

KILGORE COLLEGE
ANNUAL FINANCIAL REPORT
YEARS ENDED AUGUST 31, 2025 AND 2024



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INTRODUCTORY SECTION

**KILGORE COLLEGE
BOARD OF TRUSTEES AND PRINCIPAL ADMINISTRATIVE OFFICERS
AUGUST 31, 2025**

Board of Trustees

	<u>Term Expires</u>
Officers:	
Josh Edmonson – President Kilgore, Texas	2027
Janice Bagley – Vice President Overton, Texas	2031
Gina DeHoyos – Secretary Sabine County, Texas	2029
Members:	
Kelvin Darden, Overton, Texas	2027
Erin Yohn, Gladewater, Texas	2027
Travis Martin, Kilgore, Texas	2029
Jennifer Hattaway, Kilgore, Texas	2029
Jeanne Johnson, Kilgore, Texas	2031
Jason Steele, Gladewater, Texas	2031

Principal Administrative Officers

Dr. Staci Martin	President
Brazy Sammons	Vice President of Administrative Services and Chief Financial Officer
Donald Seals	Vice President of Student Learning, Engagement & Student Success and Chief Academic Officer
Kara Sharman	Vice President of Operations

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Kilgore College
Kilgore, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the discretely presented component unit of Kilgore College (the District), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Kilgore College, as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of The Kilgore College Foundation (the Foundation), which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the District as of August 31, 2025. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Other Matter

The 2024 financial statements of the District were audited by other auditors whose report dated April 14, 2025, expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audit 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Kilgore College'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 Kilgore College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of the net pension liability, the schedule of the District's contributions to the Teacher Retirement System of Texas, the schedule of the District's proportionate share of the OPEB liability, and the schedule of the District's contributions to the Employee retirement System of Texas 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 GAAS, 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 supplementary 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 schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Texas Grant Management Standards* and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS by us and other auditors. In our opinion, the supplemental information and the 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 report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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.

Board of Trustees
Kilgore College

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Dallas, Texas
May 27, 2026

**KILGORE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2025 AND 2024**

Our discussion and analysis of Kilgore College's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2025, with fiscal years 2024 and 2023 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.

**KILGORE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2025 AND 2024**

Financial Highlights

- Total assets and deferred outflows for 2025 were \$115.8 million, decreasing by \$4.0 million from 2024. Total assets and deferred outflows for 2024 were \$119.8 million, decreasing by nearly \$0.7 million from 2023. Total liabilities and deferred inflows for 2025 were \$70.2 million, decreasing by \$5.1 million from 2024, due to decreases in deferred inflows.
- Net position as of August 31, 2025 was \$45.6 million, an increase of \$1.1 million from 2024, primarily due to an increase in investment in capital assets. 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 at August 31, 2023 was \$42.7 million.
- Total operating revenues in 2025 were \$17.8 million, a \$1.2 million dollar decrease from 2024, primarily due to a decrease in local grant funding and non-dual credit student tuition revenue. 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.
- Operating expenses were \$61.8 million in 2025, an increase of \$4.3 million from 2024 primarily due to an increase in instruction related expenses to improve student success, and depreciation on capital assets. Operating expenses were \$57.4 million in 2024, up \$5.6 million from 2023 primarily due to increased expenses to address rising costs and support structures to improve student success. Scholarships and fellowships decreased steadily from 2022 to 2024 due to full utilization of HEERF distributions for student aid related to the COVID 19 pandemic.
- Net nonoperating revenues (expenses) were \$45.1 million in 2025, up \$4.9 million from 2024 primarily due to state appropriations, and federal grants and contracts. 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.
- Capital assets (net) increased by approximately \$2.1 million in 2025, increased \$9.7 million in 2024 and \$3.1 million in 2023.
- Outstanding debt decreased by approximately \$0.4 million in 2025 and decreased by \$0.4 million in 2024. Outstanding debt was \$19.8 million for 2023.

**KILGORE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2025 AND 2024**

Statement of Net Position

The District's net position increased \$1.1 million compared to an approximate \$1.8 million increase in the prior year, increasing from \$44.5 million to \$45.6 million.

