

Kilgore Junior College District
Annual Financial Report
August 31, 2024 and 2023

Introductory Section

Kilgore Junior College District

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Kilgore Junior College District

Board of Trustees

| | <u>Term Expires</u> |
|------------------------------------------------|---------------------|
| Officers: | |
| Lon Ford - President Kilgore, Texas | 2029 |
| Jon Rowe – Vice President Gladewater, Texas | 2027 |
| Josh Edmonson – Secretary Kilgore, Texas | 2027 |
| Members: | |
| Janice Bagley, Overton, Texas | 2025 |
| David Castles, Kilgore, Texas | 2025 |
| Jon Keller, Gladewater, Texas | 2025 |
| Kelvin Darden, Overton, Texas | 2027 |
| Gina DeHoyos, Gladewater, Texas | 2029 |
| Travis Martin, Kilgore, Texas | 2029 |

Principal Administrative Officers

| | |
|------------------|---------------------------------------------------------------------------------------------------|
| Dr. Brenda Kays | President |
| Terry Hanson | Vice President of Administrative Services and Chief Financial Officer |
| Dr. Tracy Skopek | Vice President of Student Learning, Engagement & Student Success and Chief Academic Officer |
| Dr. Mike Jenkins | Executive Vice President of Internal Collaboration and Strategic Initiatives |
| Dr. Staci Martin | Vice President of Student Life & College Affairs |
| Kara Sharman | Director of Human Resources |
| John Colville | Director of Information Technology |

Financial Section



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Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Kilgore Junior College District:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Kilgore Junior College District (the District) as of and for the years ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of August 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, The Kilgore College Foundation (the Foundation), as of and for the years ended August 31, 2024 and 2023. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Foundation as of and for the years ended August 31, 2024 and 2023, were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, the schedule of the District's proportionate share of the net pension liability on page 54, the schedule of the District's contributions to the Teacher Retirement System of Texas on page 55, the schedule of the District's proportionate share of the OPEB liability on page 56, and the schedule of the District's contributions to the Employee Retirement System of Texas on page 57 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Texas Grant Management Standards* and are also not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2025, 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 the effectiveness of 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.

April 14, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Kilgore Junior College District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2024, with fiscal years 2023 and 2022 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 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 deferred outflow of resources and liabilities and deferred inflow of resources. 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, lenders, 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 four primary sources of revenues: federal grants and contracts, state appropriations, tuition and fees, and ad-valorem taxes. Activities are presented as either operating or nonoperating. Under this reporting model, state appropriations, ad-valorem taxes and certain federal grants and contracts are reported as nonoperating revenues. Because of the District's dependency on the nonoperating 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, noncapital financing, capital and related financing, and investing activities.

Financial statements for the District's component unit, The Kilgore College Foundation (the Foundation), are issued independently of the District. The Foundation's financial information is shown in separate columns on the District's basic financial statements. More details on the Foundation are in Note 1 in the Notes to Financial Statements.

Financial Highlights

- Total assets and deferred outflows for 2024 were \$119.8 million, decreasing by \$0.7 million from 2023. Total assets and deferred outflows for 2023 were \$120.5 million, increasing by nearly \$5.9 million from 2022 due primarily to a \$3 million increase in capital assets for current year additions offset by depreciation and a \$1.6 million increase in cash and cash equivalents. Total liabilities and deferred inflows for 2024 were \$75.3 million, decreasing by \$2.5 million from 2023, due to decreases in deferred inflows.
- Net position as of August 31, 2024 was \$44.5 million, an increase of \$1.8 million from 2023, primarily due to a significant change in the funding model for community colleges due to House Bill 8. Net position as of August 31, 2023 was \$42.7 million, an increase of \$5.6 million from 2022, primarily due to construction in progress for the pedestrian bridge, Stark Hall renovations, and Old Main renovations. Net position at August 31, 2022 was \$37.1 million.
- Total operating revenues in 2024 were \$19.0 million, a decrease of \$5.9 million comprised of a \$7.9 million decrease in federal grants and contracts associated with HEERF and a \$1.6 million increase in local grants and contracts associated with a donation from the Kilgore College Foundation in fiscal year 2024 for the Health Science facility. Total operating revenues in 2023 were \$24.9 million, a decrease of \$8.0 million primarily attributable to a \$4.5 million decrease in federal grants and contracts associated with HEERF, a \$1.6 million decrease in local grants and contracts associated with a donation from the Kilgore College Foundation in fiscal year 2022 for the Health Science facility, and a \$1.0 million decrease in state grants and contracts primarily due to decreased participation in the Texas Educational Opportunity Grant program and grants from Texas Workforce Commission for Skills Development.
- Operating expenses were \$57.4 million in 2024, up \$5.6 million from 2023 primarily due to increased expenses for most categories to address rising costs and support structures to improve student success, excluding scholarships and fellowships. The scholarships and fellowships have decreased steadily from 2022 to 2024 due to the full utilization of HEERF distributions for student aid related to the COVID 19 pandemic. Operating expenses were \$51.9 million in 2023, down \$1.9 million from 2022 primarily due to decreases in scholarships and fellowships in relation to the decrease in federal grants and contracts associated with HEERF offset by increases from other grants received by the District.
- Net nonoperating revenues (expenses) were \$40.2 million in 2024, up \$7.7 million from 2023 primarily due to state appropriations, and ad valorem taxes for maintenance and operations. Net nonoperating revenues (expenses) were \$32.5 million in 2023, up \$3.5 million from 2022 primarily due to ad valorem taxes for maintenance and operations, and investment income for interest earnings on higher cash balances.

Financial Highlights (continued)

- Capital assets (net) increased by approximately \$9.7 million in 2024, \$3.1 million in 2023 and \$1.4 million in 2022.
- Outstanding debt decreased by approximately \$0.4 million in 2024 and increased by \$3.5 million in 2024. Outstanding debt was \$16.3 million for 2022.

Statement of Net Position

The District's net position increased \$1.8 million compared to an approximate \$5.6 million increase in the prior year, increasing from \$42.7 million to \$44.5 million.

| | | | | Increase (Decrease) | |
|---------------------------------------|---------------|--------------|--------------|---------------------|-----------------|
| | 2024 | 2023 | 2022 | 2023 to 2024 | 2022 to 2023 |
| Assets | | | | | |
| Current assets | \$ 30,656,224 | 40,357,666 | 43,232,554 | (9,701,442) | (2,874,888) |
| Noncurrent assets: | | | | | |
| Capital assets, net of depreciation | 76,686,428 | 67,020,140 | 63,929,260 | 9,666,288 | 3,090,880 |
| Other | 6,481,617 | 6,677,589 | 1,662,025 | (195,972) | 5,015,564 |
| Total assets | 113,824,269 | 114,055,395 | 108,823,839 | (231,126) | 5,231,556 |
| Deferred outflows of resources | 5,954,600 | 6,435,030 | 5,825,617 | (480,430) | 609,413 |
| Liabilities | | | | | |
| Current liabilities | 16,945,681 | 16,635,567 | 17,442,715 | 310,114 | (807,148) |
| Noncurrent liabilities | 48,936,665 | 49,329,795 | 47,235,709 | (393,130) | 2,094,086 |
| Total liabilities | 65,882,346 | 65,965,362 | 64,678,424 | (83,016) | 1,286,938 |
| Deferred inflows of resources | 9,434,540 | 11,862,481 | 12,876,124 | (2,427,941) | (1,013,643) |
| Net Position | | | | | |
| Net investment in capital assets | 60,997,004 | 55,697,351 | 50,988,910 | 5,299,653 | 4,708,441 |
| Restricted | 1,095,552 | (273,225) | 6,458 | 1,368,777 | (279,683) |
| Unrestricted | (17,630,573) | (12,761,544) | (13,900,460) | (4,869,029) | 1,138,916 |
| Total net position | \$ 44,461,983 | 42,662,582 | 37,094,908 | 1,799,401 | 5,567,674 |

The Statement of Net Position helps identify the District'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 liabilities are those obligations which are expected to be satisfied within one business cycle. The District's current assets of \$30.7 million were sufficient to cover current liabilities of \$16.9 million, giving a current ratio of 1.8 comparable to 2.4 for fiscal year 2023. The current ratio was 2.5 for fiscal year 2022.

Another analytical tool used to evaluate the financial stability of an entity is to compare expendable net position to operating expenses. The District reported a deficit expendable net position of (\$17.6) million at August 31, 2024 compared to a deficit expendable net position of (\$12.8) million at August 31, 2023. Operating expenses for the same periods were \$57.4 million

Statement of Net Position (continued)

and \$51.9 million. The District continued to report a deficit in expendable net position at August 31, 2024 as a result of the implementation of GASB 75 in fiscal year 2018. The ratio of expendable net position to operating expenses for fiscal years 2024 and 2023 was (30.7%) and (24.6%), respectively. The ratio was (25.9%) for fiscal year 2022.

The District's accumulated cash and cash equivalent balances decreased from \$33.4 million in 2023 to \$23.6 million in 2024. This decrease is due to continued investment in capital assets. The District's accumulated cash and cash equivalent balances increased from \$31.7 million in 2022 to \$33.4 million in 2023. This increase is due to a number of factors including the receipt of the ad valorem maintenance tax proceeds for the year.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results, as well as non-operating revenues and expenses. The four main sources of revenue are ad valorem taxes, state appropriations, federal grants and contracts, and tuition and fees. Operating revenues generally result from providing services in connection with the District's principal ongoing operations which includes non-Title IV federal grants and contracts as well as state grants and contracts received. This approach to presenting revenues and expenses is intended to summarize and simplify the user's analysis of the various services offered to students and the public. Depending on whether revenues or expenses are greater for the year, a net increase or net decrease in net position is created.

The following table reflects the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2024, 2023 and 2022.

**Condensed Statements of Revenues, Expenses,
and Changes in Net Position**

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|------------------------------|-------------------|-------------------|-------------------|
| Operating revenues: | | | |
| Tuition and fees, net | \$ 9,451,934 | 8,862,761 | 9,564,696 |
| Federal grants and contracts | 2,458,491 | 10,329,562 | 14,829,241 |
| State grants and contracts | 505,587 | 738,338 | 1,789,980 |
| Local grants and contracts | 2,332,053 | 685,235 | 2,337,270 |
| Auxiliary enterprises, net | 3,510,222 | 3,576,463 | 3,434,215 |
| Other | 739,489 | 725,578 | 914,239 |
| | <u>18,997,776</u> | <u>24,917,937</u> | <u>32,869,641</u> |

Statement of Revenues, Expenses and Changes in Net Position (continued)

| Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued) | | | |
|---------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
| Operating expenses: | | | |
| Instruction | 16,661,730 | 15,810,105 | 16,560,078 |
| Public service | 642,616 | 621,938 | 515,159 |
| Academic support | 3,369,377 | 3,100,940 | 2,768,584 |
| Student services | 3,337,215 | 3,045,747 | 2,661,180 |
| Institutional support | 11,602,710 | 9,717,198 | 8,752,331 |
| Operation and maintenance of plant | 6,050,928 | 5,072,669 | 4,891,924 |
| Scholarships and fellowships | 3,935,800 | 4,640,738 | 9,150,643 |
| Auxiliary enterprises | 5,890,952 | 4,955,698 | 4,047,949 |
| Depreciation | 5,936,085 | 4,899,401 | 4,382,758 |
| | <u>57,427,413</u> | <u>51,864,434</u> | <u>53,730,606</u> |
| Operating loss | <u>(38,429,637)</u> | <u>(26,946,497)</u> | <u>(20,860,965)</u> |
| Non-operating revenues (expenses): | | | |
| State appropriations | 18,460,927 | 12,289,885 | 12,063,294 |
| Ad valorem taxes | 9,351,384 | 7,997,101 | 6,809,405 |
| Federal grants and contracts | 11,549,167 | 10,287,424 | 9,540,219 |
| Interest on debt | (328,703) | (136,097) | (131,281) |
| Other | 1,196,263 | 2,075,858 | 686,147 |
| | <u>40,229,038</u> | <u>32,514,171</u> | <u>28,967,784</u> |
| Increase in net position | <u>\$ 1,799,401</u> | <u>5,567,674</u> | <u>8,106,819</u> |

Operating and Non-operating Revenues

Tuition and fees revenue is reported net of scholarships and discounts. The last few years, the college has seen their overall headcount increase. However, the increase is in dual-credit students which have a lower tuition rate available to them and on average take less credit hours than traditional students, which caused net tuition to decrease from fiscal year 2022 to 2023. The net increase in tuition and fees from fiscal year 2023 to 2024 is attributed to the continued growth in the dual credit program and an increase in fees to cover rising operating costs.

Federal grants and contracts revenue decreased \$6.6 million in 2024 and decreased \$3.7 million in 2023, primarily due to the reduction and ending of student distributions and recognition of allowable institutional uses under HEERF assistance for COVID-19 related items, which peaked the federal grants and contracts at \$14.8 million in 2022.

Operating and Non-operating Revenues (continued)

State grants and contracts revenue remained consistent from 2023 to 2024. State grants and contracts revenue decreased \$1.0 million from 2022 to 2023, primarily due to decreased participation in the Texas Educational Opportunity Grant program and grants from Texas Workforce Commission for Skills Development. State grants and contracts revenue were approximately \$1.8 million in 2022.

Local grants and contracts revenue increased \$1.6 million in 2024 and decreased \$1.6 million in 2023 due to contributions from the Kilgore College Foundation for the Health Science facility. Local grants and contracts approximated \$2.3 million for 2022.

