of capital assets	82,585,463	1,969,514	889,320	83,665,657
<u>Accumulated Depreciation:</u>				
Land improvements and infrastructure	2,994,048	75,736	-	3,069,784
Buildings	22,667,700	1,026,573	-	23,694,273
Leasehold improvements	174,399	87,080	-	261,479
Equipment	5,202,478	362,811	-	5,565,289
Capital lease	83,437	16,679	-	100,116
Exhibits	1,880,332	7,947	-	1,888,279
Library books	861,030	55,352	81,323	835,059
Total accumulated depreciation	33,863,424	1,632,178	81,323	35,414,279
Capital assets - net	\$ 48,722,039	\$ 337,336	\$ 807,997	\$ 48,251,378

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
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**6. CAPITAL ASSETS - CONTINUED**

Capital assets activity for the year ended August 31, 2016 was as follows:

	Balance <u>September 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>August 31, 2016</u>
<u>Not Depreciated:</u>				
Land	\$ 3,937,492	\$ 271,458	\$ -	\$ 4,208,950
Construction in progress	335,659	807,997	335,659	\$ 807,997
Subtotal	<u>4,273,151</u>	<u>1,079,455</u>	<u>335,659</u>	<u>5,016,947</u>
<u>Other Capital Assets:</u>				
Land improvements and infrastructure	3,839,526	455,873	133,094	4,162,305
Buildings	57,803,277	3,450,742	334,173	60,919,846
Leasehold improvements	1,872,823	-	-	1,872,823
Equipment	6,797,748	701,040	117,256	7,381,532
Capital lease	100,144	-	-	100,144
Exhibits	1,910,020	-	-	1,910,020
Library books	1,286,668	18,142	82,964	1,221,846
Subtotal	<u>73,610,206</u>	<u>4,625,797</u>	<u>667,487</u>	<u>77,568,516</u>
Total cost of capital assets	77,883,357	5,705,252	1,003,146	82,585,463
<u>Accumulated Depreciation:</u>				
Land improvements and infrastructure	2,978,393	78,633	62,978	2,994,048
Buildings	21,834,093	1,005,415	171,808	22,667,700
Leasehold improvements	87,080	87,319	-	174,399
Equipment	4,904,960	380,741	83,223	5,202,478
Capital lease	66,716	16,721	-	83,437
Exhibits	1,874,381	5,951	-	1,880,332
Library books	888,061	55,933	82,964	861,030
Total accumulated depreciation	<u>32,633,684</u>	<u>1,630,713</u>	<u>400,973</u>	<u>33,863,424</u>
Capital assets - net	<u>\$ 45,249,673</u>	<u>\$4,074,539</u>	<u>\$ 602,173</u>	<u>\$ 48,722,039</u>



**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
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**7. NONCURRENT LIABILITIES**

Long-term liability activity for the year ended August 31, 2017 was as follows:

	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
<u>Bonds</u>					
Revenue bonds - 2007	\$ 815,000	\$ -	\$ 400,000	\$ 415,000	\$ 415,000
<u>Other liabilities</u>					
Kilgore ISD Tuition Payable	535,050	-	42,440	492,610	50,000
Accrued compensable absences	654,179	112,705	168,085	598,799	227,169
Net pension liability	5,764,767	271,667	469,037	5,567,397	-
Total other liabilities	6,953,996	384,372	679,562	6,658,806	277,169
Total long-term liabilities	<u>\$ 7,768,996</u>	<u>\$ 384,372</u>	<u>\$1,079,562</u>	<u>\$7,073,806</u>	<u>\$ 692,169</u>

Long-term liability activity for the year ended August 31, 2016 was as follows:

	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
<u>Bonds</u>					
Revenue bonds - 2007	\$ 1,200,000	\$ -	\$ 385,000	\$ 815,000	\$ 400,000
<u>Other liabilities</u>					
Capital lease	5,048	-	5,048	-	-
Kilgore ISD Tuition Payable	-	550,000	14,950	535,050	50,000
Accrued compensable absences	794,087	146,290	286,198	654,179	216,015
Net pension liability	4,880,972	2,391,553	1,507,758	5,764,767	-
Total other liabilities	5,680,107	3,087,843	1,813,954	6,953,996	266,015
Total long-term liabilities	<u>\$ 6,880,107</u>	<u>\$3,087,843</u>	<u>\$2,198,954</u>	<u>\$ 7,768,996</u>	<u>\$ 666,015</u>

**8. DEBT AND LEASE OBLIGATIONS**

Debt service requirements at August 31, 2017 were as follows:

	Revenue Bonds, Series 2007		
	Principal	Interest	Total
For the year ended August 31, 2018	415,000	7,947	422,947
Total Bonds Payable	<u>\$ 415,000</u>	<u>\$ 7,947</u>	<u>\$ 422,947</u>

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
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**8. DEBT AND LEASE OBLIGATIONS - CONTINUED**

**Operating Lease Commitments and Rental Agreements**

The District is party to an 18 month lease agreement for a portion of a hospital to be utilized in the expansion of instructional health programs. The lease includes the option of two subsequent five year period renewals and monthly lease payments of \$10,454. Kilgore College has opted to extend this lease through 2020. The District is party to a lease agreement with monthly lease payments of \$1,500 for a portion of an office and warehouse space to be utilized for Kilgore Economic Development Corporation advanced technology programs. The District leases various office equipment and office space for monthly lease payments of \$549. Obligations under operating leases at August 31, 2017, were as follows:

For the year ended August 31,	Total
2018	\$ 147,516
2019	145,320
2020	41,816
Total minimum lease payments	\$ 334,652

**9. BONDS PAYABLE**

General information related to bonds payable is summarized below:

Combined Fee Revenue Refunding Bonds, Series 2007

Issued May 29, 2007

Purpose of bond: to advance refund Bond Series 1997

\$3,815,000; all authorized bonds have been issued

Source of revenue for debt service -- general fees and tuition

Bonds at 3.83% are due in annual installments varying from \$400,000 to \$415,000, with the final installment due in 2018.

**10. ADVANCED REFUNDING BONDS**

Refunded \$3,755,000 of Combined Fee Revenue Bonds, Series 1997

Issued refunding bonds on May 29, 2007

All authorized bonds have been issued

Combined Fee Revenue Refunding Bonds, Series 2007

Average interest rate of bonds refunded, 5.25%

Additional \$73,684 of 1997 Series sinking fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 1997 Series bonds.

Advanced refunding of the 1997 Series bonds reduced the District's debt service payments over a ten year period ending in 2018 by approximately \$197,517.

The economic and accounting gains are determined to be immaterial.

**11. EMPLOYEES' RETIREMENT PLAN**

The State of Texas has joint contributory retirement plans for almost all its employees.

**Teacher Retirement System of Texas - Defined Benefit Pension Plan**

*Plan Description.* The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the TRS. TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

**Teacher Retirement System of Texas - Defined Benefit Pension Plan - Continued**

The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

*Pension Plan Fiduciary Net Position.* Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

*Contributions.* Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2016	2017
Member	7.20%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
Fiscal Year 2016 District Contributions	\$468,106	
Fiscal Year 2016 State of Texas On-behalf Contributions	\$333,712	

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
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**11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

**Teacher Retirement System of Texas - Defined Benefit Pension Plan - Continued**

The District's contributions to the TRS pension plan in Fiscal Year 2017 were \$468,074 as reported in the Schedule of District Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for Fiscal Year 2017 were \$339,149.

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.

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

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

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Projected Unit Credit
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary Increases*	3.5 to 9.5%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

*\*Includes Inflation of 2.5%*

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015 by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There have been no changes in the actuarial assumptions or methods since the prior valuation. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
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**11. EMPLOYEES' RETIREMENT PLAN - CONTINUED**

**Teacher Retirement System of Texas - Defined Benefit Pension Plan – Continued**

*Discount Rate.* The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the 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 8%. 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.

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$8,616,455	\$5,567,397	\$2,981,179

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**11. EMPLOYEES' RETIREMENT PLAN - CONTINUED**

**Teacher Retirement System of Texas - Defined Benefit Pension Plan – Continued**

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Geometric Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return*</b>
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stavel Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

\*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Source: Teacher Retirement System of Texas 2016 Comprehensive Annual Financial Report

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
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**11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

**Teacher Retirement System of Texas - Defined Benefit Pension Plan - Continued**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2017, the District reported a liability of \$5,567,397 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$	5,567,397
State's proportionate share that is associated with District		4,025,645
Total	\$	9,593,042

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At the measurement date of August 31, 2016 the employer's proportion of the collective net pension liability was 0.014%, which was a decrease of 0.002% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, the District recognized pension expense of \$417,766 and revenue of \$417,766 for support provided by the State. Refer to the Fiscal Year 2017 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 67 & 68.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
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**11. EMPLOYEES' RETIREMENT PLAN – CONTINUED**

**Teacher Retirement System of Texas - Defined Benefit Pension Plan - Continued**

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 87,296	\$ 166,239
Changes in actuarial assumptions	169,684	154,321
Difference between projected and actual investment earnings	1,072,845	601,409
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	894,568
Contributions paid to TRS subsequent to the measurement date	468,074	-
Total	\$ 1,797,899	\$ 1,816,537

**11. EMPLOYEES' RETIREMENT PLAN - CONTINUED**

**Teacher Retirement System of Texas - Defined Benefit Pension Plan - Continued**

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

Year ended August 31:	Pension Expense
2018	\$ (105,064)
2019	(105,064)
2020	193,301
2021	(90,646)
2022	3,641
Thereafter	(37,501)



**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
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**11. EMPLOYEES' RETIREMENT PLAN - CONTINUED**

**Optional Retirement Plan - Defined Contribution Plan**

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

*Funding Policy.* Contribution requirements are not actuarially determined, but are established and amended by the Texas legislature. Each participant in the Optional Retirement Program is currently required to contribute 6.65% of his or her salary to the authorized ORP carrier of his or her choice. For employees with a hire date prior to September 1, 1995, effective September 1, 2013, the State of Texas contributes an amount equal to 7.91% of each participant's salary to the Optional Retirement Program. For employees with an effective hire date on or after September 1, 1995, effective September 1, 2013, the State of Texas contributes to ORP an amount equal to 6.6% of each participant's salary. These percentages are subject to periodic revision by the State Legislature.