	2025	2024	2023	Increase (Decrease)	
				2024 to 2025	2023 to 2024
Assets					
Current Assets	\$ 26,836,380	\$ 30,656,224	\$ 40,357,666	\$ (3,819,844)	\$ (9,701,442)
Noncurrent Assets:					
Capital Assets, Net of Depreciation	78,758,202	76,686,428	67,020,140	2,071,774	9,666,288
Other	5,122,928	6,481,617	6,677,589	(1,358,689)	(195,972)
Total Assets	<u>110,717,510</u>	<u>113,824,269</u>	<u>114,055,395</u>	<u>(3,106,759)</u>	<u>(231,126)</u>
Deferred Outflows of Resources	<u>5,078,909</u>	<u>5,954,600</u>	<u>6,435,030</u>	<u>(875,691)</u>	<u>(480,430)</u>
Liabilities					
Current Liabilities	14,118,759	16,945,681	16,635,567	(2,826,922)	310,114
Noncurrent Liabilities	50,179,498	48,936,665	49,329,795	1,242,833	(393,130)
Total Liabilities	<u>64,298,257</u>	<u>65,882,346</u>	<u>65,965,362</u>	<u>(1,584,089)</u>	<u>(83,016)</u>
Deferred Inflows of Resources	<u>5,892,096</u>	<u>9,434,540</u>	<u>11,862,481</u>	<u>(3,542,444)</u>	<u>(2,427,941)</u>
Net Position					
Net Investment in Capital Assets	67,051,266	60,997,004	55,697,351	6,054,262	5,299,653
Restricted	1,789,829	1,095,552	(273,225)	694,277	1,368,777
Unrestricted	(23,235,029)	(17,630,573)	(12,761,544)	(5,604,456)	(4,869,029)
Total Net Position	<u>\$ 45,606,066</u>	<u>\$ 44,461,983</u>	<u>\$ 42,662,582</u>	<u>\$ 1,144,083</u>	<u>\$ 1,799,401</u>

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 \$26.8 million were sufficient to cover current liabilities of \$14.1 million, giving a current ratio of 1.9 comparable to 1.8 for fiscal year 2024. The current ratio was 2.4 for fiscal year 2023.

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 (\$23.2) million at August 31, 2025 compared to a deficit expendable net position of (\$17.6) million at August 31, 2024. Operating expenses for the same periods were \$61.8 million and \$57.4 million. The District continued to report a deficit in expendable net position at August 31, 2025 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 2025 and 2024 was (37.5%) and (30.7%), respectively. The ratio was (24.6%) for fiscal year 2023.

The District's accumulated cash and cash equivalent balances decreased from \$23.6 million in 2024 to \$18.7 million in 2025. This decrease is due to continued investment in capital assets. The District's accumulated cash and cash equivalent balances increased from \$33.4 million in 2023 to \$23.6 million in 2024. This decrease is due to continued investment in capital assets.

**KILGORE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2025 AND 2024**

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 nonoperating 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, 2025, 2024 and 2023.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues:			
Tuition and Fees, Net	\$ 8,948,577	\$ 9,451,934	\$ 8,862,761
Federal Grants and Contracts	2,470,491	2,458,491	10,329,562
State Grants and Contracts	2,050,691	505,587	738,338
Local Grants and Contracts	231,000	2,332,053	685,235
Auxiliary Enterprises, Net	3,513,906	3,510,222	3,576,463
Other	589,026	739,489	725,578
Total	<u>17,803,691</u>	<u>18,997,776</u>	<u>24,917,937</u>
Operating Expenses:			
Instruction	19,912,639	16,661,730	15,810,105
Public Service	665,755	642,616	621,938
Academic Support	4,057,395	3,369,377	3,100,940
Student Services	3,711,500	3,337,215	3,045,747
Institutional Support	12,750,415	11,602,710	9,717,198
Operation and Maintenance of Plant	5,104,184	6,050,928	5,072,669
Scholarships and Fellowships	4,054,037	3,935,800	4,640,738
Auxiliary Enterprises	5,969,539	5,890,952	4,955,698
Depreciation	5,527,251	5,936,085	4,899,401
Total Operating Expenses	<u>61,752,715</u>	<u>57,427,413</u>	<u>51,864,434</u>
Operating Loss	(43,949,024)	(38,429,637)	(26,946,497)
Nonoperating Revenues (Expenses):			
State Appropriations	20,683,948	18,460,927	12,289,885
Ad Valorem Taxes	10,143,322	9,351,384	7,997,101
Federal Grants and Contracts	12,634,447	11,549,167	10,287,424
Interest on Debt	(295,893)	(328,703)	(136,097)
Other	1,927,283	1,196,263	2,075,858
Total Nonoperating Revenues	<u>45,093,107</u>	<u>40,229,038</u>	<u>32,514,171</u>
Increase in Net Position	<u>\$ 1,144,083</u>	<u>\$ 1,799,401</u>	<u>\$ 5,567,674</u>