Auxiliary enterprises revenue, net approximated \$3.5 million for 2024, \$3.6 million for 2023 and \$3.4 million in 2022.

State appropriations increased \$6.2 million in 2024 after holding relatively flat for 2023 and 2022. The increase is attributed to the change in funding from the State of Texas and the District's performance with student outcomes. The State of Texas changed the funding formulas for all community colleges for 2024. The new formula consists of a performance tier and a base tier. The District receives funding under both tiers with the performance tier being the largest portion. In addition, dual-credit courses that are paid through the Financial Aid for Swift Transfer (FAST) program are also included as a state appropriation and was new in fiscal year 2024.

Ad valorem tax revenue, net of collection fees and bad debt, approximated \$9.4 million for 2024, which is a \$1.4 million increase from fiscal year 2023 as taxable assessed values increased and the rate for maintenance and operations (M&O) was maintained at \$0.175 per \$100 valuation. Ad valorem tax revenue was \$8.0 million in 2023 and \$6.8 million in 2022.

Other non-operating revenues mainly consist of investment income and gifts. These revenues increased by \$0.4 million from 2023 for interest received on cash and investments for 2024. Other non-operating revenues increased by \$1.4 million from 2022 for interest received on cash and investments for 2023.

Operating and Non-operating Expenses

Operating expenses totaled \$57.4 million in 2024, which is a \$5.5 million increase from fiscal year 2023. The increase is primarily due to increased expenses for instruction of \$0.9 million, increased funding of operations and maintenance of plant for \$1.0 million to address needed maintenance projects, increased institutional support to improve student outcomes for \$1.9 million, and an increase in depreciation of \$1.0 million for the additional capital assets placed in service. Operating expenses totaled \$51.9 million in 2023, which is a \$1.9 million decrease from fiscal year 2022. The decrease is primarily due to a \$4.5 million decrease in scholarships and fellowships offset by increases in institutional support of \$1.1 million, \$0.9 million in auxiliary enterprises, \$0.5 million in depreciation, and \$0.4 million in both academic support and student services. Variances are attributable to year over year grant activity. Operating expenses were \$53.7 million for 2022.

Operating and Non-operating Expenses (continued)

Non-operating expenses totaled \$1.7 million in 2024, and \$0.1 million in 2023 and 2022. In addition to interest on debt, the District incurred a loss on disposal of capital assets of approximately \$1.4 million in 2024.

Statement of Cash Flows

The Statement of Cash Flows combines information from the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position to illustrate the effect of various actions of the District on the availability and ultimate change in the amount of cash from one year to the next. The cash provided or used by operations, capital and non-capital financing, and investing activities combine to show the net change in cash and cash equivalents. The final portion of the Statements of Cash Flows reconciles the net income or loss from operations to the cash provided or used by operations.

Capital Assets and Debt Administration

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 2024, the District had \$76.7 million invested in a broad range of capital assets, as noted in the below table. Capital asset additions were \$16.9 million and capital asset disposals were \$3.3 million in 2024. Significant additions in fiscal year 2024 included completion on the pedestrian bridge, significant roof improvements, HVAC improvements, CDL drive track and equipment purchases. Significant disposals in fiscal year 2024 included demolition of the student center and quads. At the end of fiscal year 2023, the District had \$67.0 million invested in a broad range of capital assets, as noted in the below table. Capital asset additions were \$8.1 million in 2023. Significant additions in fiscal year 2023 included construction on the pedestrian bridge, renovations on Stark Hall and Old Main, and equipment purchases of \$1.3 million. More information on capital assets can be found in Note 6 to the financial statements.

Schedule of Capital Assets
(net of accumulated depreciation)

| | 2024 | 2023 | 2022 |
|---------------------------------------------|----------------------|-------------------|-------------------|
| Land | \$ 4,208,950 | 4,208,950 | 4,208,950 |
| Construction in progress | 1,353,379 | 6,339,303 | 447,351 |
| Buildings | 37,435,306 | 33,856,991 | 34,342,737 |
| Buildings - right-of-use lease assets | 4,881,283 | 300,577 | 261,458 |
| Land improvements and infrastructure | 11,416,701 | 3,549,925 | 3,745,908 |
| Leasehold improvements | 1,001,543 | 1,088,624 | 1,175,704 |
| Library books | 95,579 | 106,289 | 194,258 |
| Equipment | 14,425,171 | 14,968,619 | 16,400,903 |
| Equipment - right-of-use lease assets | 1,300,894 | 1,640,257 | 1,979,620 |
| Exhibits | 41,800 | 53,633 | 65,464 |
| Software - right-of-use subscription assets | 525,822 | 906,972 | 1,106,907 |
| | <u>\$ 76,686,428</u> | <u>67,020,140</u> | <u>63,929,260</u> |

Capital Assets and Debt Administration (continued)

The District had outstanding debt of \$19.4 million, \$19.8 million, and \$16.3 million as of August 31, 2024, 2023, and 2022, respectively. The decrease from 2023 to 2024 is due to regularly scheduled principal payments that was offset by the increase in lease liabilities attributed to a new lease for HVAC equipment. The increase from 2022 to 2023 is attributable to the issue of the Series 2023 maintenance tax note for \$5 million offset by regularly scheduled principal payments on outstanding notes and loans of \$1.1 million. More information on debt can be found in Note 7 to the financial statements.

Schedule of Outstanding Debt

| | 2024 | 2023 | 2022 |
|--------------------------|----------------------|-------------------|-------------------|
| SECO loans | \$ 10,687,279 | 11,624,430 | 12,552,267 |
| Kilgore ISD | 78,367 | 111,257 | 200,355 |
| Maintenance tax note | 4,260,000 | 5,000,000 | - |
| Lease liabilities | 3,763,888 | 2,100,019 | 2,354,173 |
| Subscription liabilities | 583,295 | 973,418 | 1,167,068 |
| | <u>\$ 19,372,829</u> | <u>19,809,124</u> | <u>16,273,863</u> |

Economic Factors and Next Year's Budgets and Rates

For fiscal year 2025, the District will receive another increase in state funding, a result of the enactment of House Bill 8 by the State of Texas. This landmark legislation altered the funding model for Texas community colleges, transitioning from an enrollment and contact hour-based allocation to an outcomes-based model. Funding is now disbursed in two tiers: a base tier, designed to ensure colleges can cover their fundamental educational expenses, and a performance tier, which is contingent upon student completion rates, transfers, and other specific outcomes as defined by the State. The District is set to receive funds from both tiers in fiscal year 2025.

Additionally, the legislation introduced the Financial Aid for Swift Transfer (FAST) program in 2024. Under this program, the State compensates \$56.87 per credit hour for students eligible for free/reduced lunch. The District is barred from charging these students for tuition, fees, or books and is limited to a \$56.87 per credit hour tuition rate for all other dual credit students from public/charter schools in Texas. The District has continued participating in this program and collaborated with independent school districts (ISDs) within its service area to subsidize material costs not covered by open educational resources (OER). As a result of this program, the District saw a significant increase in the dual-credit enrollment.

The District anticipates that these changes—the new funding model and the FAST program—will significantly transform the landscape of community colleges in Texas. In response, the District maintains a five-year forecasting model for this new funding structure and is developing strategies to maintain or enhance outcomes.

Economic Factors and Next Year's Budgets and Rates (continued)

When establishing the fiscal year 2025 budget, tax rates, and business-type activity fees, the District's elected and appointed officials took into account the new legislation and various other factors.

The District observed an increase in property values based on 2024 assessments, which is indicative of the East Texas region's post-pandemic real estate market surge. This trend suggests a potential further increase in property values for fiscal year 2026.

For fiscal year 2025, the District raised limited fees, targeting these additional funds for technological enhancements and rising costs. State and federal grants are expected to continue varying annually. The District continues to actively seek partnerships with local governments, school districts, and industries to bolster higher education in the region.

The District is committed to fostering an entrepreneurial organizational culture, enhancing community outreach, and expanding remote learning opportunities. With ongoing improvements in delivering quality face-to-face and remote education, the District believes it is in a strong, stable financial position, ready to meet the growing demands for a better-educated workforce.

The District is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the forthcoming fiscal year.

Kilgore Junior College District
Statements of Net Position
(Exhibit 1)
August 31, 2024 and 2023

| | Primary Government | |
|----------------------------------------------------|----------------------|---------------------|
| | 2024 | 2023 |
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 17,201,448 | 26,800,248 |
| Accounts receivable, net | 12,925,182 | 11,280,728 |
| Prepaid expenses | 5,804 | 1,355,477 |
| Inventories | 523,790 | 921,213 |
| Total current assets | <u>30,656,224</u> | <u>40,357,666</u> |
| Noncurrent assets: | | |
| Restricted cash, cash equivalents, and investments | 6,396,857 | 6,592,829 |
| Capital assets, net | 76,686,428 | 67,020,140 |
| Other assets | 84,760 | 84,760 |
| Total noncurrent assets | <u>83,168,045</u> | <u>73,697,729</u> |
| Total assets | <u>113,824,269</u> | <u>114,055,395</u> |
| <u>Deferred Outflows of Resources</u> | | |
| Deferred outflows of resources | <u>5,954,600</u> | <u>6,435,030</u> |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Accounts payable | 2,303,272 | 1,567,792 |
| Accrued liabilities | 589,216 | 588,620 |
| Funds held for others | 858,564 | 1,276,458 |
| Unearned revenue | 10,134,747 | 10,228,949 |
| Compensated absences - current portion | 508,553 | 432,318 |
| Lease liabilities - current portion | 574,514 | 424,156 |
| Subscription liabilities - current portion | 376,257 | 390,123 |
| Notes payable - current portion | 1,600,558 | 1,727,151 |
| Total current liabilities | <u>16,945,681</u> | <u>16,635,567</u> |
| Noncurrent liabilities: | | |
| Compensated absences | 484,158 | 448,868 |
| Lease liabilities | 3,189,374 | 1,675,863 |
| Subscription liabilities | 207,038 | 583,295 |
| Notes payable | 13,425,088 | 15,008,536 |
| Net pension liability | 10,124,860 | 8,358,485 |
| OPEB liability | 21,506,147 | 23,254,748 |
| Total noncurrent liabilities | <u>48,936,665</u> | <u>49,329,795</u> |
| Total liabilities | <u>65,882,346</u> | <u>65,965,362</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Deferred inflows of resources | <u>9,434,540</u> | <u>11,862,481</u> |
| <u>Net Position</u> | | |
| Net position: | | |
| Net investment in capital assets | 60,997,004 | 55,697,351 |
| Restricted for: | | |
| Expendable: | | |
| Education grants and debt service | 1,095,552 | (273,225) |
| Unrestricted | <u>(17,630,573)</u> | <u>(12,761,544)</u> |
| Total net position | <u>\$ 44,461,983</u> | <u>42,662,582</u> |

See accompanying notes to the financial statements.

Kilgore Junior College District
Statements of Financial Position
 (Exhibit 1A)
 August 31, 2024 and 2023

| | Component Unit | |
|------------------------------------------|----------------------|-------------------|
| | 2024 | 2023 |
| <u>Assets</u> | | |
| Cash | \$ 1,601,063 | 992,519 |
| Investments | 26,961,983 | 23,522,763 |
| | <u>28,563,046</u> | <u>24,515,282</u> |
| <u>Liabilities and Net Assets</u> | | |
| Accounts payable | 47,554 | 2,184 |
| Total liabilities | <u>47,554</u> | <u>2,184</u> |
| Net assets: | | |
| Without donor restrictions | 181,700 | 127,869 |
| With donor restrictions | 28,333,792 | 24,385,229 |
| Total net assets | <u>28,515,492</u> | <u>24,513,098</u> |
| | <u>\$ 28,563,046</u> | <u>24,515,282</u> |

See accompanying notes to the financial statements.

Kilgore Junior College District

Statements of Revenues, Expenses, and Changes in Net Position (Exhibit 2) Years Ended August 31, 2024 and 2023

| | Primary Government | |
|------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| | 2024 | 2023 |
| Operating revenues: | | |
| Tuition and fees (net of scholarship allowances and discounts of \$9,532,121 and \$8,839,637, respectively) | \$ 9,451,934 | 8,862,761 |
| Federal grants and contracts | 2,458,491 | 10,329,562 |
| State grants and contracts | 505,587 | 738,338 |
| Local grants and contracts | 2,332,053 | 685,235 |
| Sales and services of educational activities | 24,992 | 29,587 |
| Auxiliary enterprises (net of scholarship allowances and discounts of \$1,367,252 and \$1,413,873, respectively) | 3,510,222 | 3,576,463 |
| Other operating revenues | 714,497 | 695,991 |
| Total operating revenues | <u>18,997,776</u> | <u>24,917,937</u> |
| Operating expenses: | | |
| Instruction | 16,661,730 | 15,810,105 |
| Public service | 642,616 | 621,938 |
| Academic support | 3,369,377 | 3,100,940 |
| Student services | 3,337,215 | 3,045,747 |
| Institutional support | 11,602,710 | 9,717,198 |
| Operation and maintenance of plant | 6,050,928 | 5,072,669 |
| Scholarships and fellowships | 3,935,800 | 4,640,738 |
| Auxiliary enterprises | 5,890,952 | 4,955,698 |
| Depreciation and amortization | 5,936,085 | 4,899,401 |
| Total operating expenses | <u>57,427,413</u> | <u>51,864,434</u> |
| Operating loss | <u>(38,429,637)</u> | <u>(26,946,497)</u> |
| Nonoperating revenues (expenses): | | |
| State appropriations | 18,460,927 | 12,289,885 |
| Ad valorem taxes for maintenance and operations | 9,351,384 | 7,997,101 |
| Federal grants and contracts | 11,549,167 | 10,287,424 |
| Investment income | 1,806,815 | 1,496,266 |
| Gifts | 750,004 | 656,509 |
| Insurance proceeds | - | 5,900 |
| Interest on capital asset-related debt, leases, and subscriptions | (328,703) | (136,097) |
| Loss on disposal of capital assets | (1,361,088) | - |
| Other nonoperating revenues (expenses), net | 532 | (82,817) |
| Net nonoperating revenues | <u>40,229,038</u> | <u>32,514,171</u> |
| Increase in net position | <u>1,799,401</u> | <u>5,567,674</u> |
| Net position - beginning of year, | <u>42,662,582</u> | <u>37,094,908</u> |
| Net position - end of year | <u>\$ 44,461,983</u> | <u>42,662,582</u> |

See accompanying notes to the financial statements.