The retirement expense to the state for the District was \$488,947 and \$613,466 for the fiscal years ended August 31, 2017 and 2016, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the District.

The total payroll for all District employees was \$19,984,697 and \$20,635,262 for fiscal years 2017 and 2016, respectively. The total payroll of employees covered by the TRS was \$11,801,949 and \$11,773,932, and the total payroll of employees covered by the Optional Retirement System was \$5,312,751 and \$6,067,592 for fiscal years 2017 and 2016, respectively.

**12. DEFERRED COMPENSATION**

The District contributed \$10,000 as deferred compensation for each fiscal year 2017 and 2016, on behalf of the President of the College, to the State of Texas 457 Plan, administered through the ERS TexaSaver Program. The District had no other deferred compensation programs in effect during fiscal years 2017 and 2016.

**13. COMPENSABLE ABSENCES**

Full time employees are granted one day of paid sick leave time per scheduled work month. Paid sick leave time that has not been taken accumulates up to a maximum of 90 days, but it is not paid should the employment relationship cease for reasons other than retirement. Full time employees are also granted ten days per year vacation time; a total of five days' vacation time may be accumulated and carried forward to the following fiscal year. Unused vacation time is paid at the time employment ceases, regardless of the reason for termination.

Upon official retirement, an eligible employee is paid the greater of one month's salary or one-half of his or her accumulated sick leave time, whichever is greater. Accordingly, the District has included a liability for accrued sick leave time in the amount of \$412,922 and \$486,849 at August 31, 2017 and 2016, respectively, based on employees currently eligible for retirement. 10% of the total liability for accrued sick leave is considered a current liability based on historical experience. The District accrued vacation liability in the amount of \$185,877 and \$167,330 at August 31, 2017 and 2016, respectively, all of which has been classified as a current liability.

**14. PENDING LAWSUITS AND CLAIMS**

On August 31, 2017, various lawsuits and claims involving the District were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability is not likely to have a material effect on the College.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**15. DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

**Receivables**

Primary institution receivables at August 31, 2017 and 2016 were as follows:

	2017	2016
Student receivables	\$ 3,549,636	\$ 3,253,328
Taxes receivable	718,015	637,682
Federal receivable	396,322	234,563
Accounts receivable	150,680	458,865
Interest receivable	5,756	5,614
Sub-total	4,820,409	4,590,052
Allowance for doubtful accounts	(1,698,598)	(1,534,059)
Total receivables	\$ 3,121,811	\$ 3,055,993

**Payables and Accrued Liabilities**

Primary institution payables and accrued liabilities at August 31, 2017 and 2016 were as follows:

	2017	2016
Vendors payable	\$ 272,895	\$ 824,506
Salaries and benefits payable	501,214	817,516
Student payables	200,735	171,751
Sales tax payable	105,764	118,612
Total	\$ 1,080,608	\$ 1,932,385

**16. FUNDS HELD IN TRUST BY OTHERS**

The balances, or transactions, of funds held in trust by others on behalf of the District are not reflected in the financial statements. There were no such funds for the benefit of the District at August 31, 2017 and 2016.

**17. CONTRACT AND GRANT AWARDS**

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants Industry Audit Guide, *Audits of Colleges and Universities*. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1.

Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant award funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2017 and 2016 for which monies have not been received nor funds expended totaled \$436,759 and \$21,434. Of these amounts, \$436,759 and \$21,434 were from Federal Contract and Grant Awards and none were from State Contract and Grant Awards for fiscal years ended 2017 and 2016, respectively.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**18. SELF-INSURED PLANS**

The District did not participate in any self-insured plans during fiscal years 2017 and 2016.

**19. HEALTH CARE AND LIFE INSURANCE BENEFITS**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums.

The state's contribution per full-time employee varies based upon coverage category. Monthly contributions were \$617.30 and \$576.54 for "Employee Only" coverage, \$970.98 and \$906.78 for "Employee and Spouse" coverage, \$854.10 and \$797.66 for "Employee and Children" coverage, and \$1,207.78 and \$1,127.90 for "Employee and Family" coverage for both years ended August 31, 2017 and 2016.

Certain categories of employees such as physical plant and auxiliary staff are not eligible for state funding of health care benefits. The District uses local funds to pay the premiums for those employees.

The state's contribution totaled \$2,226,407 and \$1,559,133 for the years ended August 31, 2017 and 2016, respectively. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The cost of providing those benefits for retirees and active employees as of August 31, 2017 and 2016 was as follows:

	2017	2016
Cost of state's contribution	\$ 914,440	\$ 775,346
Cost of local contribution	920,867	751,707
Total cost of benefits for retirees	\$ 1,835,307	\$ 1,527,053
Cost of state's contribution	\$ 1,311,967	\$ 783,787
Cost of local contribution	2,093,406	2,491,099
Total cost of benefits for active employees	\$ 3,405,373	\$ 3,274,886

**20. PROPERTY TAX**

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

At August 31:

	FY 2017	FY 2016
Assessed Valuation of the District	\$ 4,246,725,567	\$ 4,496,431,383
Less: Exemptions and Abatements	(605,252,882)	(590,468,568)
Net Assessed Valuation of the District	\$ 3,641,472,685	\$ 3,905,962,815

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**20. PROPERTY TAX - CONTINUED**

	FY 2017 Current Operations	FY 2016 Current Operations
Authorized Tax Rate per \$100 valuation (Maximum per enabling legislation)	0.2000	0.2000
Assessed Tax Rate per \$100 valuation	0.1750	0.1750

There were no taxes authorized or assessed for debt service at August 31, 2017 and 2016. Taxes levied for the years ended August 31, 2017 and 2016, were \$6,372,577 and \$6,835,435, respectively (which includes penalty and interest if applicable). Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year imposed.

	August 31, 2017	August 31, 2016
Current taxes collected	\$ 6,162,894	\$ 6,607,614
Delinquent taxes collected	153,532	123,100
Penalties & interest collected	174,929	148,991
Total collections	\$ 6,491,355	\$ 6,879,705

Tax collections were 97% of the current tax levy for the years ended August 31, 2017 and 2016, respectively. There were no tax collections for debt service. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

The District participates in a tax increment financing district (TIF). The following table summarizes the obligation of the District's involvement in the TIF:

TIF Title	Percentage of Incremental Tax Committed	Taxes Forgone in Fiscal Year 2017	Taxes Forgone in Fiscal Year 2016
City of Kilgore Reinvestment Zone #1	100%	\$ -	\$ 4,346

**21. INCOME TAXES**

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The District had no unrelated business income tax liability for the years ended August 31, 2017 and 2016.

**22. RELATED PARTIES**

The Texas Shakespeare Festival Foundation is a nonprofit organization that supports the Texas Shakespeare Festival (Festival) that is presented by the District on an annual basis. During the years ended August 31, 2017 and 2016, \$196,565 and \$145,410, respectively were contributed to the District in support of the Festival.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**23. DISCRETE COMPONENT UNIT - KILGORE COLLEGE FOUNDATION**

**Organization**

Complete financial statements of the Kilgore College Foundation can be obtained from the District's business office. Certain footnotes are excerpted from the Foundation's audited financial statements for the year ended August 31, 2017:

The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation contributed gifts of \$300,010 and \$641,313 to the District during the years ended August 31, 2017 and 2016, respectively. During both fiscal years, the District furnished certain services, such as office space, utilities and staff assistance to the Foundation. These facilities and services are not required to be repaid.

**Basis of Accounting**

The Financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

**Estimates**

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

**Investments**

Investments are stated at fair market value based upon quoted market prices.

**Recognition of Donor Restricted Contributions**

Pursuant to FASB ASC 958-605-15-2 and FASB ASC 958-605-15-4, *Revenue Recognition – Contributions Received*, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Income Tax Status**

The Foundation is a not-for-profit organization exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The related IRS determination letter is dated May 29, 1997. The Foundation's Form 990, Return of Organization Exempt from Income Tax is subject to examination by the IRS generally for three years after it is filed. The investments of the Foundation include cash, equities and mutual funds.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**23. DISCRETE COMPONENT UNIT - KILGORE COLLEGE FOUNDATION - CONTINUED**

**Investments**

Investment accounts as of August 31, 2017 were as follows:

	<b>2017</b>
Merrill Lynch:	
Money market	\$ 233,031
Equity securities	119,381
Mutual funds	38,956
Texas Presbyterian Foundation:	
Managed fund	7,037,361
Total	\$ 7,428,729

Texas Presbyterian Foundation (TPF) privately manages the investment fund which holds a mix of equity, fixed income and money market funds in proportions allocated as determined by TPF. The objective of the fund is to produce a total rate of return from a blend of equity and fixed income securities, which provides a stable, predictable and growing source of income to participating institutions to support current programs while preserving the inflation-adjusted purchasing power of the principal over time.

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to approximately \$42,000 as of August 31, 2017, and have been netted against investment revenues in the accompanying statement of activities.

**Fair Value Measurements**

FASB ASC 820-10, *Fair Value Measurements* provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement and the lowest priority to unobservable inputs (level 3 measurement).

The following table sets forth by the level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2017:

	Level 1	Level 2	Level 3	Total
Money market	\$ 233,031	\$ -	\$ -	\$ 233,031
Equity securities	119,381	-	-	119,381
Mutual funds	38,956	-	-	38,956
Managed fund	-	7,037,361	-	7,037,361
Total	\$ 391,368	\$7,037,361	\$ -	\$7,428,729

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**23. DISCRETE COMPONENT UNIT - KILGORE COLLEGE FOUNDATION - CONTINUED**

**Donor-Designated Endowment Funds**

The Foundation's endowment consists of approximately 121 individual funds established for a variety of purposes. Its endowment includes only donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

During the year ended August 31, 2016, certain scholarships and distributions based on spending policy were not made. The distributions were made in September 2016 and recorded as scholarships and distributions in the year ending August 31, 2017.