**KILGORE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2025 AND 2024**

Operating and Nonoperating Revenues

Tuition and fees revenue is reported net of scholarships and discounts. The last few years, the college has seen their overall headcount increase. 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. The net decrease in tuition and fees from fiscal year 2024 to 2025 is attributed to a decrease in non-dual credit tuition revenue.

Federal grants and contracts revenue increased \$1.1 million in 2025 primarily due to an increase in Federal PELL from 2024. The decrease of \$6.6 million in federal grants and contracts revenue from 2023 to 2024 is primarily due to the reduction and ending of student distributions and recognition of allowable institutional uses under HEERF assistance for COVID-19 related items.

State grants and contracts revenue increased \$1.5 million from 2024 to 2025. This is primarily due to an increase in participation in the grants from Texas Workforce as well as the addition of the Texas School Ready grant. State grants and contracts revenue remained flat from 2023 to 2024. State grants and contracts revenue were approximately \$0.7 million in 2023.

Local grants and contracts revenue decreased \$2.1 million in 2025 and increased \$1.6 million in 2024 due to contributions from the Kilgore College Foundation for the Health Science facility. Local grants and contracts approximated \$0.7 million for 2023.

Auxiliary enterprises revenue, net approximated \$3.5 million for 2025, \$3.5 million for 2024 and \$3.6 million in 2023.

State appropriations increased \$2.2 million in 2025, and increased \$6.2 in 2024. 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 \$10.1 million for 2025, which is a \$0.8 million increase from fiscal year 2024 as taxable assessed values increased. Ad valorem tax revenue was \$9.4 million in 2024 and \$8.0 million in 2023.

Other non-operating revenues mainly consist of investment income and gifts. These revenues decreased by \$0.7 million from 2024 to 2025 due to interest received on cash and investments. Other non-operating revenues increased by \$0.4 million from 2023 for interest received on cash and investments for 2024.

**KILGORE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2025 AND 2024**

Operating and Nonoperating Expenses

Operating expenses totaled \$61.8 million in 2025, which is a \$4.3 million increase from fiscal year 2024. The increase is primarily due to increased expenses for instruction of \$3.3 million, increased academic support of \$0.7 million, increased student services of \$0.4 million, and increased institutional support of \$1.1 million. This increase was offset by decreased operation and maintenance of \$0.9 million and decreased depreciation of \$0.4 million for capital assets. Operating expenses totaled \$57.4 million in 2024, which is a \$5.6 million increase from fiscal year 2023. The increase is primarily due to increased expenses for instruction of \$0.9 million, increased funding of operation 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 were \$51.9 million for 2023.

Non-operating expenses totaled \$0.3 million in 2025, and \$1.7 million in 2024. This was due to a \$1.4 million disposal of capital asset in addition to \$0.3 million in interest on debt.

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 noncapital 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 2025, the District had \$78.8 million invested in a broad range of capital assets, as noted in the below table. Capital asset additions were \$7.6 million and capital asset disposals were \$0.01 million in 2025. Significant additions in fiscal year 2025 included multiple roof and building renovations. There were no significant disposals in fiscal year 2025. 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 in 2024. Significant additions in fiscal year 2024 included completion of the pedestrian bridge, significant roof improvements, HVAC improvements, CDL drive track, and equipment purchases. More information on capital assets can be found in Note 6 to the financial statements.