Kilgore Junior College District
Statements of Activities
(Exhibit 2A)
Years Ended August 31, 2024 and 2023

| | Component Unit | |
|------------------------------------------------------------------|----------------|------------|
| | 2024 | 2023 |
| Net assets without donor restrictions: | | |
| Revenue and other support: | | |
| Contributions | \$ 11,659 | 11,669 |
| Net investment income | 15,644 | 9,677 |
| Net assets released from restrictions | 2,579,180 | 951,805 |
| Total revenue and other support | 2,606,483 | 973,151 |
| Expenses: | | |
| Program expenses: | | |
| Scholarships and other distributions | 2,579,180 | 960,887 |
| Management and general | 20,411 | 60,400 |
| Total expenses | 2,599,591 | 1,021,287 |
| Net increase (decrease) in net assets without donor restrictions | 6,892 | (48,136) |
| Net assets with donor restrictions: | | |
| Revenue and other support: | | |
| Contributions | 2,720,017 | 1,341,253 |
| Fundraising | 46,939 | 129,693 |
| Net investment income | 3,807,726 | 2,188,935 |
| Total revenue and other support | 6,574,682 | 3,659,881 |
| Net assets released from restrictions | (2,579,180) | (951,805) |
| Net increase in net assets with donor restrictions | 3,995,502 | 2,708,076 |
| Increase in net assets | 4,002,394 | 2,659,940 |
| Net assets - beginning of year | 24,513,098 | 21,853,158 |
| Net assets - end of year | \$ 28,515,492 | 24,513,098 |

See accompanying notes to the financial statements.

Kilgore Junior College District

Statements of Cash Flows (Exhibit 3)

Years Ended August 31, 2024 and 2023

| | Primary Government | |
|-----------------------------------------------------------------------------------|------------------------|---------------------|
| | 2024 | 2023 |
| Cash flows from operating activities | | |
| Receipts from students and other customers | \$ 11,301,445 | 11,436,490 |
| Receipts of grants and contracts | 5,035,452 | 11,959,900 |
| Other receipts | 714,497 | 695,991 |
| Payments to employees | (26,442,326) | (25,212,086) |
| Payments to suppliers and students | (22,309,155) | (22,511,811) |
| Net cash used in operating activities | <u>(31,700,087)</u> | <u>(23,631,516)</u> |
| Cash flows from noncapital financing activities | | |
| Receipts of state appropriations | 15,036,040 | 9,683,710 |
| Receipts from ad valorem taxes for maintenance and operation | 9,240,212 | 10,296,935 |
| Receipts of grants and contracts | 11,450,171 | 7,906,333 |
| Receipts from gifts for other than capital purposes | 750,532 | 478,993 |
| Net cash provided by noncapital financing activities | <u>36,476,955</u> | <u>28,365,971</u> |
| Cash flows from capital and related financing activities | | |
| Proceeds from issuance of capital debt | - | 5,000,000 |
| Proceeds from insurance | - | 5,900 |
| Purchases of capital assets | (12,071,928) | (7,742,695) |
| Payments on capital debt, lease, and subscription principal | (3,977,824) | (1,794,142) |
| Payments on capital debt, lease and subscription interest | (328,703) | (122,061) |
| Other payments | - | 82,817 |
| Net cash used in capital and related financing activities | <u>(16,378,455)</u> | <u>(4,570,181)</u> |
| Cash flows from investing activities | | |
| Receipts from interest on investments | 1,806,815 | 1,496,266 |
| Net cash provided by investing activities | <u>1,806,815</u> | <u>1,496,266</u> |
| Net increase (decrease) in cash and cash equivalents | (9,794,772) | 1,660,540 |
| Cash and cash equivalents - beginning of year | <u>33,393,077</u> | <u>31,732,537</u> |
| Cash and cash equivalents - end of year | <u>\$ 23,598,305</u> | <u>33,393,077</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (38,429,637) | (26,946,497) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization expense | 5,936,085 | 4,899,401 |
| On-behalf payments | 3,424,887 | 2,606,175 |
| Contributions in excess of pension and OPEB expense | - | 93,697 |
| Change in assets and liabilities: | | |
| Receivables, net | (1,434,286) | (125,752) |
| Inventories | 397,423 | (274,304) |
| Prepaid expenses | (327) | 1,177 |
| Accounts payable and accrued liabilities | 736,076 | (981,592) |
| Funds held for others | (417,894) | 854 |
| Unearned revenue | (94,202) | (700,658) |
| Compensated absences | 111,525 | 188,670 |
| Net pension/OPEB liability | 17,774 | (769,631) |
| Change in deferred inflows and outflows: | | |
| Deferred outflows | 480,430 | (609,413) |
| Deferred outflows | <u>(2,427,941)</u> | <u>(1,013,643)</u> |
| Net cash used in operating activities | <u>\$ (31,700,087)</u> | <u>(23,631,516)</u> |
| Noncash capital, financing and investing activities: | | |
| State appropriations on-behalf payments | \$ 3,424,887 | 2,606,175 |
| Purchase of right-of-use lease assets | \$ 2,191,530 | 136,648 |
| Purchase of right-of-use subscription assets | \$ - | 193,755 |
| Loss on disposal of fixed assets | \$ 1,361,088 | - |

See accompanying notes to the financial statements.

Kilgore Junior College District

Notes to Financial Statements

Years Ended August 31, 2024 and 2023

(1) Nature of Operations and Reporting Entity

Kilgore Junior College District (the District) was established in 1935, in accordance with the laws of the State of Texas, to serve the education needs of the District and the surrounding communities. 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 District. The District is considered to be a primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: An Amendment of GASB Statements No. 14 and No. 34*. 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 accompanying financial statements present the District and its component unit described below.

The Kilgore College Foundation (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for education, scientific, and charitable purposes of the District. The Foundation receives a significant portion of its revenue from individuals and businesses in the areas served by the District. The District does not control the timing or amount of receipts from the Foundation. However, the majority of resources or income thereon that the Foundation holds and invests is for the benefit of the District or its constituents. Because the net position of the Foundation compared to the District is significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District, and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. Complete financial statements for the Foundation can be obtained from the District's business office.

The District is reported as a special-purpose government engaged in business-type activities. 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 and Junior Colleges*. These accounting policies basically conform to generally accepted accounting principles applicable to government units.

(2) Summary of Significant Accounting Policies(a) Basis of Accounting

The financial statements of the District have been prepared using the economic resource measurement focus and the accrual basis of accounting, whereby all

Kilgore Junior College DistrictNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(a) Basis of Accounting (continued)

revenues are recorded when earned and all expenses are recorded when a liability has been incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The District distinguishes operating revenues and expenses from nonoperating items. The primary consideration in classifying revenues and expenses is how individual transactions are categorized for purposes of preparing the statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as components of nonoperating income. The principal operating revenue of the District results from providing education services to students and consists of tuition and fees, non-Title IV federal grants as well as sales and services of educational activities and auxiliary goods and services. Operating expenses include the cost of providing educational services, auxiliary goods and services, and administrative expenses. All revenues and expenses not meeting this definition – including gifts, contributions, and grants from nonexchange and exchange-like transactions – are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the District consist of state appropriations, property taxes, and Title IV federal grants. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

(b) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately

Kilgore Junior College DistrictNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(b) Encumbrances (continued)

provided for in the subsequent year's budget. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net position since they do not constitute expenditures or liabilities.

(c) Scholarship Allowances and Discounts

Student tuition and fee revenues are reported net of scholarship allowances and discounts in the statements of revenues, expenses, and changes in net position. Scholarship allowances and discounts are the difference between the stated charge for goods and services provided by the District and the amount that is paid by students. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as operating and nonoperating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the District has recorded a scholarship allowance and discount.

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 as a separate set aside in accordance with the Texas Education Code. When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount.

Title IV Program Funds and Other Tuition Discounts: Certain Title IV Program funds are received by the District to pass through to the students. In addition, the District awards tuition and fee scholarships from institutional funds to students who qualify. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and corresponding amounts are recorded as tuition discounts.

(d) Cash and Cash Equivalents

Cash equivalents of \$195,680 and \$185,518 at August 31, 2024 and 2023, respectively, consist of public funds investment pools. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents (continued)

Restricted cash and cash equivalents at August 31, 2024 and 2023 are mainly comprised of resources accumulated for debt service payments and unspent proceeds from the maintenance tax note issued in 2023.

(e) Investments

Investments are reported at fair value except for governmental investment pools. Fair values are based on published market prices. The governmental investment pool operates in accordance with appropriate state laws and regulations. The value of the pool is reported at amortized cost which, in most cases, approximates the fair value of the pool shares.

(f) Inventories

Inventories, consisting of consumable office supplies, physical plant supplies, bookstore stock, and food service supplies, are valued at the lower of cost or net realizable value using the first-in, first-out method and are charged to expense as consumed.

(g) Capital Assets

Capital assets, which include land, buildings, land improvements and infrastructure, leasehold improvements, equipment, exhibits, and library books, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of such assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are charged to operating expense in the year in which the expense is incurred. The District reports depreciation under a single line item as a business-type unit.

Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|---------------|--------------|
| Buildings | 50 years |
| Improvements | 20 years |
| Library books | 15 years |
| Equipment | 5 - 10 years |

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Deferred Outflows and Inflows of Resources

In addition to assets, 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 will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, 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 will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows and inflows as of August 31, 2024 and 2023 consist of the following:

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------------------------------------------------------------------------------|---------------------|------------------|
| Deferred Outflows | | |
| Pension related: | | |
| Contributions subsequent to measurement date | \$ 865,704 | 750,181 |
| Changes in assumptions | 957,613 | 1,557,458 |
| Change in proportionate contributions | 488,615 | 321,768 |
| Differences between projected and actual investment earnings, net | 1,473,414 | 825,792 |
| Differences between expected and actual economic experience | 360,752 | 121,197 |
| OPEB related: | | |
| Contributions subsequent to measurement date | 713,332 | 730,265 |
| Changes in assumptions | 717,422 | 1,366,309 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 376,011 | 758,049 |
| Differences between projected and actual investment earnings | 1,737 | 4,011 |
| | <u>\$ 5,954,600</u> | <u>6,435,030</u> |

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Deferred Outflows and Inflows of Resources (continued)

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| Deferred Inflows | | |
| Pension related: | | |
| Changes in assumptions | \$ 234,350 | 388,162 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 247,602 | 359,363 |
| Differences between expected and actual economic experience | 122,601 | 182,231 |
| OPEB related: | | |
| Changes in assumptions | 6,716,656 | 7,188,263 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,544,482 | 3,010,747 |
| Differences between expected and actual economic experience | <u>568,849</u> | <u>733,715</u> |
| | <u>\$ 9,434,540</u> | <u>11,862,481</u> |

(i) Unearned Revenue

Unearned revenue of the District at August 31, 2024 and 2023 consists of the following:

| | <u>2024</u> | <u>2023</u> |
|------------------|----------------------|-------------------|
| Tuition and fees | \$ 9,702,296 | 9,639,890 |
| Grants | 417,589 | 574,197 |
| Other | <u>14,862</u> | <u>14,862</u> |
| | <u>\$ 10,134,747</u> | <u>10,228,949</u> |

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(j) Pensions

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

(k) Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employee Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purpose of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) Reclassifications

Certain reclassifications have been made to 2023 amounts to conform to 2024 presentation.

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(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. The District is also required to follow specific investment practices prescribed by the Public Funds Investment Act (the Act) related to establishment of appropriate investment policies and management reports.

(4) Deposits and Investments

Deposits and investments of the District at August 31, 2024 and 2023 consist of the following:

| | <u>2024</u> | <u>2023</u> |
|----------------------------------------|----------------------|-------------------|
| <u>Deposits</u> | | |
| Cash - demand deposits | \$ 14,943,843 | 25,181,907 |
| Cash - certificates of deposit | 8,452,682 | 8,002,952 |
| Cash - petty cash on hand | 6,100 | 22,700 |
| Total deposits | <u>23,402,625</u> | <u>33,207,559</u> |
| <u>Investments - cash equivalents</u> | | |
| Texas Local Government Investment Pool | 195,680 | 185,518 |
| Total investments-cash equivalents | <u>195,680</u> | <u>185,518</u> |
| Total deposits and investments | <u>\$ 23,598,305</u> | <u>33,393,077</u> |

Deposits and investments of the Foundation at August 31, 2024 and 2023 consist of the following:

| | <u>2024</u> | <u>2023</u> |
|------------------------------------------|----------------------|-------------------|
| <u>Deposits</u> | | |
| Cash - demand deposits | \$ 1,601,063 | 992,519 |
| Total deposits | <u>1,601,063</u> | <u>992,519</u> |
| <u>Investments</u> | | |
| Funds of a management investment company | \$ 26,961,983 | 23,522,763 |
| Total investments | <u>26,961,983</u> | <u>23,522,763</u> |
| Total deposits and investments | <u>\$ 28,563,046</u> | <u>24,515,282</u> |

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(4) Deposits and Investments (continued)

The weighted average maturity of investments (in days) of the District at August 31, 2024 and 2023 consists of the following:

| | <u>2024</u> | <u>2023</u> |
|----------------------------------------|-------------|-------------|
| Texas Local Government Investment Pool | 36 | 23 |

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. Money market mutual funds must have a dollar weighted average stated maturity of 90 days or less. The maximum allowable stated maturity of any other individual investment owned by the District cannot exceed the limits established by the Act. If no maximum allowable stated maturity is provided for a particular investment, the maximum allowable stated maturity for such investment cannot exceed ten years.