Endowment net asset composition by type of fund as of August 31, 2017 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total Net Endowment Assets</b>
Donor-restricted endowment funds	\$ -	\$ 2,369,805	\$ 4,687,987	\$ 7,057,792

Changes in endowment net assets as of August 31, 2017 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total Net Endowment Assets</b>
Endowment net assets, beginning of year	\$ -	\$ 1,982,171	\$ 4,629,331	\$ 6,611,502
Contributions	-	297,784	58,656	356,440
Investment income	-	224,065	-	224,065
Net depreciation	-	439,836	-	439,836
Distributions	-	(574,051)	-	(574,051)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,369,805</u>	<u>\$ 4,687,987</u>	<u>\$ 7,057,792</u>

**Restrictions of Net Assets**

Temporarily restricted net assets represent resources currently available for use for those operating purposes specified by the donor or restricted by the donor for a specified future period. As of August 31, 2017, the Foundation had \$2,369,805 of net assets temporarily restricted for the Foundation operations, scholarships, student and faculty support, and the general support of Kilgore Junior College District. Permanently restricted net assets represent resources that are permanently restricted for the funding of an endowment under which the principal must remain intact. Unless otherwise designated in the donor agreement, investment earnings from the endowment principal are considered temporarily restricted for the purposes specified by the donor. As of August 31, 2017, the Foundation had permanently restricted net assets of \$4,687,987.

**KILGORE JUNIOR COLLEGE DISTRICT – KILGORE, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**23. DISCRETE COMPONENT UNIT - KILGORE COLLEGE FOUNDATION - CONTINUED**

**Date of Management’s Review**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 22, 2017, the date that the financial statements were available to be issued.

**24. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description.* In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

*Funding Policy.* Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer’s share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB statement 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Beginning September 1, 2013, S.B. 1812 limits the state’s contribution to 50% of eligible employees for community colleges.

The District’s contributions to SRHP for the years ended August 31, 2017, 2016 and 2015 were \$920,867; \$751,707; and \$646,335, respectively, which equaled the required contributions each year.

**25. COMMITMENTS AND CONTINGENT LIABILITIES**

In the ordinary course of business, the District has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. Several of the District’s buildings contain asbestos, which will need to be removed at the time these buildings are renovated or destroyed. The District has no current plans regarding these buildings and the cost of abatement cannot be reasonably determined at this time.

**26. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through December 6, 2017, the date on which the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)**

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal year ending August 31,*	2017**	2016**	2015**
District's Proportion of the Net Pension Liability	0.014733%	0.016308%	0.018273%
District's Proportionate Share of Net Pension Liability	\$ 5,567,397	\$ 5,764,767	\$ 4,880,972
States Proportionate Share of the Net Pension Liability associated with the District	4,025,645	4,305,508	3,624,257
Total	<u>\$ 9,593,042</u>	<u>\$ 10,070,275</u>	<u>\$ 8,505,229</u>
District's Covered Employee Payroll	\$ 11,801,949	\$ 11,773,932	\$ 12,888,197
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	47.17%	48.96%	37.87%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.00%	78.00%	83.25%

\*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
 REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED  
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal year ending August 31,*	2017**	2016**	2015**
Contractually Required Contribution	\$ 468,074	\$ 468,106	\$ 478,467
Contribution in Relation to the Contractually Required Contribution	(468,074)	(468,106)	(478,467)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 11,801,949	\$ 11,773,932	\$ 12,888,197
Contributions as a percentage of Covered Employee Payroll	3.97%	3.98%	3.71%

\*The amounts presented above are as of the District's most recent fiscal year end.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Changes of Assumptions:**

- \* All of the demographic assumptions and the economic assumptions were identical to those which were adopted for the prior year actuarial experience study of TRS, including rates of retirement, rates of termination, rates of disability incidence, general inflation, wage inflation and expected payroll growth.

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

There was no change in the discount rate since the previous year.

**SUPPLEMENTAL SCHEDULES**

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**SCHEDULE OF OPERATING REVENUES**  
**For the Year Ended August 31, 2017 (With Memorandum Totals for the Year Ended August 31, 2016)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY17 Total	FY16 Total
<b>TUITION</b>						
State funded courses						
In-district resident tuition	\$ 1,101,406	\$ -	\$ 1,101,406	\$ -	\$ 1,101,406	\$ 1,471,271
Out-of-district resident tuition	3,504,159	-	3,504,159	-	3,504,159	2,911,891
TPEG (set aside)*	261,674	-	261,674	-	261,674	225,953
Non-resident tuition	312,100	-	312,100	-	312,100	251,400
State funded continuing education	1,131,558	-	1,131,558	-	1,131,558	1,253,031
Non-state funded continuing education	61,982	-	61,982	-	61,982	87,292
Total tuition	<u>6,372,879</u>	<u>-</u>	<u>6,372,879</u>	<u>-</u>	<u>6,372,879</u>	<u>6,200,838</u>
<b>FEES</b>						
General education fees	2,582,710	-	2,582,710	-	2,582,710	2,232,005
Out-of-district fees	5,191,680	-	5,191,680	-	5,191,680	4,510,722
Laboratory fees	1,060,725	-	1,060,725	-	1,060,725	1,052,902
Testing fees	95,924	-	95,924	-	95,924	113,829
Administrative fees	60,323	-	60,323	-	60,323	93,519
Special services fees	273,814	-	273,814	-	273,814	248,725
Orientation fees	57,380	-	57,380	-	57,380	55,030
Distance learning fees	159,350	-	159,350	-	159,350	151,325
Total fees	<u>9,481,906</u>	<u>-</u>	<u>9,481,906</u>	<u>-</u>	<u>9,481,906</u>	<u>8,458,057</u>
<b>SCHOLARSHIP ALLOWANCES AND DISCOUNTS</b>						
Remissions and exemptions - state	(605,178)	-	(605,178)	-	(605,178)	(548,128)
Remissions and exemptions - local	(21,716)	-	(21,716)	-	(21,716)	(9,927)
Federal grants to students	(5,921,490)	-	(5,921,490)	-	(5,921,490)	(5,058,737)
TPEG awards	(84,568)	-	(84,568)	-	(84,568)	(76,748)
Texas grants	(364)	-	(364)	-	(364)	(7,214)
Miscellaneous state grants	(416,333)	-	(416,333)	-	(416,333)	(354,128)
Local scholarships	(797,266)	-	(797,266)	-	(797,266)	(744,548)
Total scholarship and allowances	<u>(7,846,915)</u>	<u>-</u>	<u>(7,846,915)</u>	<u>-</u>	<u>(7,846,915)</u>	<u>(6,799,430)</u>
Total net tuition and fees	<u>\$ 8,007,870</u>	<u>\$ -</u>	<u>\$ 8,007,870</u>	<u>\$ -</u>	<u>\$ 8,007,870</u>	<u>\$ 7,859,465</u>

\*In accordance with Education Code 56.033, \$261,674 and \$225,953 for years August 31, FY17 and FY16, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**SCHEDULE OF OPERATING REVENUES**  
**For the Year Ended August 31, 2017 (With Memorandum Totals for the Year Ended August 31, 2016)**  
**CONTINUED**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY17 Total	FY16 Total
<b>OTHER OPERATING REVENUES</b>						
Federal grants and contracts	\$ 28,400	\$ 2,206,074	\$ 2,234,474	\$ -	\$ 2,234,474	\$ 1,948,530
State grants and contracts	24,353	724,425	748,778	-	748,778	815,528
Nongovernmental grants and contracts	38,486	99,157	137,643	-	137,643	153,994
Sales and services of educational activities	20,257	-	20,257	-	20,257	437,906
Other operating revenues	854,147	-	854,147	-	854,147	229,588
Total other operating revenues	<u>965,643</u>	<u>3,029,656</u>	<u>3,995,299</u>	<u>-</u>	<u>3,995,299</u>	<u>3,585,546</u>
<b>AUXILIARY ENTERPRISES</b>						
Bookstore	-	-	-	3,206,482	3,206,482	3,342,543
Scholarship allowances and discounts	-	-	-	(1,448,234)	(1,448,234)	(1,474,797)
Net bookstore	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,758,248</u>	<u>1,758,248</u>	<u>1,867,746</u>
Dormitories	-	-	-	964,828	964,828	951,230
Scholarship allowances and discounts	-	-	-	(442,124)	(442,124)	(450,234)
Net dormitories	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,704</u>	<u>522,704</u>	<u>500,996</u>
Cafeteria	-	-	-	1,192,020	1,192,020	1,180,063
Scholarship allowances and discounts	-	-	-	(280,729)	(280,729)	(285,878)
Net cafeteria	<u>-</u>	<u>-</u>	<u>-</u>	<u>911,291</u>	<u>911,291</u>	<u>894,185</u>
Athletics	-	-	-	32,517	32,517	27,186
East Texas Oil Museum	-	-	-	202,754	202,754	148,695
Texas Shakespeare Festival	-	-	-	365,352	365,352	299,077
Child Development Center	-	-	-	-	-	121,925
Fitness Center	-	-	-	134,764	134,764	151,888
Student activities	-	-	-	435,723	435,723	431,686
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,363,353</u>	<u>4,363,353</u>	<u>4,443,384</u>
Total operating revenues	<u>\$ 8,973,513</u>	<u>\$ 3,029,656</u>	<u>\$ 12,003,169</u>	<u>\$ 4,363,353</u>	<u>\$ 16,366,522</u>	<u>\$ 15,888,395</u>
					(Exhibit 2)	(Exhibit 2)

See accompanying notes to financial statements.