**KILGORE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2025 AND 2024**

Capital Assets and Debt Administration (continued)

**Schedule of Capital Assets
(net of accumulated depreciation)**

	2025	2024	2023
Land	\$ 4,208,950	\$ 4,208,950	\$ 4,208,950
Construction in Progress	720,536	1,353,379	6,339,303
Buildings	39,447,942	37,435,306	33,856,991
Buildings - Right-of-Use Lease Assets	4,548,927	4,881,283	300,577
Land Improvements and Infrastructure	11,448,805	11,416,701	3,549,924
Leasehold Improvements	914,463	1,001,543	1,088,624
Library Books	76,762	95,579	106,289
Equipment	14,099,570	14,425,171	14,968,619
Equipment - Right-of-Use Lease Assets	961,530	1,300,894	1,640,257
Exhibits	41,800	41,800	53,633
Software - Right-of-Use Subscription Assets	2,288,917	525,822	906,973
Total	<u>\$ 78,758,202</u>	<u>\$ 76,686,428</u>	<u>\$ 67,020,140</u>

The District had outstanding debt of \$19.0 million, \$19.4 million, and \$19.8 million as of August 31, 2025, 2024, and 2023, respectively. The decrease from 2025 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. More information on debt can be found in Note 7 to the financial statements.

Schedule of Outstanding Debt

	2025	2024	2023
SECO Loans	\$ 9,740,720	\$ 10,687,279	\$ 11,624,430
Kilgore ISD	32,416	78,367	111,257
Maintenance Tax Note	3,655,000	4,260,000	5,000,000
Lease Liabilities	3,189,374	3,763,888	2,100,019
Subscription Liabilities	2,395,614	583,295	973,418
Total	<u>\$ 19,013,124</u>	<u>\$ 19,372,829</u>	<u>\$ 19,809,124</u>

Economic Factors and Next Year's Budgets and Rates

For fiscal year 2026, 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 2026.

**KILGORE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED AUGUST 31, 2025 AND 2024**

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

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.

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 2026, 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 a student-driven 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 COLLEGE
STATEMENTS OF NET POSITION
AUGUST 31, 2025 AND 2024**

	Primary Government	
	2025	2024
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 13,655,110	\$ 17,201,448
Accounts Receivable, Net	12,488,350	12,925,182
Prepaid Expenses	4,929	5,804
Inventories	687,991	523,790
Total Current Assets	<u>26,836,380</u>	<u>30,656,224</u>
Noncurrent Assets:		
Restricted Cash, Cash Equivalents, and Investments	5,038,168	6,396,857
Capital Assets, Net	78,758,202	76,686,428
Other Assets	84,760	84,760
Total Noncurrent Assets	<u>83,881,130</u>	<u>83,168,045</u>
Total Assets	110,717,510	113,824,269
DEFERRED OUTFLOWS OF RESOURCES	5,078,909	5,954,600
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,177,516	2,303,272
Accrued Liabilities	605,011	589,216
Funds Held for Others	144,628	858,564
Unearned Revenue	8,800,389	10,134,747
Compensated Absences - Current Portion	587,844	508,553
Lease Liabilities - Current Portion	529,855	574,514
Subscription Liabilities - Current Portion	659,090	376,257
Notes Payable - Current Portion	1,614,426	1,600,558
Total Current Liabilities	<u>14,118,759</u>	<u>16,945,681</u>
Noncurrent Liabilities:		
Compensated Absences	850,700	484,158
Lease Liabilities	2,659,519	3,189,374
Subscription Liabilities	1,736,524	207,038
Notes Payable	11,813,710	13,425,088
Net Pension Liability	9,559,112	10,124,860
OPEB Liability	23,559,933	21,506,147
Total Noncurrent Liabilities	<u>50,179,498</u>	<u>48,936,665</u>
Total Liabilities	64,298,257	65,882,346
DEFERRED INFLOWS OF RESOURCES	5,892,096	9,434,540
NET POSITION		
Net Investment in Capital Assets	67,051,266	60,997,004
Restricted for:		
Expendable:		
Education Grants and Debt Service	1,789,829	1,095,552
Unrestricted	<u>(23,235,029)</u>	<u>(17,630,573)</u>
Total Net Position	<u>\$ 45,606,066</u>	<u>\$ 44,461,983</u>

See accompanying Notes to Basic Financial Statements.