Credit Risk. Credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations related to the investment. It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, public funds investment pools must be rated not less than AAA or an equivalent rating by at least one nationally recognized rating service. At August 31, 2024 and 2023, the public funds investment pool held by the District was rated AAAM by Standard & Poor's.

As indicated above, investments of the District at August 31, 2024 and 2023 include deposits in the Texas Local Government Investment Pool (TexPool). TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to TexPool as custodian and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities within TexPool.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals may be made daily. TexPool uses amortized cost rather than fair value to report net assets to compute share prices.

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(4) Deposits and Investments (continued)

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in the securities of a single issuer. The District's investment policy includes an investment objective of seeking diversification to avoid unreasonable risk.

Interest Rate and Credit Risks of The Kilgore College Foundation. The Foundation has adopted investment and spending policies to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The policies contain provisions that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates and to limit the risk that an issuer or other counterparty to its funds will not fulfill its obligations.

(5) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2024 and 2023 consisted of the following:

| | 2024 | 2023 |
|--------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Student | \$ 15,912,077 | 13,552,713 |
| Taxes | 1,041,969 | 930,797 |
| Grants | 939,270 | 736,203 |
| | <u>17,893,316</u> | <u>15,219,713</u> |
| Less allowance for doubtful accounts | <u>(4,968,134)</u> | <u>(3,938,985)</u> |
| Accounts receivable, net | \$ <u><u>12,925,182</u></u> | <u><u>11,280,728</u></u> |

Accrued liabilities at August 31, 2024 and 2023 consisted of the following:

| | 2024 | 2023 |
|-----------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Salaries and benefits | \$ 599,612 | 577,592 |
| Interest | 14,036 | 14,036 |
| Other payables | <u>(24,432)</u> | <u>(3,008)</u> |
| Accrued liabilities | \$ <u><u>589,216</u></u> | <u><u>588,620</u></u> |

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(6) Capital Assets

Capital asset activity for the year ended August 31, 2024 was as follows:

| | Balance September 1, 2023 | Additions | Transfers and Retirements | Balance August 31, 2024 |
|-------------------------------------------------|---------------------------------|-------------------|---------------------------------|-------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,208,950 | - | - | 4,208,950 |
| Construction in progress | 6,339,303 | 11,136,919 | (16,122,843) | 1,353,379 |
| | <u>10,548,253</u> | <u>11,136,919</u> | <u>(16,122,843)</u> | <u>5,562,329</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 63,372,888 | - | 2,944,673 | 66,317,561 |
| Buildings - right-of-use lease assets | 1,061,805 | 4,891,530 | - | 5,953,335 |
| Land improvements and infrastructure | 6,268,888 | - | 8,133,735 | 14,402,623 |
| Leasehold improvements | 1,872,823 | - | - | 1,872,823 |
| Library books | 556,161 | - | - | 556,161 |
| Equipment | 29,577,595 | 935,012 | 1,696,551 | 32,209,158 |
| Equipment - right-of-use lease assets | 2,036,181 | - | - | 2,036,181 |
| Exhibits | 2,028,436 | - | - | 2,028,436 |
| Software - right-of-use subscription assets | 2,000,944 | - | - | 2,000,944 |
| Total buildings and other capital assets | <u>108,775,721</u> | <u>5,826,542</u> | <u>12,774,959</u> | <u>127,377,222</u> |
| Less accumulated depreciation and amortization: | | | | |
| Buildings | \$ 29,515,897 | 1,353,154 | (1,986,796) | 28,882,255 |
| Buildings - right-of-use lease assets | 761,228 | 310,824 | - | 1,072,052 |
| Land improvements and infrastructure | 2,718,964 | 266,958 | - | 2,985,922 |
| Leasehold improvements | 784,199 | 87,081 | - | 871,280 |
| Library books | 449,872 | 10,710 | - | 460,582 |
| Equipment | 14,608,976 | 3,175,011 | - | 17,783,987 |
| Equipment - right-of-use lease assets | 395,924 | 339,363 | - | 735,287 |
| Exhibits | 1,974,803 | 11,833 | - | 1,986,636 |
| Software - right-of-use subscription assets | 1,093,971 | 381,151 | - | 1,475,122 |
| Total accumulated depreciation and amortization | <u>52,303,834</u> | <u>5,936,085</u> | <u>(1,986,796)</u> | <u>56,253,123</u> |
| | <u>56,471,887</u> | <u>(109,543)</u> | <u>14,761,755</u> | <u>71,124,099</u> |
| Net capital assets | <u>\$ 67,020,140</u> | <u>11,027,376</u> | <u>(1,361,088)</u> | <u>76,686,428</u> |

Kilgore Junior College District

Notes to Financial Statements (Continued)

(6) Capital Assets (continued)

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

| | Balance September 1, 2022 | Additions | Transfers and Retirements | Balance August 31, 2023 |
|-------------------------------------------------|---------------------------------|--------------------|---------------------------------|-------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,208,950 | - | - | 4,208,950 |
| Construction in progress | 447,351 | 5,891,952 | - | 6,339,303 |
| | <u>4,656,301</u> | <u>5,891,952</u> | <u>-</u> | <u>10,548,253</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 62,830,902 | 541,986 | - | 63,372,888 |
| Buildings - right-of-use lease assets | 925,157 | 136,648 | - | 1,061,805 |
| Land improvements and infrastructure | 6,257,909 | 10,979 | - | 6,268,888 |
| Leasehold improvements | 1,872,823 | - | - | 1,872,823 |
| Library books | 926,324 | 9,950 | (380,113) | 556,161 |
| Equipment | 28,289,767 | 1,287,828 | - | 29,577,595 |
| Equipment - right-of-use lease assets | 2,036,181 | - | - | 2,036,181 |
| Exhibits | 2,028,436 | - | - | 2,028,436 |
| Software - right-of-use subscription assets | 1,807,189 | 193,755 | - | 2,000,944 |
| Total buildings and other capital assets | <u>106,974,688</u> | <u>2,181,146</u> | <u>(380,113)</u> | <u>108,775,721</u> |
| Less accumulated depreciation and amortization: | | | | |
| Buildings | \$ 28,488,165 | 1,027,732 | - | 29,515,897 |
| Buildings - right-of-use lease assets | 663,699 | 97,529 | - | 761,228 |
| Land improvements and infrastructure | 2,512,001 | 206,963 | - | 2,718,964 |
| Leasehold improvements | 697,119 | 87,080 | - | 784,199 |
| Library books | 732,066 | 15,102 | (297,296) | 449,872 |
| Equipment | 11,888,864 | 2,720,112 | - | 14,608,976 |
| Equipment - right-of-use subscription assets | 56,561 | 339,363 | - | 395,924 |
| Exhibits | 1,962,972 | 11,831 | - | 1,974,803 |
| Software - right-of-use subscription assets | 700,282 | 393,689 | - | 1,093,971 |
| Total accumulated depreciation and amortization | <u>47,701,729</u> | <u>4,899,401</u> | <u>(297,296)</u> | <u>52,303,834</u> |
| | <u>59,272,959</u> | <u>(2,718,255)</u> | <u>(82,817)</u> | <u>56,471,887</u> |
| Net capital assets | <u>\$ 63,929,260</u> | <u>3,173,697</u> | <u>(82,817)</u> | <u>67,020,140</u> |

Kilgore Junior College District

Notes to Financial Statements (Continued)

(6) Capital Assets (continued)

Construction in progress at August 31, 2024 consists of:

| | Spent to Date | Remaining Commitment |
|-------------------------------------------------------|---------------------|-------------------------|
| Roof Repair/Replacement | \$ 610,513 | 914,487 |
| HVAC Repair/Replacement | 301,643 | 1,198,357 |
| Fine Arts Roof | 108,500 | 16,500 |
| Rangerette Gym | 139,552 | 65,448 |
| Lineman Upgrades | 35,940 | 35,940 |
| Laird Roof | 50,000 | - |
| Stark Fire Doors | 47,998 | 1,980 |
| Kilgore College Police Department Weather Proofing | 59,233 | - |
| | <u>\$ 1,353,379</u> | <u>2,232,712</u> |

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2024 was as follows:

| | Balance September 1, 2023 | Additions | Reductions | Balance August 31, 2024 | Current Portion |
|--------------------------|---------------------------------|------------------|------------------|-------------------------------|--------------------|
| Notes payable: | | | | | |
| SECO Loan #1 | \$ 5,655,544 | - | 455,946 | 5,199,598 | 460,522 |
| SECO Loan #2 | 5,968,886 | - | 481,205 | 5,487,681 | 485,036 |
| Kilgore ISD | 111,257 | - | 32,890 | 78,367 | 50,000 |
| Maintenance tax note | 5,000,000 | - | 740,000 | 4,260,000 | 605,000 |
| Compensated absences | 881,186 | 271,292 | 159,767 | 992,711 | 508,553 |
| Lease liabilities | 2,100,019 | 2,191,530 | 527,661 | 3,763,888 | 574,514 |
| Subscription liabilities | 973,418 | - | 390,123 | 583,295 | 376,257 |
| Net pension liability | 8,358,485 | 1,766,375 | - | 10,124,860 | - |
| OPEB liability | 23,254,748 | - | 1,748,601 | 21,506,147 | - |
| | <u>\$ 52,303,543</u> | <u>4,229,197</u> | <u>4,536,193</u> | <u>51,996,547</u> | <u>3,059,882</u> |

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Long-term liability activity for the year ended August 31, 2023 was as follows:

| | Balance September 1, 2022 | Additions | Reductions | Balance August 31, 2023 | Current Portion |
|--------------------------|---------------------------------|-------------------|------------------|-------------------------------|--------------------|
| Notes payable: | | | | | |
| SECO Loan #1 | \$ 6,106,958 | - | 451,414 | 5,655,544 | 455,946 |
| SECO Loan #2 | 6,445,309 | - | 476,423 | 5,968,886 | 481,205 |
| Kilgore ISD | 200,355 | - | 89,098 | 111,257 | 50,000 |
| Maintenance tax note | - | 5,000,000 | - | 5,000,000 | 740,000 |
| Compensated absences | 692,516 | 267,521 | 78,851 | 881,186 | 432,318 |
| Lease liabilities | 2,354,173 | 136,648 | 390,802 | 2,100,019 | 424,156 |
| Subscription liabilities | 1,167,068 | 193,755 | 387,405 | 973,418 | 390,123 |
| Net pension liability | 3,402,095 | 4,956,390 | - | 8,358,485 | - |
| OPEB liability | 28,980,769 | - | 5,726,021 | 23,254,748 | - |
| | <u>\$ 49,349,243</u> | <u>10,554,314</u> | <u>7,600,014</u> | <u>52,303,543</u> | <u>2,973,748</u> |

Notes Payable

Notes payable are comprised of the following:

SECO Loans #1 and #2

The District entered into two note agreements in September 2018 with the State Energy Conservation Office (SECO) to provide upgrades to multiple buildings for HVAC, exterior lighting, solar thermal window film, building weatherization, water conservation, and utility assessment report. The notes are not to exceed \$14,442,032.

Kilgore ISD

The District entered into an agreement with Kilgore Independent School District (Kilgore ISD) whereby the District purchased property from Kilgore ISD. The District's payments each year are the tuition provided by the District for dual or concurrent credit to students of Kilgore ISD. Annual requirements are expected to approximate \$50,000.

\$5,000,000 Maintenance Tax Note – Series 2023

The District issued a Series 2023 maintenance tax note on August 31, 2023 for \$5 million for roof replacement/repairs, HVAC upgrades, parking lots, room renovations, facility systems, and to pay for the costs of professional services and issuance costs related to the note. The District will levy a tax to pay principal and interest on the note. Principal is due in annual installments and interest is to be paid semiannually.

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

As of August 31, 2024 and 2023, the District has borrowings outstanding of \$15,025,646 and \$16,735,687, respectively. Debt service requirements for these notes as of August 31, 2024, are as follows:

| For the Year Ended August 31, | Principal | Interest | Total |
|----------------------------------|----------------------|------------------|-------------------|
| 2025 | \$ 1,600,558 | 295,893 | 1,896,451 |
| 2026 | 1,614,426 | 259,045 | 1,873,471 |
| 2027 | 1,625,655 | 221,003 | 1,846,658 |
| 2028 | 1,665,349 | 181,448 | 1,846,797 |
| 2029 | 1,705,139 | 140,015 | 1,845,154 |
| 2030-2034 | 6,031,017 | 225,680 | 6,256,697 |
| 2035 | 783,502 | 3,921 | 787,423 |
| | <u>\$ 15,025,646</u> | <u>1,327,005</u> | <u>16,352,651</u> |

Leases

The District leases copiers and certain buildings under lease agreements through 2053. The leases utilize incremental borrowing rates of 8.0% to 8.5% and contain annual payment terms ranging from \$18,000 to \$434,400.