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**  
**For the Year Ended August 31, 2017 (With Memorandum Totals for the Year Ended August 31, 2016)**

	Operating Expenses					FY17 Total	FY16 Total
	Salaries and Wages	Benefits		Other Expenses			
		State	Local				
Unrestricted - Educational Activities							
Instruction	\$ 11,658,623	\$ -	\$ 468,688	\$1,345,157	\$ 13,472,468	\$ 14,551,285	
Public service	-	-	10	9,408	9,418	223,722	
Academic support	2,068,701	-	198,011	307,287	2,573,999	2,879,941	
Student services	1,239,244	-	119,526	483,560	1,842,330	1,901,687	
Institutional support	2,611,224	-	2,060,200	2,050,542	6,721,966	5,544,544	
Operation and maintenance of plant	83,352	-	16,876	4,337,860	4,438,088	4,082,558	
Scholarship and fellowships	-	-	-	660,245	660,245	566,185	
Total unrestricted educational activities	<u>17,661,144</u>	<u>-</u>	<u>2,863,311</u>	<u>9,194,059</u>	<u>29,718,514</u>	<u>29,749,922</u>	
Restricted - Educational Activities							
Instruction	459,687	2,078,069	72,867	619,751	3,230,374	2,138,854	
Public service	304,786	-	57,116	148,657	510,559	703,344	
Academic support	48,499	368,732	-	17,558	434,789	302,207	
Student services	369,467	220,887	75,231	208,077	873,662	755,278	
Institutional support	27,457	465,433	-	14,025	506,915	330,270	
Operation and maintenance of plant	-	-	-	-	-	-	
Scholarships and fellowships	350	-	-	3,702,707	3,703,057	3,436,616	
Total restricted educational activities	<u>1,210,246</u>	<u>3,133,121</u>	<u>205,214</u>	<u>4,710,775</u>	<u>9,259,356</u>	<u>7,666,569</u>	
Total educational activities	18,871,390	3,133,121	3,068,525	13,904,834	38,977,870	37,416,491	
Auxiliary enterprises	1,113,307	-	221,774	5,242,662	6,577,743	5,219,589	
Depreciation expense:							
Buildings and other real estate improvements	-	-	-	1,026,573	1,026,573	1,005,415	
Equipment and furniture	-	-	-	605,600	605,600	625,298	
Total operating expenses	<u>\$ 19,984,697</u>	<u>\$ 3,133,121</u>	<u>\$ 3,290,299</u>	<u>\$ 20,779,669</u>	<u>\$ 47,187,786</u> (Exhibit 2)	<u>\$ 44,266,793</u> (Exhibit 2)	

See accompanying notes to financial statements.



SCHEDULE C

KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
 SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

For the Year Ended August 31, 2017 (With Memorandum Totals for the Year Ended August 31, 2016)

	Unrestricted	Restricted	Auxiliary Enterprises	FY17 Total	FY16 Total
<b>NON-OPERATING REVENUES</b>					
State Appropriations:					
Education and general state support	\$ 10,046,393	\$ -	\$ -	\$ 10,046,393	\$ 10,030,649
State group insurance	-	2,226,407	-	2,226,407	1,480,224
State retirement matching	-	906,713	-	906,713	613,466
State nursing grants	-	-	-	-	-
Total state appropriations	<u>10,046,393</u>	<u>3,133,120</u>	<u>-</u>	<u>13,179,513</u>	<u>12,124,339</u>
Ad valorem taxes (net)	6,560,191	-	-	6,560,191	6,674,038
Federal revenue, non-operating	-	11,054,470	-	11,054,470	10,038,080
Gifts	269,863	309,523	357,740	937,126	1,421,900
Investment income	110,703	-	1,035	111,738	76,020
Endowment income	-	821,629	-	821,629	464,260
Other non-operating revenue	-	-	-	-	250
Total non-operating revenues	<u>16,987,150</u>	<u>15,318,742</u>	<u>358,775</u>	<u>32,664,667</u>	<u>30,798,887</u>
<b>NON-OPERATING EXPENSES</b>					
Interest on capital related debt	23,555	-	-	23,555	38,587
Disposal of fixed assets	-	-	-	-	266,513
Other non-operating expenses	458,369	-	-	458,369	2,801,640
Total non-operating expenses	<u>481,924</u>	<u>-</u>	<u>-</u>	<u>481,924</u>	<u>3,106,740</u>
Net non-operating revenues	<u>\$ 16,505,226</u>	<u>\$ 15,318,742</u>	<u>\$ 358,775</u>	<u>\$ 32,182,743</u>	<u>\$ 27,692,147</u>
				(Exhibit 2)	(Exhibit 2)

See accompanying notes to financial statements.

SCHEDULE D

KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
 FOR THE YEAR ENDED AUGUST 31, 2017

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Net Investment in Capital Assets	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 9,739,967	\$ -	\$ -	\$ -	\$ 9,739,967	\$ 9,739,967	\$ -
Restricted	-	1,298,191	-	-	1,298,191	1,298,191	-
Auxiliary enterprises	(715,897)	-	-	-	(715,897)	(715,897)	-
Endowment	-	2,842,018	7,391,434	-	10,233,452	-	10,233,452
Plant:							
Unexpended	1,576,168	-	-	-	1,576,168	-	1,576,168
Debt Service	-	425,329	-	-	425,329	-	425,329
Investment in plant	-	-	-	47,301,334	47,301,334	-	47,301,334
Total net position, August 31, 2017	10,600,238	4,565,538	7,391,434	47,301,334	69,858,544 (Exhibit 1)	10,322,261	59,536,283
Total net position, August 31, 2016	9,905,100	4,602,710	6,617,266	47,371,989	68,497,065 (Exhibit 2)	8,649,320	59,847,745
Net increase (decrease) in net position	\$ 695,138	\$ (37,172)	\$ 774,168	\$ (70,655)	\$ 1,361,479 (Exhibit 2)	\$ 1,672,941	\$ (311,462)

See accompanying notes to financial statements.

SCHEDULE E

KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Expenditures
<b><u>U.S. Department of Education</u></b>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grant	84.007		\$ 104,995
Federal Work-Study Program	84.033		101,313
Federal Pell Grant Program	84.063		10,876,562
Federal Direct Student Loans	84.268		11,682,581
Total Student Financial Assistance Cluster	*		<u>22,765,451</u>
TRIO Cluster:			
TRIO Student Support Services	84.042		226,861
TRIO Upward Bound	84.047		227,072
Total TRIO Cluster			<u>453,933</u>
Passed-Through From:			
Texas Workforce Commission			
Adult Education and Literacy	84.002	0816AEL002	435,191
Adult Education and Literacy - El Civics	84.002	0816AEL002	11,526
Adult Education and Literacy - Career Pathways	84.002	0816AEL002	12,475
Adult Education and Literacy - Career Navigator	84.002	0816AEL002	16,794
Adult Education and Literacy - Corrections	84.002	0816AEL002	7,376
Adult Education and Literacy - Integrated Education and Training	84.002	0816AEL002	21,172
Adult Education and Literacy - Distance Learning	84.002	0816AEL002	32,420
Adult Education and Literacy - Professional Development	84.002	0816AEL002	13,009
Total Adult Education and Literacy			<u>549,963</u>
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	17665	408,435
Total U.S. Department of Education			<u>24,177,782</u>
<b><u>U.S. Small Business Administration</u></b>			
Passed Through From Dallas County Community College			
Small Business Development Center	59.037	7-6003001-EZ-0002	127,186
Total U.S. Small Business Administration			<u>127,186</u>
<b><u>U.S. Department of Labor</u></b>			
Passed Through From Texas Workforce Commission:			
Wagner Peyser	17.207	0817WPB000	246,586
Total U.S. Department of Labor			<u>246,586</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through From Texas Workforce Commission:			
Temporary Assistance for Needy Families	93.558	0816AEL002	10,507
Total U.S. Department of Health and Human Services			<u>10,507</u>
<b><u>National Endowment for the Arts</u></b>			
Promotion of the Arts - Texas Shakespeare Festival	45.024		10,000
Total National Endowment for the Arts			<u>10,000</u>
Total Federal Financial Assistance			<u>\$ 24,572,061</u>

\* Denotes major program

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**Note 1: Federal Assistance Reconciliation**

Federal Grants and Contracts Revenue - per Schedule A	\$ 2,234,474
Add: Non Operating Federal Revenue - per Schedule C	11,054,470
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets	13,288,944
 Reconciling Item:	
Add: Direct Student Loans	11,682,581
Less: Programs Not Subject to Federal Single Audit	(399,464)
Total Federal Revenues per Schedule of Expenditures of Federal Awards	\$ 24,572,061

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds that have been expended by the District for the purposes of the award. The expenditures reported may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the District has an agency approved Indirect Recovery Rate, it has elected not to use the 10% de minimis cost rate as permitted in the Uniform Guidance, section 200.414.

**Note 3: Expenditures Not Subject to Federal Single Audit**

The following federal funds were not subject to federal single audit -

CFDA 64.027 Post 9/11 Veterans Educational Assistance	\$ 399,464
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These funds were not subject to a federal single audit as indicated in the Catalog of Federal Domestic Assistance distributed by the Office of Management and Budget.

**Note 4: Amounts Passed Through by the District**

No federal awards were passed through from the District to sub-recipients.

SCHEDULE F

KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

Grantor Agency/Program Title	Grant Contract Number	Total Expenditures
Dallas County Community College District Small Business Development Center	7-603001-EZ-0002	\$ 48,033
Texas Workforce Commission		
Skills Development Funds - Red Zone Coil Program	1116SDF000	93,556
Adult Basic Education	0816AEL002	100,957
Temporary Assistance for Needy Families	KC-TANF-PY16-01	22,980
Texas Higher Education Coordinating Board		
Texas Grant		675
Nursing Innovative Grant Program Building Lab and Sim Grant	14122	5,253
Texas Educational Opportunity Grant		373,599
Texas Workstudy		23,478
Intensive Summer Program for General Education		3,360
Comprehensive College Readiness and Success Models		38,534
Texas Commission on the Arts		
Texas Shakespeare Festival	17-40830	8,500
Texas Shakespeare Festival	17-40420	3,000
Texas Shakespeare Festival	17-41121	2,500
Total State Financial Assistance		\$ 724,425

\* Denotes major program

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**Note 1: State Assistance Reconciliation**

State Grants and Contracts - per Schedule A	\$ 724,425
Total State Revenues per Schedule of Expenditures of State Awards	<u>\$ 724,425</u>

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

The accompanying Schedule of Expenditures of State Awards is presented using the accrual basis of accounting. See Note 2 to the financial statements for the District's significant accounting policies. These expenditures are reported on the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.



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

The Board of Trustees  
Kilgore Junior College 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 Kilgore Junior College District which comprise the statements of net position as of August 31, 2017 and 2016, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2017.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

**Purpose of this Report**

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

Henry + Peters, P.C.

Tyler, Texas  
December 6, 2017





**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

The Board of Trustees  
Kilgore Junior College District  
Kilgore, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Kilgore Junior College District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kilgore Junior College District’s major federal programs for the year ended August 31, 2017. Kilgore Junior College District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Kilgore Junior College 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, 2017.

**Report on Internal Control over Compliance**

Management of Kilgore Junior College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kilgore Junior College District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the

purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kilgore Junior College District's internal control over compliance.

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

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

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

Henry + Peters, P.C.

Tyler, Texas  
December 6, 2017

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u>  X  </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	<u>  X  </u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u>  X  </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u>  X  </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	<u>  X  </u> None reported	
Type of auditor's report issued on compliance for major programs?	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ Yes	<u>  X  </u> No	
Identification of major programs:			
<u>CFDA Number(s)</u>			
Various			
			<u>Name of Federal Program / Cluster</u>
			Student Financial Assistance Cluster
Dollar threshold used to distinguish between type A and type B			
			<u>\$ 750,000</u>
Auditee qualified as low - risk auditee?	<u>  X  </u> Yes	_____ No	

**II. Financial Statement Findings**

No matters requiring reporting were noted.

**III. Federal Award Findings and Questioned Costs**

No matters requiring reporting were noted.

**KILGORE JUNIOR COLLEGE DISTRICT - KILGORE, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**Financial Statement Findings**

None

**Federal Award Findings and Questioned Costs**

None

**State Award Findings and Questioned Costs**

None

**STATISTICAL SUPPLEMENT (UNAUDITED)**

**Kilgore Junior College District**  
**Statistical Supplement 1**  
**Net Position by Component**  
**Fiscal Years 2008 to 2017**  
(unaudited)  
(amounts expressed in thousands)

For the Year Ended August 31, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Invested in capital assets, net of related debt	\$ 47,301	\$ 47,372	\$ 44,045	\$ 43,599	\$ 42,222	\$ 42,998	\$ 43,140	\$ 38,218	\$ 37,714	\$ 33,062
Restricted - expendable	4,566	4,603	4,460	4,566	1,369	3,008	2,496	1,414	616	2,145
Restricted - nonexpendable	7,391	6,617	6,617	6,429	8,477	6,429	6,516	7,152	6,930	5,520
Unrestricted	10,600	9,905	14,061	20,871	22,342	19,129	15,195	16,088	14,149	14,467
<b>Total primary government net assets</b>	<b>\$ 69,858</b>	<b>\$ 68,497</b>	<b>\$ 69,183</b>	<b>\$ 75,465</b>	<b>\$ 74,410</b>	<b>\$ 71,564</b>	<b>\$ 67,347</b>	<b>\$ 62,872</b>	<b>\$ 59,409</b>	<b>\$ 55,194</b>

**Kilgore Junior College District**  
**Statistical Supplement 2**  
**Revenues by Source**  
**Fiscal Years 2008 to 2017**  
(unaudited)

For the Year Ended August 31, 2017  
(amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and Fees (Net of Discounts)	\$ 8,008	\$ 7,859	\$ 7,022	\$ 7,916	\$ 8,533	\$ 8,259	\$ 7,802	\$ 8,122	\$ 7,337	\$ 6,947
Federal Grants and Contracts	2,234	1,949	1,932	1,884	1,865	1,776	1,752	2,024	1,525	1,466
State Grants and Contracts	749	816	1,369	1,250	689	940	995	1,247	1,285	1,908
Non-Governmental Grants and Contracts	138	154	168	211	228	378	407	426	709	478
Sales and services of educational activities	20	438	119	149	124	133	109	164	116	124
Auxiliary enterprises	4,363	4,443	4,345	4,747	4,881	4,817	4,371	5,118	4,916	4,687
Other Operating Revenues	854	230	179	68	96	193	114	129	112	179
<b>Total Operating Revenues</b>	<b>16,366</b>	<b>15,889</b>	<b>15,134</b>	<b>16,225</b>	<b>16,416</b>	<b>16,496</b>	<b>15,550</b>	<b>17,230</b>	<b>16,000</b>	<b>15,789</b>
State Appropriations	13,180	12,124	13,096	13,008	12,809	13,319	15,031	15,101	13,280	13,467
Maintenance Ad Valorem Taxes	6,560	6,674	6,483	6,346	6,223	6,006	5,900	5,937	6,175	5,012
Federal Revenue, Non Operating	11,054	10,038	10,674	10,982	12,029	8,667	14,902	12,978	8,039	6,384
Gifts	937	1,422	1,181	858	918	905	790	718	1,238	831
Investment income	122	76	64	133	334	296	285	214	374	496
Endowment income	822	464	(152)	972	550	266	130	130	180	282
Insurance Proceeds	-	-	-	-	-	-	-	138	1,023	804
Other non-operating revenues	-	-	3	3	3	-	3	7	6	48
<b>Total Non-Operating Revenues</b>	<b>32,675</b>	<b>30,798</b>	<b>31,349</b>	<b>32,302</b>	<b>32,866</b>	<b>29,459</b>	<b>37,041</b>	<b>35,223</b>	<b>30,315</b>	<b>27,324</b>
<b>Total Revenues</b>	<b>\$ 49,041</b>	<b>\$ 46,687</b>	<b>\$ 46,483</b>	<b>\$ 48,527</b>	<b>\$ 49,282</b>	<b>\$ 45,955</b>	<b>\$ 52,591</b>	<b>\$ 52,453</b>	<b>\$ 46,315</b>	<b>\$ 43,113</b>

For the Year Ended August 31, 2017  
(amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tuition and Fees (Net of Discounts)	16.33%	16.83%	15.11%	16.31%	17.31%	17.97%	14.84%	15.48%	15.84%	16.11%
Federal Grants and Contracts	4.56%	4.17%	4.16%	3.88%	3.78%	3.86%	3.33%	3.86%	3.29%	3.40%
State Grants and Contracts	1.53%	1.75%	2.95%	2.58%	1.40%	2.05%	1.89%	2.38%	2.77%	4.43%
Non-Governmental Grants and Contracts	0.28%	0.33%	0.36%	0.43%	0.46%	0.82%	0.77%	0.81%	1.53%	1.11%
Sales and services of educational activities	0.04%	0.94%	0.26%	0.31%	0.25%	0.29%	0.21%	0.31%	0.25%	0.29%
Auxiliary enterprises	8.90%	9.52%	9.35%	9.78%	9.90%	10.48%	8.31%	9.76%	10.61%	10.87%
Other Operating Revenues	1.74%	0.49%	0.39%	0.14%	0.19%	0.42%	0.22%	0.25%	0.24%	0.42%
<b>Total Operating Revenues</b>	<b>33.37%</b>	<b>34.03%</b>	<b>32.56%</b>	<b>33.43%</b>	<b>33.31%</b>	<b>35.90%</b>	<b>29.57%</b>	<b>32.85%</b>	<b>34.55%</b>	<b>36.62%</b>
State Appropriations	26.88%	25.97%	28.17%	26.81%	25.99%	28.98%	28.58%	28.79%	28.67%	31.24%
Maintenance Ad Valorem Taxes	13.38%	14.30%	13.95%	13.08%	12.63%	13.07%	11.22%	11.32%	13.33%	11.63%
Federal Revenue, Non Operating	22.54%	21.50%	22.96%	22.63%	24.41%	18.86%	28.34%	24.74%	17.36%	14.81%
Gifts	1.91%	3.05%	2.54%	1.77%	1.86%	1.97%	1.50%	1.37%	2.67%	1.93%
Investment income	0.25%	0.16%	0.14%	0.27%	0.68%	0.64%	0.54%	0.41%	0.81%	1.15%
Endowment income	1.68%	0.99%	-0.33%	2.00%	1.12%	0.58%	0.25%	0.25%	0.39%	0.65%
Insurance Proceeds	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.26%	2.21%	1.86%
Other non-operating revenues	0.00%	0.00%	0.01%	0.01%	0.01%	0.00%	0.01%	0.01%	0.01%	0.11%
<b>Total Non-Operating Revenues</b>	<b>66.63%</b>	<b>65.97%</b>	<b>67.44%</b>	<b>66.57%</b>	<b>66.69%</b>	<b>64.10%</b>	<b>70.43%</b>	<b>67.15%</b>	<b>65.45%</b>	<b>63.38%</b>
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Kilgore Junior College District  
Statistical Supplement 3  
Program Expenses by Function  
Fiscal Years 2008 to 2017**  
(unaudited)

For the Year Ended August 31, 2017

(amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	\$ 16,703	\$ 16,690	\$ 16,886	\$ 18,064	\$ 16,243	\$ 16,001	\$ 17,160	\$ 17,298	\$ 15,501	\$ 14,298
Public service	520	927	934	969	922	949	1,042	973	955	769
Academic support	3,009	3,182	3,271	3,555	2,909	3,019	3,272	3,322	2,956	2,658
Student services	2,716	2,657	2,717	2,668	2,569	2,332	2,352	2,326	2,223	2,296
Institutional support	7,229	5,875	7,220	5,402	7,047	6,127	5,186	5,228	5,044	4,205
Operation and maintenance of plant	4,438	4,083	3,569	3,406	3,263	3,179	3,345	3,407	3,494	3,199
Scholarships and fellowships	4,363	4,003	3,966	4,422	4,532	762	6,571	6,661	3,792	2,780
Auxiliary enterprises	6,578	5,220	6,511	6,481	7,358	7,634	7,462	7,714	6,543	5,853
Depreciation	1,632	1,631	1,600	1,472	1,463	1,445	1,387	1,369	1,302	1,236
<b>Total Operating Expenses</b>	<b>47,188</b>	<b>44,268</b>	<b>46,674</b>	<b>46,439</b>	<b>46,306</b>	<b>41,448</b>	<b>47,777</b>	<b>48,298</b>	<b>41,810</b>	<b>37,294</b>
Interest on capital related debt	24	39	53	68	81	93	106	120	139	189
Loss on disposal of fixed assets	-	267	2	97	30	-	3	29	-	28
Other non-operating expenses	458	2,802	504	871	20	197	230	543	150	328
<b>Total Non-Operating Expenses</b>	<b>482</b>	<b>3,108</b>	<b>559</b>	<b>1,036</b>	<b>131</b>	<b>290</b>	<b>339</b>	<b>692</b>	<b>289</b>	<b>545</b>
<b>Total Expenses</b>	<b>\$ 47,670</b>	<b>\$ 47,376</b>	<b>\$ 47,233</b>	<b>\$ 47,475</b>	<b>\$ 46,437</b>	<b>\$ 41,738</b>	<b>\$ 48,116</b>	<b>\$ 48,990</b>	<b>\$ 42,099</b>	<b>\$ 37,839</b>