Future principal and interest requirements for lease liabilities as of August 31, 2024, are as follows:

| For the Year Ended August 31, | Principal | Interest | Total |
|----------------------------------|---------------------|----------------|------------------|
| 2025 | \$ 574,514 | 147,688 | 722,202 |
| 2026 | 529,855 | 106,032 | 635,887 |
| 2027 | 530,443 | 68,627 | 599,070 |
| 2028 | 498,945 | 28,926 | 527,871 |
| 2029 | 82,617 | 10,545 | 93,162 |
| 2030 - 2034 | 246,992 | 44,054 | 291,046 |
| 2035 - 2039 | 273,383 | 34,447 | 307,830 |
| 2040 - 2044 | 323,570 | 24,713 | 348,283 |
| 2045 - 2049 | 379,401 | 14,649 | 394,050 |
| 2050 - 2053 | 324,168 | 4,245 | 328,413 |
| | <u>\$ 3,763,888</u> | <u>483,926</u> | <u>4,247,814</u> |

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Subscription-Based Information Technology Arrangements

The District contracts for the use of various software with information technology arrangements through 2027. The arrangements utilize an incremental borrowing rate of 8.0% and annual payment terms ranging from \$2,750 to \$161,680.

Future principal and interest requirements for subscription liabilities as of August 31, 2024, are as follows:

| For the Year Ended August 31, | Principal | Interest | Total |
|----------------------------------|-------------------|---------------|----------------|
| 2025 | \$ 376,257 | 19,493 | 395,750 |
| 2026 | 188,983 | 4,904 | 193,887 |
| 2027 | 18,055 | 372 | 18,427 |
| | <u>\$ 583,295</u> | <u>24,769</u> | <u>608,064</u> |

(8) Employees' Retirement Plan

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

All employees of public, state-supported education 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. Detail information about TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/aboutpublications.aspx>, by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698, or by calling (512) 542-6592.

Kilgore Junior College District

Notes to Financial Statements (Continued)

(8) Employees' Retirement Plan (continued)

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 the 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.

Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by TRS' actuary.

Contributions. Contribution requirements are established or amended pursuant to Article 16, Sec. 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025. Contribution rates were as follows:

| <u>Year</u> | <u>Member</u> | | <u>State</u> | | <u>District</u> | |
|-------------|---------------|---------------|--------------|---------------|-----------------|---------------|
| | <u>Rate</u> | <u>Amount</u> | <u>Rate</u> | <u>Amount</u> | <u>Rate</u> | <u>Amount</u> |
| 2024 | 8.25% | \$ 1,515,290 | 8.25% | \$ 537,892 | 8.25% | \$ 1,515,290 |
| 2023 | 8.0% | \$ 1,304,210 | 8.0% | \$ 462,238 | 8.0% | \$ 1,304,210 |
| 2022 | 8.0% | 1,159,012 | 7.8% | \$ 435,274 | 7.8% | 1,122,793 |

Kilgore Junior College DistrictNotes to Financial Statements
(Continued)(8) Employees' Retirement Plan (continued)

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.8% of the member's salary beginning in fiscal year 2023, gradually increasing to 2.0% in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Kilgore Junior College District

Notes to Financial Statements (Continued)

(8) Employees' Retirement Plan (continued)

Actuarial Assumptions. The total pension liability in the August 31, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions:

| | Valuation Date | |
|-------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| | August 31, 2022 rolled forward to August 31, 2023 | August 31, 2021 rolled forward to August 31, 2022 |
| Actuarial cost method | Individual entry age, normal | Individual entry age, normal |
| Asset valuation method | Fair value | Fair value |
| Actuarial assumptions: | | |
| Single discount rate | 7.00% | 7.00% |
| Long-term expected investment rate of return | 7.00% | 7.00% |
| Municipal bond rate | 4.13% | 3.91% |
| Salary increases | 2.95% to 8.95% (includes inflation of 2.3%) | 2.95% to 8.95% (includes inflation of 2.3%) |
| Benefit changes during the year | None | None |
| Ad hoc post-employment benefit changes | None | None |

The actuarial methods and assumptions used in the determination of the total pension liability as of August 31, 2023 and 2022 are the same, except as indicated otherwise above. For a full description of these assumptions please see the actuarial valuation report dated November 22, 2022.

Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability as of August 31, 2023 and 2022. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50% of payroll in fiscal year 2024 increasing to 9.56% in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

Kilgore Junior College District

Notes to Financial Statements (Continued)

(8) Employees' Retirement Plan (continued)

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS' target asset allocation as of August 31, 2023 are summarized below:

| Asset Class | Target Allocation % ** | Long-Term Expected Geometric Real Rate of Return *** | Expected Contribution to Long-Term Portfolio Returns |
|----------------------------------------------|---------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Global Equity: | | | |
| U.S.A. | 18.0% | 4.0% | 1.0% |
| Non-U.S. Developed | 13.0% | 4.5% | 0.9% |
| Emerging Markets | 9.0% | 4.8% | 0.7% |
| Private Equity* | 14.0% | 7.0% | 1.5% |
| Stable Value: | | | |
| Government Bonds | 16.0% | 2.5% | 0.5% |
| Absolute Return* | - | 3.6% | - |
| Stable Value Hedge Funds | 5.0% | 4.1% | 0.2% |
| Real Return: | | | |
| Real Estate | 15.0% | 4.9% | 1.1% |
| Energy, Natural Resources and Infrastructure | 6.0% | 4.8% | 0.4% |
| Commodities | - | 4.4% | - |
| Risk Parity: | | | |
| Risk Parity | 8.0% | 4.5% | 0.4% |
| Asset Allocation Leverage: | | | |
| Cash | 2.0% | 3.7% | - |
| Asset Allocation Leverage | -6.0% | 4.4% | -0.1% |
| Inflation Expectation | | | 2.3% |
| Volatility Drag**** | - | | -0.9% |
| Expected Return | 100.00% | | 8.00% |

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY 2023 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of June 30, 2023).

**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Kilgore Junior College District

Notes to Financial Statements (Continued)

(8) Employees' Retirement Plan (continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2023 net pension liability:

| | 1% Decrease (6.00%) | Current Rate (7.00%) | 1% Increase (8.00%) |
|-------------------------------------------------------------|------------------------|-------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 15,137,227 | 10,124,860 | 5,957,075 |

The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2022 net pension liability:

| | 1% Decrease (6.00%) | Current Rate (7.00%) | 1% Increase (8.00%) |
|-------------------------------------------------------------|------------------------|-------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 13,002,634 | 8,358,485 | 4,594,185 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2024 and 2023, the District reported a liability of \$10,124,860 and \$8,358,485, respectively, for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District at August 31, 2024 and 2023 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 is as follows:

| | 2024 | 2023 |
|---------------------------------------------------------------------------------------|---------------|------------|
| District's proportionate share of the net pension liability | \$ 10,124,860 | 8,358,485 |
| State's proportionate share of the net pension liability associated with the District | 7,187,991 | 5,880,866 |
| Total | \$ 17,312,851 | 14,239,351 |

Kilgore Junior College DistrictNotes to Financial Statements
(Continued)(8) Employees' Retirement Plan (continued)

The 2024 net pension liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

The District's proportion of the collective net pension liability was 0.015% which was consistent with its proportion measured as of August 31, 2023.

The 2023 net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating employers to the plan for the period September 1, 2021 to August 31, 2022.

The District's proportion of the collective net pension liability was 0.014% which was consistent with its proportion measured as of August 31, 2022.

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

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a COLA to retirees which was approved during the November 2023 election which will be paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

For the years ended August 31, 2024 and 2023, the District recognized total pension expense of \$1,956,795 and \$655,842, respectively. Of the total pension expense, for the measurement periods ended August 31, 2024 and 2023, the District recognized pension expense of \$1,085,324 and \$562,144, respectively, and revenue of \$537,892 and \$462,238, respectively, for support provided by the State.

Kilgore Junior College District

Notes to Financial Statements (Continued)

(8) Employees' Retirement Plan (continued)

At August 31, 2024 and 2023, 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:

| | 2024 | |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual economic experience | \$ 360,752 | 122,601 |
| Changes in actuarial assumptions | 957,613 | 234,350 |
| Differences between projected and actual investment earnings, net | 1,473,414 | - |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | 488,615 | 247,602 |
| Contributions paid to TRS subsequent to the measurement date | 865,704 | - |
| Total | <u>\$ 4,146,098</u> | <u>604,553</u> |
| | 2023 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual economic experience | \$ 121,197 | 182,231 |
| Changes in actuarial assumptions | 1,557,458 | 388,162 |
| Differences between projected and actual investment earnings, net | 825,792 | - |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | 321,768 | 359,363 |
| Contributions paid to TRS subsequent to the measurement date | 750,181 | - |
| Total | <u>\$ 3,576,396</u> | <u>929,756</u> |

The \$865,704 reported as deferred outflows of resources at August 31, 2024 related to contributions paid to TRS subsequent to the measurement date at August 31, 2023 will be recognized as a reduction of the net pension liability in fiscal year 2025.

Kilgore Junior College District

Notes to Financial Statements (Continued)

(8) Employees' Retirement Plan (continued)

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

| Measurement Year Ended August 31, | Pension Expense |
|--------------------------------------|--------------------|
| 2024 | \$ 553,736 |
| 2025 | 342,338 |
| 2026 | 1,269,734 |
| 2027 | 436,928 |
| 2028 | 73,105 |

Optional Retirement Program. The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program (ORP) is in lieu of participation in TRS. ORP 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. The percentages of participant salaries currently contributed by the state and each participant are 3.3% and 6.6%, respectively.

The District supplements an additional 1.9% for participants that are grandfathered in under the supplement. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. SB 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

Contribution rates as a percentage of compensation and contributions made for ORP for 2022, 2023, and 2024 are shown in the table below.

| Year | Member | | State | |
|------|--------|------------|-------|-----------|
| | Rate | Amount | Rate | Amount |
| 2024 | 6.6% | \$ 188,771 | 3.3% | \$ 94,385 |
| 2023 | 6.6% | 201,780 | 3.3% | 100,890 |
| 2022 | 6.6% | 243,871 | 3.3% | 121,935 |

Kilgore Junior College DistrictNotes to Financial Statements
(Continued)(8) Employees' Retirement Plan (continued)

The total payroll for all District employees was \$24,646,134, \$22,968,480, and \$22,072,177 for the years ended August 31, 2024, 2023, and 2022, respectively. The total payroll of employees covered by ORP was \$2,860,162, \$3,057,273, and \$3,695,008 for the years ended August 31, 2024, 2023, and 2022, respectively.

(9) Compensated Absences

Full-time employees are granted 8 hours of paid sick leave time per scheduled work month. Paid sick leave time that has not been taken accumulates up to a maximum of 720 hours, but it is not paid should the employment relationship cease for reasons other than retirement. Full-time employees are also granted 80 hours per year of vacation time. A total of 40 hours' vacation time may be accumulated and carried forward to the following fiscal year. An employee who retires or separates from employment with the District shall be eligible for payment of accrued vacation time as long as advance written notice of at least 2 weeks before last day of employment.

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 \$537,953 and \$498,742 at August 31, 2024 and 2023, 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 \$454,758 and \$382,444 at August 31, 2024 and 2023, respectively, all of which has been classified as a current liability.

(10) Other Post-Employment Benefits (OPEB)

Plan Description. The District participates in a cost-sharing, multiple-employer defined-benefit OPEB plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

Kilgore Junior College District

Notes to Financial Statements (Continued)

(10) Other Post-Employment Benefits (OPEB) (continued)

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in a separately-issued ERS Annual Comprehensive Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained online; by writing to ERS at 200 East 18th Street, Austin, Texas, 78701; or by calling (877) 275-4377.

Benefits Provided. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least 10 years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions. 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. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium, which is based on a blended rate as of the measurement period. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Kilgore Junior College District

Notes to Financial Statements (Continued)

(10) Other Post-Employment Benefits (OPEB) (continued)

| | <u>2024</u> | <u>2023</u> |
|--------------------|-------------|-------------|
| Retiree only | \$ 624.82 | 624.82 |
| Retiree & Spouse | 1,340.82 | 1,339.90 |
| Retiree & Children | 1,104.22 | 1,103.58 |
| Retiree & Family | 1,820.22 | 1,818.66 |

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

| <u>Year</u> | <u>State Amount</u> | <u>District Amount</u> |
|-------------|-------------------------|----------------------------|
| 2024 | \$ 950,904 | \$ 951,603 |
| 2023 | 976,720 | 978,683 |
| 2022 | 968,015 | 997,948 |

Actuarial Assumptions. The total OPEB liability in the August 31, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | <u>Valuation Date</u> | |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <u>August 31, 2023</u> | <u>August 31, 2022</u> |
| Actuarial cost method: | Entry age normal | Entry age normal |
| Amortization method | Level percent of payroll, open | Level percent of payroll, open |
| Amortization period | 30 years | 30 years |
| Actuarial assumptions: | | |
| Discount rate | 3.81% | 3.59% |
| Salary increases | 2.30% to 8.95% (includes inflation of 2.3%) | 2.30% to 8.95% (includes inflation of 2.3%) |
| Annual healthcare trend rates | 5.60% for fiscal year 2025, 5.30% for fiscal year 2026, 5.00% for fiscal year 2027, 4.75% for fiscal year 2028, 4.60% for fiscal year 2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for fiscal year 2032 and later years | 5.60% for fiscal year 2024, 5.30% for fiscal year 2025, 5.00% for fiscal year 2026, 4.75% for fiscal year 2027, 4.60% for fiscal year 2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for fiscal year 2031 and later years |
| Mortality Assumptions: | | |
| Service Retirees, Survivors, and Other Inactive Members | Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 | Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 |
| Disability Retirees | Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members | Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members |
| Active Members | Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality within 2-year set forward for males with Ultimate MP Projection Scale from the year 2010. | Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality within 2-year set forward for males with Ultimate MP Projection Scale from the year 2010. |

Kilgore Junior College District

Notes to Financial Statements (Continued)

(10) Other Post-Employment Benefits (OPEB) (continued)

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2017 for higher education members.