For the Year Ended August 31, 2017

(amounts expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	35.04%	35.23%	35.75%	38.05%	34.98%	38.34%	35.66%	35.31%	36.82%	37.79%
Public service	1.09%	1.96%	1.98%	2.04%	1.99%	2.27%	2.17%	1.99%	2.27%	2.03%
Academic support	6.31%	6.72%	6.93%	7.49%	6.26%	7.23%	6.80%	6.78%	7.02%	7.02%
Student services	5.70%	5.61%	5.75%	5.62%	5.53%	5.59%	4.89%	4.75%	5.28%	6.07%
Institutional support	15.16%	12.40%	15.29%	11.38%	15.18%	14.68%	10.78%	10.67%	11.98%	11.11%
Operation and maintenance of plant	9.31%	8.62%	7.56%	7.17%	7.03%	7.62%	6.95%	6.95%	8.30%	8.45%
Scholarships and fellowships	9.15%	8.45%	8.40%	9.31%	9.76%	1.83%	13.66%	13.60%	9.01%	7.35%
Auxiliary enterprises	13.80%	11.02%	13.78%	13.65%	15.85%	18.29%	15.51%	15.75%	15.54%	15.47%
Depreciation	3.42%	3.44%	3.39%	3.10%	3.15%	3.46%	2.88%	2.79%	3.09%	3.27%
<b>Total Operating Expenses</b>	<b>98.99%</b>	<b>93.44%</b>	<b>98.82%</b>	<b>97.82%</b>	<b>99.72%</b>	<b>99.31%</b>	<b>99.30%</b>	<b>98.59%</b>	<b>99.31%</b>	<b>98.56%</b>
Interest on capital related debt	0.05%	0.08%	0.11%	0.14%	0.17%	0.22%	0.22%	0.24%	0.33%	0.50%
Loss on disposal of fixed assets	0.00%	0.56%	0.00%	0.20%	0.06%	0.00%	0.01%	0.06%	0.00%	0.07%
Other Non-Operating Expenses	0.96%	5.91%	1.07%	1.83%	0.04%	0.47%	0.48%	1.11%	0.36%	0.87%
<b>Total Non-Operating Expenses</b>	<b>1.01%</b>	<b>6.56%</b>	<b>1.18%</b>	<b>2.18%</b>	<b>0.28%</b>	<b>0.69%</b>	<b>0.70%</b>	<b>1.41%</b>	<b>0.69%</b>	<b>1.44%</b>
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



Kilgore Junior College District  
 Statistical Supplement 4  
 Tuition and Fees  
 Last Ten Academic Years  
 (unaudited)

Resident Fees per Semester Credit Hour (SCH)
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Academic Year (Fall)	In-District Tuition	Out-of-Dist Tuition	Out-of-Dist Fee	Gen Education Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2016-17	\$ 38	\$ 38	\$ 72	\$ 30	\$ 816	\$ 1,680	7.94%	4.48%
2015-16	34	34	71	29	756	1,608	8.62%	5.51%
2014-15	30	30	69	28	696	1,524	1.75%	2.42%
2013-14	29	29	67	28	684	1,488	0.00%	0.00%
2012-13	29	29	67	28	684	1,488	7.55%	8.77%
2011-12	27	27	61	26	636	1,368	8.16%	9.62%
2010-11	25	25	55	24	588	1,248	8.89%	8.33%
2009-10	23	23	51	22	540	1,152	2.27%	3.23%
2008-09	22	22	49	22	528	1,116	2.33%	3.33%
2007-08	21	21	47	22	516	1,080	2.38%	3.45%

NON-RESIDENT Fees per Semester Credit Hour (SCH)
---

Academic Year (Fall)	Non-Resident Tuition Out of State	Out-of-District Fee	Gen Education Fee	Cost for 12 SCH Out of State	Increase from Prior Year Out of State
2016-17	\$ 88	\$ 72	\$ 30	\$ 2,280	4.40%
2015-16	82	71	29	2,184	2.82%
2014-15	80	69	28	2,124	2.91%
2013-14	77	67	28	2,064	0.00%
2012-13	77	67	28	2,064	8.86%
2011-12	71	61	26	1,896	9.72%
2010-11	65	55	24	1,728	9.09%
2009-10	59	51	22	1,584	3.94%
2008-09	56	49	22	1,524	4.10%
2007-08	53	47	22	1,464	4.27%

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

**Kilgore Junior College District**  
**Statistical Supplement 5**  
**Assessed Value and Taxable Assessed Value of Property**  
**Last Ten Fiscal Years**  
(unaudited)

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total Direct Rate (a)
2016-17	\$ 4,185,915	\$ 540,403	\$ 3,645,512	87.09%	0.17500	-	0.17500
2015-16	4,496,431	590,469	3,905,962	86.87%	0.17500	-	0.17500
2014-15	4,555,782	484,438	4,071,344	89.37%	0.15400	-	0.15400
2013-14	4,483,115	453,223	4,029,892	89.89%	0.15400	-	0.15400
2012-13	4,241,360	255,678	3,985,682	93.97%	0.15400	-	0.15400
2011-12	4,062,637	255,719	3,806,918	93.71%	0.15400	-	0.15400
2010-11	4,046,853	247,797	3,799,056	93.88%	0.15400	-	0.15400
2009-10	4,074,768	248,904	3,825,864	93.89%	0.15400	-	0.15400
2008-09	3,470,209	298,632	3,171,577	91.39%	0.15400	-	0.15400
2007-08	3,377,204	165,814	3,211,390	95.09%	0.01640	-	0.01640

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

**Kilgore Junior College District**  
**Statistical Supplement 6**  
**State Appropriation per FTSE and Contact Hour**  
**Last Ten Fiscal Years**  
(unaudited)

(amounts expressed in thousands)

Appropriation per FTSE

Appropriation per Contact Hour

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			State Appropriation per Contact Hour
	State Appropriation	FTSE	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	
2016-17	\$ 10,046,393	4,059	\$ 2,475	1,533	997	2,530	\$ 3.97
2015-16	10,030,649	3,998	2,509	1,422	912	2,334	4.30
2014-15	10,583,081	4,301	2,461	1,562	971	2,533	4.18
2013-14	10,608,714	4,384	2,420	1,695	1,033	2,728	3.89
2012-13	10,659,235	4,637	2,299	1,812	1,003	2,815	3.79
2011-12	11,295,802	4,663	2,422	1,963	992	2,954	3.82
2010-11	11,645,557	4,770	2,441	2,101	1,026	3,127	3.72
2009-10	11,831,682	4,969	2,381	2,049	1,019	3,068	3.86
2008-09	10,274,995	4,115	2,497	1,750	904	2,655	3.87
2007-08	10,480,707	4,121	2,543	1,688	846	2,534	4.14

Notes:

**SACS FTE from Robin**

FTSE is defined as the number of full time students plus total hours taken by part-time students divided by 12.

(a) Source CBM001

(b) Source CBM001

Kilgore Junior College District  
Statistical Supplement 7  
Principal Taxpayers  
Fiscal Years 2009-2016  
(unaudited)

Taxable Assessed Value (TAV) by Tax Year

Taxpayer	Type of Business	2016	2015	2014	2013	2012	2011	2010	2009
Halliburton Energy Services	Oilfield service	\$ 79,568,760	\$ 70,041,084	\$ 72,225,429	\$ 92,915,584	\$ 96,810,390	\$ 146,259,090	\$ 118,009,705	\$ 107,198,701
B J Services Inc	Oilfield service	-	-	-	-	31,211,641.00	46,707,143.00	41,938,960.00	45,704,545.00
Alcoa-Southern Plastics	Manufacturing	36,041,474.00	45,536,883.00	41,213,539.00	37,832,467.00	38,196,104.00	36,126,623.00	34,235,061.00	26,620,129.00
Cudd Pressure Control	Oilfield service	50,469,897.00	67,744,727.00	48,827,539.00	72,509,741.00	75,131,818.00	35,524,026.00	40,161,695.00	27,116,838.00
Danmark Energy Services Co	Oilfield service	-	-	-	-	44,866,883.00	26,184,415.00	24,772,730.00	20,370,779.00
EES Leasing	Oilfield service	-	-	-	-	18,265,584.00	24,224,675.00	-	-
AEP Southwestern Elec Co	Power company	41,317,794.00	26,382,045.00	23,954,481.00	20,031,168.00	20,776,623.00	19,681,168.00	20,045,454.00	18,975,974.00
Basa Resources, Inc.	Oilfield production	11,326,926.00	20,015,429.00	26,411,208.00	24,569,480.00	29,109,741.00	16,390,909.00	-	-
Quantum Resources	Oilfield production	-	-	77,829,721.00	49,631,818.00	13,773,377.00	15,829,870.00	26,798,701.00	-
Exco Partners	Oilfield production	-	-	-	-	16,675,974.00	15,446,753.00	27,021,433.00	71,055,194.00
XTO Energy Inc	Oilfield production	3,750,154.00	-	-	-	-	-	-	22,747,402.00
Exxonmobile Corporation	Oilfield production	-	-	-	-	-	-	-	17,175,971.00
Globe Energy Services	Oilfield production	-	-	14,541,981.00	-	-	-	-	-
Union Pacific Railroad Co.	Railroad	14,970,560.00	12,783,818.00	-	-	-	-	-	-
Orgill, Inc.	Manufacturing	19,183,091.00	22,545,260.00	19,531,026.00	-	-	-	-	-
Samson Lone Star	Oilfield service	-	-	-	-	-	-	17,017,531.00	-
SND Operating	Oilfield service	-	-	-	19,772,727.00	24,751,299.00	-	14,818,202.00	-
Weatherford Lift & Drill	Oilfield	-	-	-	17,625,974.00	-	-	-	-
Nabors	Oilfield	17,785,914.00	17,946,455.00	20,623,448.00	19,598,051.00	-	-	-	-
TNT Rigging	Oilfield Service	-	-	15,869,169.00	22,178,571.00	-	-	-	-
Archrock Services Leasing	Oilfield Service	-	11,807,435.00	-	-	-	-	-	-
Breitburn Operating LP	Oilfield	23,095,657.00	53,129,617.00	-	-	-	-	-	-
Sabine Oil & Gas Corp	Oilfield	45,192,931.00	-	-	-	-	-	-	-
Enbridge Pipelines(ET)LP Hend.	Oilfield Service	30,002,451.00	-	-	-	-	-	-	-
<b>Totals</b>		<b>\$ 372,705,609</b>	<b>\$ 347,932,753</b>	<b>\$ 361,027,541</b>	<b>\$ 376,665,581</b>	<b>\$ 409,569,434</b>	<b>\$ 382,374,672</b>	<b>\$ 364,819,472</b>	<b>\$ 356,965,533</b>
<b>Total Taxable Assessed Value</b>		<b>\$ 3,645,512,094</b>	<b>\$ 3,905,962,815</b>	<b>\$ 4,076,965,375</b>	<b>\$ 4,029,891,105</b>	<b>\$ 3,985,682,034</b>	<b>\$ 3,806,918,168</b>	<b>\$ 3,798,786,069</b>	<b>\$ 3,346,971,255</b>

% of Taxable Assessed Value (TAV) by Tax Year

Taxpayer	Type of Business	2016	2015	2014	2013	2012	2011	2010	2009
Halliburton Energy Services	Oilfield service	2.18%	1.79%	1.77%	2.31%	2.43%	3.84%	3.11%	3.20%
B J Services Inc	Oilfield service	0.00%	0.00%	0.00%	0.00%	0.78%	1.23%	1.10%	1.37%
Alcoa-Southern Plastics	Manufacturing	0.99%	1.17%	1.01%	0.94%	0.96%	0.95%	0.90%	0.80%
Cudd Pressure Control	Oilfield service	1.38%	1.73%	1.20%	1.80%	1.89%	0.93%	1.06%	0.81%
Danmark Energy Services Co	Oilfield service	0.00%	0.00%	0.00%	0.00%	1.13%	0.69%	0.65%	0.61%
EES Leasing	Oilfield service	0.00%	0.00%	0.00%	0.00%	0.46%	0.64%	0.00%	0.00%
AEP Southwestern Elec Co	Power company	1.13%	0.68%	0.59%	0.50%	0.52%	0.52%	0.53%	0.57%
Basa Resources, Inc.	Oilfield production	0.31%	0.51%	0.65%	0.61%	0.73%	0.43%	0.00%	0.00%
Quantum Resources	Oilfield production	0.00%	0.00%	1.91%	1.23%	0.35%	0.42%	0.71%	0.00%
Exco Partners	Oilfield production	0.00%	0.00%	0.00%	0.00%	0.42%	0.41%	0.71%	2.12%
XTO Energy Inc	Oilfield production	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.68%
Exxonmobile Corporation	Oilfield production	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.51%
Globe Energy Services	Oilfield production	0.00%	0.00%	0.36%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Pacific Railroad Co.	Railroad	0.41%	0.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Orgill, Inc.	Manufacturing	0.53%	0.58%	0.48%	0.00%	0.00%	0.00%	0.00%	0.00%
Samson Lone Star	Oilfield service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.45%	0.00%
SND Operating	Oilfield service	0.00%	0.00%	0.00%	0.49%	0.62%	0.00%	0.39%	0.00%
Weatherford Lift & Drill	Oilfield	0.00%	0.00%	0.00%	0.44%	0.00%	0.00%	0.00%	0.00%
Nabors	Oilfield	0.49%	0.46%	0.51%	0.49%	0.00%	0.00%	0.00%	0.00%
TNT Rigging	Oilfield Service	0.00%	0.00%	0.39%	0.55%	0.00%	0.00%	0.00%	0.00%
Archrock Services Leasing	Oilfield Service	0.00%	0.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Breitburn Operating LP	Oilfield	0.63%	1.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sabine Oil & Gas Corp	Oilfield	1.24%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Enbridge Pipelines(ET)LP Hend.	Oilfield Service	0.82%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Totals</b>		<b>10.22%</b>	<b>8.91%</b>	<b>8.86%</b>	<b>9.35%</b>	<b>10.28%</b>	<b>10.04%</b>	<b>9.60%</b>	<b>10.67%</b>

Source: Local County Appraisal District and Local Tax Office  
This institution previously did not present this schedule and chose to implement prospectively.

**Kilgore Junior College District**  
**Statistical Supplement 8**  
**Property Tax Levies and Collections**  
**Last Ten Tax Years**  
(unaudited)  
(amounts expressed in thousands)

Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date			
	Total Tax Levy (a)	Amount	Percentage of Levy	Collections in Subsequent Years (b)	Amount	Percentage of Levy	
2016-17	\$ 6,382	\$ 6,163	96.57%	\$ 154	\$ 6,317	98.98%	
2015-16	6,796	6,619	97.40%	123	6,742	99.21%	
2014-15	6,279	6,089	96.97%	128	6,217	99.01%	
2013-14	6,206	6,017	96.95%	117	6,134	98.84%	
2012-13	6,137	5,925	96.55%	147	6,072	98.94%	
2011-12	5,862	5,705	97.32%	151	5,856	99.90%	
2010-11	5,850	5,672	96.96%	155	5,827	99.61%	
2009-10	5,891	5,606	95.16%	151	5,757	97.73%	
2008-09	5,684	5,584	98.24%	185	5,938	104.47%	
2007-08	5,267	5,151	97.80%	112	5,263	99.92%	

Source: Local Tax Assessor/Collector's and District records.  
(a) As reported in notes to the financial statements for the year of the levy.  
(b) Property tax only - does not include penalties and interest

**Kilgore Junior College District**  
**Statistical Supplement 9**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(unaudited)

For the Year Ended August 31 (amount expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Taxable Assessed Value	\$ 3,645,512	\$ 3,905,962	\$ 4,071,344	\$ 4,029,892	\$ 3,985,682	\$ 3,806,918	\$ 3,799,056	\$ 3,825,864	\$ 3,171,577	\$ 3,211,390
<b>General Obligation Bonds</b>										
Statutory Tax Levy Limit for Debt Service	18,228	19,530	20,357	20,149	19,928	19,035	18,995	19,129	15,858	16,057
Less: Funds Restricted for Repayment of General Obligation Notes	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	18,228	19,530	20,357	20,149	19,928	19,035	18,995	19,129	15,858	16,057
Current Year Debt Service Requirements	-	-	-	-	-	-	-	-	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 18,228	\$ 19,530	\$ 20,357	\$ 20,149	\$ 19,928	\$ 19,035	\$ 18,995	\$ 19,129	\$ 15,858	\$ 16,057
Net Current Requirements as a % of Statutory Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

**Kilgore Junior College District**  
**Statistical Supplement 10**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
(unaudited)

**Revenue Bonds**

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)						Debt Service Requirements (\$000 omitted)			Coverage Ratio
	Tuition	General Education Fee	Student Service Fees	Out-of- District Fees	Other	Total	Principal	Interest	Total	
2017	\$ 418,795	\$ 2,582,712	\$ 1,060,725	\$ 5,191,681	\$ 646,790	\$ 9,900,703	\$ 415,000	\$ 15,895	\$ 430,895	22.98
2016	241,165	2,232,004	1,052,902	4,510,722	662,428	8,699,221	400,000	31,215	431,215	20.17
2015	327,504	2,966,617	773,338	5,291,027	667,783	10,026,269	385,000	45,960	430,960	23.26
2014	324,659	3,251,698	865,238	5,622,950	685,451	10,749,996	370,000	53,046	423,046	25.41
2013	342,341	3,387,171	878,801	5,920,492	759,557	11,288,362	360,000	67,025	427,025	26.43
2012	337,210	3,280,178	900,937	5,562,851	761,067	10,842,243	345,000	80,526	425,526	25.48
2011	327,529	3,303,165	598,898	5,420,044	757,680	10,407,316	320,000	105,900	425,900	24.44
2010	306,605	2,412,835	529,647	4,989,075	1,416,828	9,654,990	305,000	117,868	422,868	22.83
2009	251,412	2,098,495	490,645	4,153,019	902,508	7,896,079	300,000	129,454	429,454	18.39
2008	227,077	2,123,981	466,240	3,952,678	785,719	7,555,695	285,000	140,657	425,657	17.75

**Kilgore Junior College District**  
**Statistical Supplement 12**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
(unaudited)

Calendar Year	District (a) Population	District (a) Personal Income	District (a) Personal Income Per Capita	District (a) Unemployment Rate
2016	34,695	b	b	5.8%
2015	34,833	b	b	4.9%
2014	34,731	b	b	4.9%
2013	34,722	b	b	6.3%
2012	34,884	b	b	6.3%
2011	34,689	b	b	6.3%
2010	34,925	b	b	6.2%
2009	34,344	b	b	5.8%
2008	34,112	b	b	4.4%
2007	33,606	b	b	4.7%

**Sources:**

Texas Labor Market Information  
Texas Workforce Commission

**Notes:**

- a. District data is unavailable. Amounts are based on weighted averages for Gregg and Rusk Counties
- b. Not available



**Kilgore Junior College District**  
**Statistical Supplement 13**  
**Principal Employers**  
**Last Five Fiscal Years**  
(unaudited)

Employer	2016 Number of Employees	2015 Number of Employees	2014 Number of Employees	2013 Number of Employees	2012 Number of Employees
Kilgore ISD	600	b	b	600	612
Vertex, RSI/General Dynamics	380	b	b	550	543
Kilgore College	320	b	b	320	326
Region VII Education Service Ctr	290	b	b	290	294
Closure Systems, International, Inc.	248	b	b	-	-
Martin Midstream Partners, LP	241	b	b	241	257
Republic Services	240	b	b	-	-
Skeeter Boats	231	b	b	-	-
Orgill, Inc	218	b	b	270	172
Halliburton	215	b	b	705	711
Pak-Sher, Inc	206	b	b	223	218
City of Kilgore	198	b	b	160	163
Cudd Pressure Controls	189	b	b	175	242
BJ Services	-	b	b	155	-
<b>Total</b>	<b>3,576</b>	<b>-</b>	<b>-</b>	<b>3,689</b>	<b>3,538</b>

**Source:**

Kilgore Economic Development Corporation  
Kilgore Chamber of Commerce

**Note:**

- a. Total employment of District is undeterminable.
- b. Employee information could not be obtained.