Investment Policy. The SRHP is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS's Board of Trustees amended the investment policy in August 2022 to require that all funds in the plan be invested in cash and equivalent securities. The expected rate of return on these investments was 4.1%.

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.59%. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.81%, which amounted to an increase of 0.22%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and, therefore, the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's proportionate share of the collective OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.81%) in measuring the 2023 OPEB liability:

| | 1% Decrease (2.81%) | Current Rate (3.81%) | 1% Increase (4.81%) |
|--------------------------------------------------------------|------------------------|-------------------------|------------------------|
| District's proportionate share of the 2023 OPEB liability | \$ 24,954,794 | 21,506,147 | 18,732,312 |

The following schedule shows the impact to the District's proportionate share of the collective OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.59%) in measuring the 2022 OPEB liability:

| | 1% Decrease (2.59%) | Current Rate (3.59%) | 1% Increase (4.59%) |
|--------------------------------------------------------------|------------------------|-------------------------|------------------------|
| District's proportionate share of the 2022 OPEB liability | \$ 27,122,063 | 23,254,748 | 20,161,825 |

Kilgore Junior College District

Notes to Financial Statements (Continued)

(10) Other Post-Employment Benefits (OPEB) (continued)

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.60% and the ultimate rate is 4.3%. The following schedule shows the impact to the District's proportionate share of the collective OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (5.60% decreasing to 4.3%) in measuring the 2023 OPEB liability:

| | Current Healthcare Cost Trend Rates (4.6% decreasing to 3.3%) | Current Healthcare Cost Trend Rates (5.6% decreasing to 4.3%) | Current Healthcare Cost Trend Rates (6.6% decreasing to 5.3%) |
|--------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------|
| District's proportionate share of the 2023 OPEB liability | \$ <u>18,498,276</u> | <u>21,506,147</u> | <u>25,326,159</u> |

The initial healthcare trend rate is 5.6% and the ultimate rate is 4.3%. The following schedule shows the impact to the District's proportionate share of the collective OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (5.6% decreasing to 4.3%) in measuring the 2022 OPEB liability:

| | Current Healthcare Cost Trend Rates (4.6% decreasing to 3.3%) | Current Healthcare Cost Trend Rates (5.6% decreasing to 4.3%) | Current Healthcare Cost Trend Rates (6.6% decreasing to 5.3%) |
|--------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------|
| District's proportionate share of the 2022 OPEB liability | \$ <u>19,914,496</u> | <u>23,254,748</u> | <u>27,519,348</u> |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2024 and 2023, the District reported a liability of \$21,506,147 and \$23,254,748, respectively, for its proportionate share of the ERS's OPEB liability. This liability reflects an increase in State support provided to the District for OPEB. The amount recognized by the District at August 31, 2024 and 2023 as its proportionate share of the OPEB liability, the related State support, and the total portion of the OPEB liability that was associated with the District were as follows:

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------------------------------------------------------|----------------------|-------------------|
| District's proportionate share of the net OPEB liability | \$ 21,506,147 | 23,254,748 |
| State's proportionate share of the net OPEB liability associated with the District | <u>20,471,756</u> | <u>22,076,248</u> |
| Total | <u>\$ 41,977,903</u> | <u>45,330,996</u> |

Kilgore Junior College District
Notes to Financial Statements
(Continued)

(10) Other Post-Employment Benefits (OPEB) (continued)

The 2024 OPEB liability was measured as of August 31, 2023 and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2022 to August 31, 2023. At the measurement date of August 31, 2023, the District's proportion of the collective OPEB liability was 0.0805%, which was an increase of 0.0011% from its proportion measured as of August 31, 2022.

The 2023 OPEB liability was measured as of August 31, 2022 and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 to August 31, 2022. At the measurement date of August 31, 2022, the District's proportion of the collective OPEB liability was 0.0816%, which was an increase of 0.0008% from its proportion measured as of August 31, 2021.

For the years ended August 31, 2024 and 2023, the District recognized total OPEB benefit of \$2,086,651 and \$2,081,390, respectively. Of the total benefit, for the measurement period ended August 31, 2023 and 2022, the District recognized OPEB benefit of \$607,538 and \$804,125, respectively, and revenue of \$950,904 and \$976,720, respectively, for support provided by the State.

Changes Since the 2022 Actuarial Valuation: The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period.

Demographic Assumptions: The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the opt-out credit at retirement.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the percentage increase of future fees.

Kilgore Junior College District

Notes to Financial Statements (Continued)

(10) Other Post-Employment Benefits (OPEB) (continued)

Economic Assumptions: Assumptions for assumed per capita health benefit costs and health benefit cost and retiree contribution and expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations.

The discount rate assumption was changed from 3.59% as of August 31, 2022 to 3.81% as of August 31, 2023 as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Benefit Terms: There are no significant changes to benefit terms.

At August 31, 2024 and 2023, the District reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2024 | |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual economic experience | \$ - | 568,849 |
| Changes in actuarial assumptions | 717,422 | 6,716,656 |
| Differences between projected and actual investment earnings | 1,737 | - |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | 376,011 | 1,544,482 |
| Contributions paid to ERS subsequent to the measurement date | 713,332 | - |
| Total | \$ 1,808,502 | 8,829,987 |

| | 2023 | |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual economic experience | \$ - | 733,715 |
| Changes in actuarial assumptions | 1,366,309 | 7,188,263 |
| Differences between projected and actual investment earnings | 4,011 | - |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | 758,049 | 3,010,747 |
| Contributions paid to ERS subsequent to the measurement date | 730,265 | - |
| Total | \$ 2,858,634 | 10,932,725 |

Kilgore Junior College District

Notes to Financial Statements (Continued)

(10) Other Post-Employment Benefits (OPEB) (continued)

The \$713,332 reported as deferred outflows of resources related to contributions paid to ERS subsequent to the measurement date at August 31, 2024 will be recognized as a reduction of the OPEB liability beginning in fiscal year 2025.

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

| Measurement Year Ended August 31, | OPEB Expense (Benefit) |
|--------------------------------------|---------------------------|
| 2024 | \$ (2,709,816) |
| 2025 | (1,912,314) |
| 2026 | (1,734,945) |
| 2027 | (1,156,196) |
| 2028 | (221,546) |

(11) Related Parties

During the years ended August 31, 2024 and 2023, the District provided certain services, such as office space, utilities, and staff assistance amounting to approximately \$119,000 and \$103,000, respectively, at no cost to the Foundation.

As a public institution, the College is exempt from the related party transaction disclosures per the Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit regulation promulgated by the U.S. Department of Education.

(12) Ad Valorem Property Taxes

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, business and personal property located in the District as follows:

| | 2024 | 2023 |
|----------------------------------------|-------------------------|----------------------|
| Assessed valuation of the District | \$ 6,272,374,346 | 5,976,208,692 |
| Less: Exemptions | 762,183,973 | 724,408,643 |
| Net assessed valuation of the District | <u>\$ 5,510,190,373</u> | <u>5,251,800,049</u> |

Kilgore Junior College District

Notes to Financial Statements (Continued)

(12) Ad Valorem Property Taxes (continued)

Tax rates authorized and assessed (all current operations) during fiscal years 2024 and 2023 are as follows:

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------------|-------------|-------------|
| Tax rate per \$100 valuation authorized | \$ 0.200 | 0.200 |
| Tax rate per \$100 valuation for assessed | 0.180 | 0.175 |

Taxes levied for the years ended August 31, 2024 and 2023 were \$9,173,529 and \$7,776,567, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Tax collections for the years ended August 31, 2024 and 2023 are as follows:

| | <u>2024</u> | <u>2023</u> |
|----------------------------------|---------------------|------------------|
| Current taxes collected | \$ 8,999,326 | 7,708,697 |
| Delinquent taxes collected | 171,503 | 169,970 |
| Penalties and interest collected | <u>149,849</u> | <u>132,831</u> |
| Total collections | <u>\$ 9,320,678</u> | <u>8,011,498</u> |

Current tax collections for the years ended August 31, 2024 and 2023 were approximately 98% and 99%, respectively, of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

For the fiscal years ended August 31, 2024 and 2023, the District, did not enter into any significant tax abatement agreements.

(13) Budgets

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 budget, which is prepared on the accrual basis of accounting, is adopted by the District's Board of Trustees. 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.

Kilgore Junior College DistrictNotes to Financial Statements
(Continued)(14) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2024 or 2023.

The Foundation is an organization generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

(15) Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

(16) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Such contract and grant awards already committed total \$-0- and \$215,673 at August 31, 2024 and 2023, respectively, for state contract and grant awards. There were no such commitments for federal contract and grant awards at August 31, 2024 and 2023.

(17) Business Concentrations and Uncertainties

The District generally serves the East Texas region; consequently, it is impacted by the general economy of that area. Also, the District receives a substantial portion of its funding from federal and state sources; consequently, the District is dependent upon continued funding from these sources.

Kilgore Junior College DistrictNotes to Financial Statements
(Continued)**(18) Authoritative Pronouncements Not Yet Effective**

The following pronouncements were issued by the Governmental Accounting Standards Board (GASB) which may impact the District but are not yet effective. The District has not yet determined the effects of the adoption on its financial statements.

GASB Statement No. 101, *Compensated Absences* (issued June 2022) – the objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences through a unified recognition and measurement model and amendment of certain previously required disclosures. The requirements of this statement are effective for financial statements for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures* (issued December 2023) – the objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements* (issued April 2024) – the objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (issued September 2024) – the objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2025.

(19) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through April 14, 2025, the date on which the financial statements were available to be issued, and has determined that there are no items to disclose.

Required Supplementary Information

Kilgore Junior College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Measurement Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------------------------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| District's proportion of the net pension liability | 0.014739858 | 0.014079244 | 0.013359121 | 0.014104439 | 0.014454500 | 0.014010400 | 0.014281800 | 0.014733000 | 0.016308000 | 0.018273000 |
| District's proportionate share of the net pension liability | \$ 10,124,860 | 8,358,485 | 3,402,095 | 7,554,050 | 7,513,872 | 7,711,649 | 4,566,550 | 5,567,397 | 5,764,767 | 4,880,972 |
| State's proportionate share of the net pension liability associated with the District | <u>7,187,991</u> | <u>5,880,866</u> | <u>2,597,529</u> | <u>5,870,861</u> | <u>5,553,473</u> | <u>5,515,265</u> | <u>3,273,061</u> | <u>4,025,645</u> | <u>4,305,508</u> | <u>3,624,257</u> |
| Total | <u>\$ 17,312,851</u> | <u>14,239,351</u> | <u>5,999,624</u> | <u>13,424,911</u> | <u>13,067,345</u> | <u>13,226,914</u> | <u>7,839,611</u> | <u>9,593,042</u> | <u>10,070,275</u> | <u>8,505,229</u> |
| District's covered payroll | <u>\$ 16,302,624</u> | <u>14,487,648</u> | <u>13,333,325</u> | <u>13,685,419</u> | <u>12,985,938</u> | <u>11,863,073</u> | <u>11,692,838</u> | <u>11,801,949</u> | <u>11,773,932</u> | <u>12,888,197</u> |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | <u>62.1%</u> | <u>57.7%</u> | <u>25.5%</u> | <u>55.2%</u> | <u>57.9%</u> | <u>65.0%</u> | <u>39.1%</u> | <u>47.2%</u> | <u>49.0%</u> | <u>37.9%</u> |
| Plan's fiduciary net position as a percentage of the total pension liability | <u>73.2%</u> | <u>75.6%</u> | <u>88.8%</u> | <u>75.5%</u> | <u>75.2%</u> | <u>73.7%</u> | <u>82.2%</u> | <u>78.0%</u> | <u>78.0%</u> | <u>83.3%</u> |

See accompanying independent auditor's report.

Kilgore Junior College District
Schedule of the District's Contributions to the
Teacher Retirement System of Texas
Last Ten Fiscal Years

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------------------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | \$ 865,704 | 750,181 | 649,848 | 568,579 | 568,212 | 579,153 | 449,262 | 468,074 | 468,106 | 478,467 |
| Contributions in relation to the contractually required contribution | <u>865,704</u> | <u>750,181</u> | <u>649,848</u> | <u>568,579</u> | <u>568,212</u> | <u>579,153</u> | <u>449,262</u> | <u>468,074</u> | <u>468,106</u> | <u>478,467</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered payroll | \$ <u>18,367,156</u> | <u>16,302,624</u> | <u>14,487,648</u> | <u>13,333,325</u> | <u>13,685,419</u> | <u>12,985,938</u> | <u>11,863,073</u> | <u>11,692,838</u> | <u>11,801,949</u> | <u>11,773,932</u> |
| Contributions as a percentage of covered payroll | \$ <u>4.71%</u> | <u>4.60%</u> | <u>4.49%</u> | <u>4.26%</u> | <u>4.15%</u> | <u>4.46%</u> | <u>3.79%</u> | <u>4.00%</u> | <u>3.97%</u> | <u>4.06%</u> |

See accompanying independent auditor's report.