**Kilgore College**  
**Statistical Supplement 11**  
**Faculty, Staff, and Administrators Statistics**  
**Last Ten Fiscal Years**  
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Faculty</b>										
Full-Time	145.00	148.00	157.00	161.00	157.00	144.00	151.00	166.00	124.00	119.00
Part-Time	264.00	86.00	53.00	53.00	53.00	50.00	53.00	73.00	51.00	58.80
Total	409.00	234.00	210.00	214.00	210.00	194.00	204.00	239.00	175.00	177.80
<b>Percent</b>										
Full-Time	35.45%	63.25%	74.76%	75.23%	74.76%	74.23%	74.02%	69.46%	70.86%	66.93%
Part-Time	64.55%	36.75%	25.24%	24.77%	25.24%	25.77%	25.98%	30.54%	29.14%	33.07%
<b>Staff and Administrators</b>										
Full-Time	165.00	165.00	187.00	194.00	186.00	209.00	221.00	221.00	283.00	205.00
Part-Time	112.00	68.00	46.00	28.00	56.00	44.00	43.00	41.00	33.00	28.25
Total	277.00	233.00	233.00	222.00	242.00	253.00	264.00	262.00	316.00	233.25
<b>Percent</b>										
Full-Time	59.57%	70.82%	80.26%	87.39%	76.86%	82.61%	83.71%	84.35%	89.56%	87.89%
Part-Time	40.43%	29.18%	19.74%	12.61%	23.14%	17.39%	16.29%	15.65%	10.44%	12.11%
Students per Full-time Faculty	38.55	38.28	36.05	36.44	39.69	44.38	44.31	38.40	44.46	43.28
Students per Full-Time Staff Member	33.88	34.34	30.30	30.24	33.50	30.58	30.28	28.85	19.48	25.12
Average Annual Faculty Salary	\$ 56,597	\$ -	\$ -	\$ -	\$ 54,962	\$ 60,700	\$ 58,070	\$ 51,710	\$ 54,549	\$ 53,690

**Notes:**  
Information provided according to the IPED definition for faculty and staff

**Kilgore Junior College District**  
**Statistical Supplement 12**  
**Enrollment Details**  
**Last Five Fiscal Years**  
(unaudited)

Student Classification	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	4,259	75.17%	4,167	73.54%	3,972	68.86%	4,130	70.39%	3,681	71.48%
Sophomore	1,030	18.18%	1,022	18.04%	1,296	22.47%	1,244	21.20%	1,074	20.85%
Unclassified	111	1.96%	98	1.73%	146	2.53%	168	2.86%	236	4.58%
Associate Degree	184	3.25%	303	5.35%	284	4.92%	263	4.48%	91	1.77%
Baccalaureate or Above	6	0.11%	76	1.34%	70	1.21%	62	1.06%	68	1.32%
<b>Total</b>	<b>5,590</b>	<b>100.00%</b>	<b>5,666</b>	<b>100.00%</b>	<b>5,768</b>	<b>100.00%</b>	<b>5,867</b>	<b>100.00%</b>	<b>5,150</b>	<b>100.00%</b>

Semester Hour Load	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	24	0.43%	49	0.86%	34	0.59%	33	0.56%	37	0.72%
3-5 semester hours	1,026	18.35%	1,172	20.68%	877	15.20%	966	16.46%	922	17.90%
6-8 Semester hours	1,299	23.24%	1,248	22.03%	1,286	22.30%	1,175	20.03%	784	15.22%
9-11 semester hours	735	13.15%	952	16.80%	985	17.08%	1,070	18.24%	733	14.23%
12-14 semester hours	1,767	31.61%	1,544	27.25%	1,758	30.48%	1,735	29.57%	1,934	37.55%
15-17 semester hours	661	11.82%	624	11.01%	705	12.22%	760	12.95%	636	12.35%
18 & over	78	1.40%	77	1.36%	123	2.13%	128	2.18%	104	2.02%
<b>Total</b>	<b>5,590</b>	<b>100.00%</b>	<b>5,666</b>	<b>100.00%</b>	<b>5,768</b>	<b>100.00%</b>	<b>5,867</b>	<b>100.00%</b>	<b>5,150</b>	<b>100.00%</b>

Tuition Status	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-District)	1,620	28.98%	1,585	27.48%	1,585	27.48%	1,547	26.37%	1,560	30.29%
Texas Resident (out-of-District)	3,829	68.50%	4,002	69.38%	4,002	69.38%	4,132	70.43%	3,300	64.08%
Non-Resident Tuition	141	2.52%	181	3.14%	181	3.14%	188	3.20%	290	5.63%
<b>Total</b>	<b>5,590</b>	<b>100.00%</b>	<b>5,768</b>	<b>100.00%</b>	<b>5,768</b>	<b>100.00%</b>	<b>5,867</b>	<b>100.00%</b>	<b>5,150</b>	<b>100.00%</b>

**Kilgore Junior College District**  
**Statistical Supplement 13**  
**Student Profile**  
**Last Five Fiscal Years**  
(unaudited)

Gender	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	3,207	57.37%	3,269	57.70%	3,484	60.40%	3,565	60.76%	3,888	62.40%
Male	2,383	42.63%	2,397	42.30%	2,284	39.60%	2,302	39.24%	2,343	37.60%
<b>Total</b>	<b>5,590</b>	<b>100.00%</b>	<b>5,666</b>	<b>100.00%</b>	<b>5,768</b>	<b>100.00%</b>	<b>5,867</b>	<b>100.00%</b>	<b>6,231</b>	<b>100.00%</b>

Ethnic Origin	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Multi-Racial	176	3.15%	162	2.86%	145	2.51%	138	2.35%	140	2.25%
White	2,999	53.65%	3,236	57.11%	3,358	58.22%	3,564	60.75%	3,755	60.26%
Hispanic	941	16.83%	1,014	17.90%	1,198	20.77%	1,194	20.35%	1,318	21.15%
African American/Black	1,207	21.59%	1,072	18.92%	881	15.27%	811	13.82%	811	13.02%
Asian/Pacific Islander	63	1.13%	61	1.08%	52	0.90%	43	0.73%	50	0.80%
International	84	1.50%	37	0.65%	36	0.62%	26	0.44%	29	0.47%
Amer Indian/Alaskan	26	0.47%	30	0.53%	39	0.68%	37	0.63%	64	1.03%
Unknown	93	1.66%	52	0.92%	54	0.94%	51	0.87%	60	0.96%
Hawaiian/Pacific Islander	1	0.02%	2	0.04%	5	0.09%	3	0.05%	4	0.06%
<b>Total</b>	<b>5,590</b>	<b>100.00%</b>	<b>5,666</b>	<b>100.00%</b>	<b>5,768</b>	<b>100.00%</b>	<b>5,867</b>	<b>100.00%</b>	<b>6,231</b>	<b>100.00%</b>

Age	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	1,311	23.45%	1,104	19.48%	875	15.17%	759	12.94%	854	13.71%
18-21	2,216	39.64%	2,387	42.13%	2,481	43.01%	2,585	44.06%	2,628	42.18%
22-24	556	9.95%	586	10.34%	679	11.77%	701	11.95%	714	11.46%
25-30	659	11.79%	635	11.21%	698	12.10%	742	12.65%	820	13.16%
31-35	332	5.94%	348	6.14%	378	6.55%	396	6.75%	449	7.21%
36-50	427	7.64%	484	8.54%	521	9.03%	531	9.05%	632	10.14%
51 & over	89	1.59%	122	2.15%	136	2.36%	153	2.61%	134	2.15%
<b>Total</b>	<b>5,590</b>	<b>100.00%</b>	<b>5,666</b>	<b>100.00%</b>	<b>5,768</b>	<b>100.00%</b>	<b>5,867</b>	<b>100.00%</b>	<b>6,231</b>	<b>100.00%</b>

Average Age	23	24	24	24	24
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**Kilgore Junior College District  
Statistical Supplement 14  
Transfers to Senior Institutions  
2015 Fall Students as of Fall 2016  
(Includes only public senior colleges in Texas)**

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count No Awards	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 U. OF TEXAS AT TYLER	57	9	36	102	37.6%
2 STEPHEN F. AUSTIN STATE UNIV	18	2	29	49	18.1%
3 U. OF TEXAS AT ARLINGTON	3	6	10	19	7.0%
4 UNIVERSITY OF NORTH TEXAS	10	1	9	20	7.4%
5 TEXAS STATE UNIV - SAN MARCOS	1	0	5	6	2.2%
6 TEXAS A&M UNIVERSITY	2	0	11	13	4.8%
7 TEXAS TECH UNIVERSITY	2	2	6	10	3.7%
8 TEXAS WOMAN'S UNIVERSITY	4	0	3	7	2.6%
9 SAM HOUSTON STATE UNIVERSITY	3	1	4	8	3.0%
10 OTHER PUBLIC 4YR INSTITUTIONS	22	2	13	37	13.7%
	<b>122</b>	<b>23</b>	<b>126</b>	<b>271</b>	<b>100.0%</b>

**Kilgore Junior College District  
Statistical Supplement 15  
Capital Asset Information  
Fiscal Years 2008 to 2017**

	<b>Fiscal Year</b>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Academic buildings	15	15	15	15	15	15	15	15	14	14
Square footage (in thousands)	341	341	341	341	353	353	353	339	335	335
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	38	38	38	38	38	38	38	38	38	38
Number of Volumes (in thousands)	101	101	101	101	101	101	101	101	101	101
Administrative and support buildings	8	6	6	6	6	6	6	6	6	6
Square footage (in thousands)	128	115	115	115	115	115	115	115	115	115
Dormitories	5	5	5	5	5	5	5	5	5	5
Square footage (in thousands)	136	136	136	136	136	136	136	136	136	136
Number of Beds	490	490	490	490	490	490	490	490	490	490
Dining Facilities	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	23	23	23	23	23	23	23	23	23	23
Average daily customers	410	410	410	410	410	410	410	410	410	410
Athletic Facilities	5	5	5	5	5	5	5	5	5	5
Square footage (in thousands)	124	119	119	119	119	119	119	119	119	119
Stadiums	1	1	1	1	1	1	1	1	1	1
Gynmasiums	2	2	2	2	2	2	2	2	2	2
Fitness Centers	1	1	1	1	1	1	1	1	1	1
Tennis Court	1	1	1	1	1	1	1	1	1	1
Plant facilities	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	20	20	20	20	20	20	20	20	20	20
Transportation										
Cars	20	20	15	15	12	12	12	12	12	12
Light Trucks/Vans	19	19	16	16	16	16	16	23	23	23
Buses	0	0	0	0	0	0	0	0	0	0