Kilgore Junior College District
Schedule of the District's Proportionate Share of the OPEB Liability
Last Ten Measurement Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|------------------------------------------------------------------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| District's proportion of the OPEB liability | 0.080494520 | 0.081632940 | 0.080781490 | 0.084201820 | 0.081326500 | 0.104132200 | 0.097567300 |
| District's proportionate share of the OPEB liability | \$ 21,506,147 | 23,254,748 | 28,980,769 | 27,824,181 | 28,108,603 | 30,862,433 | 33,244,124 |
| State's proportionate share of the OPEB liability associated with the District | <u>20,471,756</u> | <u>22,076,248</u> | <u>28,011,426</u> | <u>25,795,331</u> | <u>27,827,761</u> | <u>17,802,444</u> | <u>33,244,123</u> |
| Total | <u>\$ 41,977,903</u> | <u>45,330,996</u> | <u>56,992,195</u> | <u>53,619,512</u> | <u>55,936,364</u> | <u>48,664,877</u> | <u>66,488,247</u> |
| District's covered payroll | <u>\$ 16,302,624</u> | <u>14,487,648</u> | <u>13,333,325</u> | <u>13,685,419</u> | <u>12,985,938</u> | <u>11,863,073</u> | <u>11,692,838</u> |
| District's proportionate share of the OPEB liability as a percentage of its covered payroll | <u>131.9%</u> | <u>160.5%</u> | <u>217.4%</u> | <u>203.3%</u> | <u>216.5%</u> | <u>260.2%</u> | <u>284.3%</u> |
| Plan's fiduciary net position as a percentage of the total OPEB liability | <u>0.6%</u> | <u>0.6%</u> | <u>0.4%</u> | <u>0.3%</u> | <u>0.2%</u> | <u>1.3%</u> | <u>2.0%</u> |

Note:

Information for measurement years prior to 2017 is not available.

See accompanying independent auditor's report and notes to required supplementary information – Employee Retirement System of Texas.

Kilgore Junior College District

Schedule of the District's Contributions to the
Employee Retirement System of Texas

Last Ten Fiscal Years

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-------------------------------------------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | \$ 713,332 | 730,265 | 977,948 | 992,208 | 991,903 | 977,733 | 988,903 |
| Contributions in relation to the contractually required contribution | <u>713,332</u> | <u>730,265</u> | <u>977,948</u> | <u>992,208</u> | <u>991,903</u> | <u>977,733</u> | <u>988,903</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered payroll | \$ <u>18,367,156</u> | <u>16,302,624</u> | <u>14,487,648</u> | <u>13,333,325</u> | <u>13,685,419</u> | <u>12,985,938</u> | <u>11,863,073</u> |
| Contributions as a percentage of covered payroll | <u>\$ 3.88%</u> | <u>4.48%</u> | <u>6.75%</u> | <u>7.44%</u> | <u>7.25%</u> | <u>7.53%</u> | <u>8.34%</u> |

Note:

Information for fiscal years prior to 2018 is not available.

Kilgore Junior College District

Notes to Required Supplementary Information – Employee Retirement System of Texas

Year Ended August 31, 2024

(1) Changes in Benefit Terms

Any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that will become effective September 1, 2023, since these changes were communicated to plan members in advance of the preparation of the latest valuation report.

There are no significant changes in benefit terms.

(2) Changes in Assumptions

Demographic Assumptions. The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the opt-out credit at retirement.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee.

Economic Assumptions: Assumptions for assumed per capita health benefit costs and health benefit cost and retiree contribution and expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations.

The discount rate was changed from 3.59% as of August 31, 2022 to 3.81% as of August 31, 2023 as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Supplemental Information

Kilgore Junior College District
Schedule of Operating Revenues
(Schedule A)

Year Ended August 31, 2024
(With Memorandum Totals for the Year Ended August 31, 2023)

| | Unrestricted | Restricted | Total Educational Activities | Auxiliary Enterprises | Total | |
|----------------------------------------------|----------------------|------------------|------------------------------------|--------------------------|--------------------|--------------------|
| | | | | | 2024 | 2023 |
| Tuition and fees: | | | | | | |
| State funded credit courses: | | | | | | |
| In-district resident tuition | \$ 1,200,326 | - | 1,200,326 | - | 1,200,326 | 1,254,828 |
| Out-of-district resident tuition | 3,299,430 | - | 3,299,430 | - | 3,299,430 | 3,936,616 |
| Non-resident tuition | 289,255 | - | 289,255 | - | 289,255 | 306,967 |
| TPEG - credit (set aside) | 302,414 | - | 302,414 | - | 302,414 | 304,107 |
| State funded continuing education | 1,868,835 | - | 1,868,835 | - | 1,868,835 | 1,599,942 |
| Non-state funded educational programs | 69,567 | - | 69,567 | - | 69,567 | 99,801 |
| Total tuition | <u>7,029,827</u> | <u>-</u> | <u>7,029,827</u> | <u>-</u> | <u>7,029,827</u> | <u>7,502,261</u> |
| Fees: | | | | | | |
| General education fees | 2,879,750 | - | 2,879,750 | - | 2,879,750 | 2,860,707 |
| Out-of-district fees | 4,458,652 | - | 4,458,652 | - | 4,458,652 | 4,328,825 |
| Laboratory fees | 800,775 | - | 800,775 | - | 800,775 | 773,743 |
| Testing fees | 1,011,572 | - | 1,011,572 | - | 1,011,572 | 776,278 |
| Administrative fees | 1,635,929 | - | 1,635,929 | - | 1,635,929 | 623,317 |
| Special services fees | 8,550 | - | 8,550 | - | 8,550 | 9,225 |
| Distance learning fees | 1,159,000 | - | 1,159,000 | - | 1,159,000 | 828,042 |
| Total fees | <u>11,954,228</u> | <u>-</u> | <u>11,954,228</u> | <u>-</u> | <u>11,954,228</u> | <u>10,200,137</u> |
| Scholarship allowances and discounts: | | | | | | |
| Remissions and exemptions | (1,014,483) | - | (1,014,483) | - | (1,014,483) | (1,026,106) |
| Federal grants to students | (7,220,304) | - | (7,220,304) | - | (7,220,304) | (6,083,140) |
| TPEG awards | (188,546) | - | (188,546) | - | (188,546) | (291,408) |
| State grants | (346,933) | - | (346,933) | - | (346,933) | (661,517) |
| Local scholarships | (761,855) | - | (761,855) | - | (761,855) | (777,466) |
| Total scholarship allowances | <u>(9,532,121)</u> | <u>-</u> | <u>(9,532,121)</u> | <u>-</u> | <u>(9,532,121)</u> | <u>(8,839,637)</u> |
| Total net tuition and fees | <u>9,451,934</u> | <u>-</u> | <u>9,451,934</u> | <u>-</u> | <u>9,451,934</u> | <u>8,862,761</u> |
| Additional operating revenues: | | | | | | |
| Federal grants and contracts | - | 2,458,491 | 2,458,491 | - | 2,458,491 | 10,329,562 |
| State grants and contracts | - | 505,587 | 505,587 | - | 505,587 | 738,338 |
| Local grants and contracts | - | 2,332,053 | 2,332,053 | - | 2,332,053 | 685,235 |
| Sales and services of educational activities | 24,992 | - | 24,992 | - | 24,992 | 29,587 |
| Other operating revenues | 714,497 | - | 714,497 | - | 714,497 | 695,991 |
| Total additional operating revenues | <u>739,489</u> | <u>5,296,131</u> | <u>6,035,620</u> | <u>-</u> | <u>6,035,620</u> | <u>12,478,713</u> |
| Auxiliary enterprises: | | | | | | |
| Bookstore | - | - | - | 1,049,235 | 1,049,235 | 1,731,260 |
| less discounts | - | - | - | (890,019) | (890,019) | (921,791) |
| Dormitories | - | - | - | 1,184,224 | 1,184,224 | 1,024,695 |
| less discounts | - | - | - | (290,568) | (290,568) | (299,481) |
| Cafeteria | - | - | - | 1,403,475 | 1,403,475 | 1,386,040 |
| less discounts | - | - | - | (186,665) | (186,665) | (192,601) |
| Athletics | - | - | - | 81,530 | 81,530 | 51,320 |
| East Texas Oil Museum | - | - | - | 160,396 | 160,396 | 157,252 |
| Rangerette Showcase and Museum | - | - | - | 522,946 | 522,946 | 86,454 |
| Texas Shakespeare Festival | - | - | - | 369,554 | 369,554 | 499,106 |
| Fitness Center | - | - | - | 105,343 | 105,343 | 38,216 |
| Student activities | - | - | - | 771 | 771 | 15,993 |
| Total net auxiliary enterprises | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,510,222</u> | <u>3,510,222</u> | <u>3,576,463</u> |
| Total operating revenues | <u>\$ 10,191,423</u> | <u>5,296,131</u> | <u>15,487,554</u> | <u>3,510,222</u> | <u>18,997,776</u> | <u>24,917,937</u> |

In accordance with Education Code 56.033, \$302,414 and \$304,107 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2024 and 2023, respectively.

See accompanying independent auditor's report.

Kilgore Junior College District
Schedule of Operating Expenses by Object
(Schedule B)

Year Ended August 31, 2024
(With Memorandum Totals for the Year Ended August 31, 2023)

| | Operating Expenses | | | | Total | |
|------------------------------------------------|-----------------------|-----------|-----------|-------------------|------------|------------|
| | Salaries and Wages | Benefits | | Other Expenses | | |
| | | State | Local | | 2024 | 2023 |
| Unrestricted - educational activities: | | | | | | |
| Instruction | \$ 11,714,094 | - | 466,176 | 1,386,553 | 13,566,823 | 13,143,441 |
| Public service | - | - | - | 6,834 | 6,834 | 2,925 |
| Academic support | 2,381,354 | - | 94,769 | 396,701 | 2,872,824 | 2,666,417 |
| Student services | 1,605,699 | - | 63,901 | 290,300 | 1,959,900 | 1,628,163 |
| Institutional support | 5,392,704 | - | 214,609 | 5,142,661 | 10,749,974 | 8,949,739 |
| Operation and maintenance of plant | 122,034 | - | 4,856 | 5,924,038 | 6,050,928 | 5,072,669 |
| Scholarships and fellowships | - | - | - | 1,239,853 | 1,239,853 | 1,359,177 |
| Total unrestricted educational activities | 21,215,885 | - | 844,311 | 14,386,940 | 36,447,136 | 32,822,531 |
| Restricted - educational activities: | | | | | | |
| Instruction | 785,548 | 1,785,674 | 31,262 | 492,423 | 3,094,907 | 2,666,664 |
| Public service | 329,587 | 44,227 | 13,116 | 248,852 | 635,782 | 619,013 |
| Academic support | 4,150 | 399,593 | 165 | 92,645 | 496,553 | 434,523 |
| Student services | 771,195 | 404,573 | 30,691 | 170,856 | 1,377,315 | 1,417,584 |
| Institutional support | - | 790,820 | - | 61,916 | 852,736 | 767,459 |
| Operation and maintenance of plant | - | - | - | - | - | - |
| Scholarships and fellowships | - | - | - | 2,695,947 | 2,695,947 | 3,281,561 |
| Total restricted educational activities | 1,890,480 | 3,424,887 | 75,234 | 3,762,639 | 9,153,240 | 9,186,804 |
| Total educational activities | 23,106,365 | 3,424,887 | 919,545 | 18,149,579 | 45,600,376 | 42,009,335 |
| Auxiliary enterprises | 1,539,769 | - | 241,657 | 4,109,526 | 5,890,952 | 4,955,698 |
| Depreciation and amortization: | | | | | | |
| Buildings and other improvements | - | - | - | 2,018,017 | 2,018,017 | 1,419,304 |
| Software | - | - | - | 381,151 | 381,151 | 393,689 |
| Equipment | - | - | - | 3,514,374 | 3,514,374 | 3,059,475 |
| Library books | - | - | - | 10,710 | 10,710 | 15,102 |
| Exhibits | - | - | - | 11,833 | 11,833 | 11,831 |
| Total depreciation and amortization expense | - | - | - | 5,936,085 | 5,936,085 | 4,899,401 |
| Total operating expenses | \$ 24,646,134 | 3,424,887 | 1,161,202 | 34,131,275 | 57,427,413 | 51,864,434 |

See accompanying independent auditor's report.

Kilgore Junior College District
Schedule of Nonoperating Revenues and Expenses
(Schedule C)

Year Ended August 31, 2024
(With Memorandum Totals for the Year Ended August 31, 2023)

| | Unrestricted | Restricted | Auxiliary Enterprises | Total | |
|----------------------------------------------------------------|----------------------|-------------------|--------------------------|-------------------|-------------------|
| | | | | 2024 | 2023 |
| Nonoperating revenues: | | | | | |
| State appropriations: | | | | | |
| Education and general state support | \$ 13,778,730 | - | - | 13,778,730 | 9,654,902 |
| FAST program support | 1,110,728 | - | - | 1,110,728 | - |
| Hazelwood Legacy Act | 146,582 | - | - | 146,582 | 28,808 |
| State group insurance | - | 1,707,286 | - | 1,707,286 | 1,480,903 |
| State retirement matching | - | 1,717,601 | - | 1,717,601 | 1,125,272 |
| Total state appropriations | <u>15,036,040</u> | <u>3,424,887</u> | <u>-</u> | <u>18,460,927</u> | <u>12,289,885</u> |
| Maintenance ad valorem taxes | 9,351,384 | - | - | 9,351,384 | 7,997,101 |
| Federal grants and contracts | - | 11,549,167 | - | 11,549,167 | 10,287,424 |
| Investment income | 1,806,815 | - | - | 1,806,815 | 1,496,266 |
| Gifts | 250 | 272,115 | 477,639 | 750,004 | 656,509 |
| Insurance proceeds | - | - | - | - | 5,900 |
| Other | <u>532</u> | <u>-</u> | <u>-</u> | <u>532</u> | <u>-</u> |
| Total nonoperating revenues | <u>26,195,021</u> | <u>15,246,169</u> | <u>477,639</u> | <u>41,918,829</u> | <u>32,733,085</u> |
| Nonoperating expenses: | | | | | |
| Interest on capital related debt, leases, and subscriptions | 328,703 | - | - | 328,703 | 136,097 |
| Loss on disposal of capital assets | <u>1,361,088</u> | <u>-</u> | <u>-</u> | <u>1,361,088</u> | <u>82,817</u> |
| Total nonoperating expenses | <u>1,689,791</u> | <u>-</u> | <u>-</u> | <u>1,689,791</u> | <u>218,914</u> |
| Net nonoperating revenues | <u>\$ 24,505,230</u> | <u>15,246,169</u> | <u>477,639</u> | <u>40,229,038</u> | <u>32,514,171</u> |

See accompanying independent auditor's report.

Kilgore Junior College District

Schedule of Net Position by Source and Availability (Schedule D)

Year Ended August 31, 2024

| | Detail by Source | | | | | Available for Current Operation | |
|--------------------------------------------|------------------|------------|--------------------|-------------------------------------|-------------|------------------------------------|------------|
| | Unrestricted | Restricted | | Net Investment in Capital Assets | Total | Yes | No |
| | | Expendable | Non- Expendable | | | | |
| Current: | | | | | | | |
| Unrestricted | \$ (9,546,020) | - | - | - | (9,546,020) | (9,546,020) | - |
| Restricted | - | 1,484,398 | - | - | 1,484,398 | - | 1,484,398 |
| Auxiliary | (9,412,818) | - | - | - | (9,412,818) | (9,412,818) | - |
| Plant: | | | | | | | |
| Unexpended | 1,328,265 | - | - | - | 1,328,265 | 1,328,265 | - |
| Debt service | - | (388,846) | - | - | (388,846) | - | (388,846) |
| Investment in plant | - | - | - | 60,997,004 | 60,997,004 | - | 60,997,004 |
| Total net position, August 31, 2024 | (17,630,573) | 1,095,552 | - | 60,997,004 | 44,461,983 | (17,630,573) | 62,092,556 |
| Total net position, August 31, 2023 | (12,761,544) | (273,225) | - | 55,697,351 | 42,662,582 | (12,761,544) | 55,424,126 |
| Net increase (decrease) in net position | \$ (4,869,029) | 1,368,777 | - | 5,299,653 | 1,799,401 | (4,869,029) | 6,668,430 |

See accompanying independent auditor's report.

Kilgore Junior College District

Schedule of Expenditures of Federal Awards (Schedule E)

Year Ended August 31, 2024

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------|---------------------------------------|----------------------------------|
| <u>U.S. Department of Education:</u> | | | | |
| Direct Programs: | | | | |
| Student Financial Assistance Cluster: | | | | |
| Federal Supplemental Education Opportunity Grant Program | 84.007 | | \$ - | \$ 173,128 |
| Federal Work Study Program | 84.033 | | - | 173,173 |
| Federal Pell Grant Program | 84.063 | | - | 11,202,866 |
| Federal Direct Student Loans | 84.268 | | - | 5,437,903 |
| Total Student Financial Assistance Cluster | | | - | 16,987,070 |
| TRIO Cluster: | | | | |
| TRIO - Student Support Services | 84.042A | | - | 282,902 |
| TRIO - Upward Bound | 84.047A | | - | 284,521 |
| TRIO - Employment Opportunity Center | 84.066A | | - | 228,956 |
| Total TRIO Cluster | | | - | 796,379 |
| Education Stabilization Fund: | | | | |
| Pass Through From: | | | | |
| Texas Higher Education Coordinating Board: COVID-19 TRUE 2 Reskilling Support Fund Grant Program | 84.425C | THECB 00295 | - | 110,427 |
| Total Education Stabilization Fund | | | - | 110,427 |
| Pass Through From: | | | | |
| Humanities of Texas: | | | | |
| East Texas Oil Museum | 42.129 | 2023-6885 | - | 1,663 |
| Texas Shakespeare Festival | 42.129 | 2023-6848 | - | 5,000 |
| Total Humanities of Texas Grants | | | - | 6,663 |
| Literacy Council of Tyler: | | | | |
| Adult Education & Family Literacy Act | 84.002 | 0818ALA00C | - | 501,536 |
| Adult Education & Family Literacy Act | 84.002 | 0818ALA000 | - | 148,330 |
| Total Adult Education & Family Literacy Act | | | - | 649,866 |
| Texas Higher Education Coordinating Board: | | | | |
| Carl Perkins - Career and Technical Education - Basic Grants to States | 84.048 | 2242020271 | - | 478,071 |
| Total Vocational Education - State Basic Grant Program | | | - | 478,071 |
| Total U.S. Department of Education | | | - | 19,028,476 |
| <u>U.S. Department of Defense</u> | | | | |
| Direct Program: | | | | |
| GenCyber Program | 12.903 | | - | 84,633 |
| Total U.S. Department of Defense | | | - | 84,633 |
| <u>U.S. Department of Justice</u> | | | | |
| Pass Through From: | | | | |
| Texas Office of Governor | | | | |
| Justice Assistance Grant - KCPD - Squad Car | 16.738 | 15PBJA-21-GG-00289-JAGX | - | 27,500 |
| Justice Assistance Grant - Police Academy - Simulator | 16.738 | 15PBJA-21-GG-00289-JAGX | - | 24,995 |
| Total U.S. Department of Justice | | | - | 52,495 |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Pass Through From: | | | | |
| Texas Workforce Commission: | | | | |
| Entrepreneurship Bootcamp | 93.558 | KC-EBC-PY22-01 | - | 382 |
| Total Texas Workforce Commission | | | - | 382 |
| Total U.S. Department of Health and Human Services | | | - | 382 |
| Total Federal Awards | | | \$ - | \$ 19,165,986 |

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

Kilgore Junior College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2024

(1) Federal Revenue Reconciliation

Federal revenues for 2024 are reported in the basic financial statements as follows:

| | |
|-------------------------------------------------------------|--------------------------|
| Federal grants and contracts per Exhibit 2 | \$ 14,007,658 |
| Add: Federal Direct Student Loans made | 5,437,903 |
| Less: Amounts not subject to single audit | <u>(279,575)</u> |
| Total per Schedule of Expenditures of Federal Awards | \$ <u>19,165,986</u> |

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Kilgore Junior College District (the District) under programs of the federal government for the year ended August 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(4) Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Kilgore Junior College District

Schedule of Expenditures of State Awards (Schedule F)

Year Ended August 31, 2024

| <u>Grantor Agency/Program Title</u> | <u>Grant Contract Number</u> | <u>Passed Through to Subrecipients</u> | <u>Indirect Costs and Expenditures</u> |
|-------------------------------------------------|--------------------------------------|------------------------------------------------|----------------------------------------------------|
| Texas Higher Education Coordinating Board | | | |
| State Work Study | | \$ - | \$ 44,926 |
| Nursing Shortage Grant | 27009 | - | 17,029 |
| Texas Education Opportunity Grant | | - | 171,456 |
| Total Texas Higher Education Coordinating Board | | - | 233,411 |
| Texas Workforce Commission | | | |
| Jobs Education for Texas 2 | 0823JET002 | - | 209,446 |
| Total Texas Workforce Commission | | - | 209,446 |
| Literacy Council of Tyler | | | |
| Adult Education and Literacy - State | 0820AEL001 | - | 43,730 |
| Total Literacy Council of Tyler | | - | 43,730 |
| Texas Commission on the Arts | | | |
| Texas Shakespeare Festival | | - | 19,000 |
| | | - | 19,000 |
| Total State Awards | | \$ - | \$ 505,587 |

See accompanying independent auditor's report and notes to schedule of expenditures of state awards.

Kilgore Junior College District

Notes to Schedule of Expenditures of State Awards

Year Ended August 31, 2024

(1) State Revenue Reconciliation

State revenues for 2024 are reported in the basic financial statements as follows:

| | |
|----------------------------------------------------|--------------------------|
| State grants and contracts per Exhibit 2 | \$ <u>505,587</u> |
| Total per Schedule of Expenditures of State Awards | \$ <u><u>505,587</u></u> |

(2) Basis of Presentation

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of Kilgore Junior College District (the District) under programs of the state government for the year ended August 31, 2024. The information in this Schedule is presented in accordance with the requirements of the *Texas Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Texas Grant Management Standards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Overall Compliance, Internal Control and
Federal Awards Section**



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
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**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:

We have audited, 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, the financial statements of the business-type activities and the discretely presented component unit of Kilgore Junior College District (the District) as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 14, 2025. The financial statements of The Kilgore College Foundation, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Kilgore College Foundation.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such, that there is a reasonable possibility that a material misstatement of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control as described in the accompanying schedule of findings and questioned costs, as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the *Public Funds Investment Act* (Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Public Funds Investment Act*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Jaynes, Reitzmeier, Boyd & Threlkeld, P.C.

April 14, 2025



JAYNES REITMEIER BOYD & THERRELL, P.C.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE***

The Board of Trustees
Kilgore Junior College District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kilgore Junior College District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Jaynes, Reitzmeier, Boyd & Threlkeld, P.C.

April 14, 2025

Kilgore Junior College District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2024

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- o Material weakness(es) identified? x yes no
- o Significant deficiency(ies) identified that are not
considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- o Material weakness(es) identified? yes x no
- o Significant deficiency(ies) identified that are not
considered to be material weaknesses? yes x none reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR section 200.516(a) of the Uniform

Guidance? yes x no

Identification of major federal programs:

Assistance Listing Number(s) Name of Federal Program or Cluster

| Student Financial Assistance Cluster: | |
|---------------------------------------|------------------------------------------------------------|
| 84.007 | Federal Supplemental Educational Opportunity Grant Program |
| 84.033 | Federal Work-Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans Program |

Dollar threshold used to distinguish between type A and
type B federal programs:

\$750,000

Auditee qualified as low-risk auditee for federal programs? yes x no

Kilgore Junior College District
Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings

Finding 2024-001 – Controls over Annual Financial Reporting

As noted in prior audits and consistent with current year, the financial statements and related note disclosures of the District have been completed by the independent accounting firm at the District's request. As a result of audit procedures, there were material audit adjustments identified to properly state allowance for doubtful accounts, prepaid expenses, capital assets and related depreciation, accrued liabilities, unearned revenue, lease and subscription liabilities, pension and OPEB liabilities and related deferred outflows and inflows, notes payable, and grant revenue as of year-end.

The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, we cannot be considered a part of the District's internal controls. Consequently, given the material adjustments identified as a result of our audit procedures, a material weakness in controls over annual financial reporting exists.

Views of Responsible Officials

The Kilgore Junior College District acknowledges the repeat audit finding regarding our reliance on an independent accounting firm for preparing certain financial statements and schedules and the material adjustments as identified. In response, we are actively addressing this issue by expanding our accounting team to enhance our internal capabilities for independently managing all aspects of financial reporting and sound accounting practices. This expansion is aimed at ensuring full compliance with financial reporting standards and rectifying the control deficiency. We have added additional positions to our accounting team in 2024. However, we encountered staff turnover that delayed progress. In addition to hiring a qualified team, we are focusing on improving process documentation and reference materials for accounting staff. We believe these measures will significantly strengthen our financial management and reporting processes.

Responsible Individuals: Terry Hanson, Vice-President of Administrative Services/CFO;
Brazy Sammons, Controller

Anticipated Completion Date: August 31, 2025

(3) Federal Award Findings and Questioned Costs

None noted.

Kilgore Junior College District
Summary Schedule of Prior Audit Findings

August 31, 2024

Repeat Finding 2023-001 – Controls over Annual Financial Reporting

As noted in prior audits, the financial statements and related note disclosures of the District have been completed by the independent accounting firm at the District's request. As a result of audit procedures, there were material audit adjustments identified to properly state construction in progress, compensated absences, and certain accrued liabilities at year-end. Furthermore, there were material errors identified in District-prepared schedules for implementation of the new accounting standard related to subscription-based information technology arrangements which also resulted in a material audit adjustment.

The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, we cannot be considered a part of the District's internal controls. Consequently, given the material adjustments identified as a result of our audit procedures, a material weakness in controls over annual financial reporting exists.

Views of Responsible Officials

The Kilgore Junior College District acknowledges the repeat audit finding regarding our reliance on an independent accounting firm for preparing certain financial statements and schedules, including the year-end construction in progress entry that was material this year, along with other year-end accruals. In response, we are actively addressing this issue by expanding our accounting team to enhance our internal capabilities for independently managing all aspects of financial reporting. This expansion is aimed at ensuring full compliance with financial reporting standards and rectifying the control deficiency. We now have a schedule that meets the requirement for the new accounting standard related to subscription-based information technology. Our commitment to this improvement demonstrates our dedication to financial transparency and accountability, and we believe these measures will significantly strengthen our financial management and reporting processes. See current year finding 2024-001.