**KILGORE COLLEGE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2025 AND 2024**

	Component Unit	
	2025	2024
ASSETS		
Cash	\$ 2,001,494	\$ 1,601,063
Accounts Receivable	45,750	-
Investments	31,254,344	26,961,983
Total Assets	\$ 33,301,588	\$ 28,563,046
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ -	\$ 47,554
Total Liabilities	-	47,554
NET ASSETS		
Without Donor Restrictions	257,082	181,700
With Donor Restrictions	33,044,506	28,333,792
Total Net Assts	33,301,588	28,515,492
Total Liabilities and Net Assets	\$ 33,301,588	\$ 28,563,046

See accompanying Notes to Basic Financial Statements.

KILGORE COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED AUGUST 31, 2025 AND 2024

	Primary Government	
	2025	2024
OPERATING REVENUES		
Tuition and Fees, Net of Scholarship Allowances and Discounts of \$11,092,862 in 2025 and \$9,532,121 in 2024	\$ 8,948,577	\$ 9,451,934
Federal Grants and Contracts	2,470,491	2,458,491
State Grants and Contracts	2,050,691	505,587
Local Grants and Contracts	231,000	2,332,053
Sales and Services of Educational Activities	8,230	24,992
Auxiliary Enterprises, Net of Scholarship Allowances and Discounts of \$1,285,065 in 2025 and \$1,367,252 in 2024	3,513,906	3,510,222
Other Operating Revenues	580,796	714,497
Total Operating Revenues	<u>17,803,691</u>	<u>18,997,776</u>
OPERATING EXPENSES		
Instruction	19,912,639	16,661,730
Public Service	665,755	642,616
Academic Support	4,057,395	3,369,377
Student Services	3,711,500	3,337,215
Institutional Support	12,750,415	11,602,710
Operation and Maintenance of Plant	5,104,184	6,050,928
Scholarships and Fellowships	4,054,037	3,935,800
Auxiliary Enterprises	5,969,539	5,890,952
Depreciation and Amortization	5,527,251	5,936,085
Total Operating Expenses	<u>61,752,715</u>	<u>57,427,413</u>
OPERATING LOSS	(43,949,024)	(38,429,637)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	20,683,948	18,460,927
Ad Valorem Taxes for Maintenance and Operations	10,143,322	9,351,384
Federal Grants and Contracts	12,634,447	11,549,167
Investment Income	1,156,168	1,806,815
Gifts	771,115	750,004
Interest on Capital Asset-Related Debt, Less Leases and Subscriptions	(295,893)	(328,703)
Loss on Disposal of Capital Assets	-	(1,361,088)
Other Nonoperating Revenues (Expenses), Net	-	532
Total Nonoperating Revenues, Net	<u>45,093,107</u>	<u>40,229,038</u>
CHANGE IN NET POSITION	1,144,083	1,799,401
Net Position - Beginning of Year	<u>44,461,983</u>	<u>42,662,582</u>
NET POSITION - END OF YEAR	<u>\$ 45,606,066</u>	<u>\$ 44,461,983</u>

See accompanying Notes to Basic Financial Statements.

**KILGORE COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2025 AND 2024**

	Component Unit	
	2025	2024
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Other Support:		
Contributions	\$ 165,617	\$ 11,659
Net Investment Income	34,733	15,644
Net Assets Released from Restrictions	1,459,138	2,579,180
Total Revenue and Other Support	1,659,488	2,606,483
Expenses:		
Program Expenses:		
Scholarships and Other Distributions	1,459,138	2,579,180
Fundraising	51,327	-
Management and General	26,702	20,411
Total Expenses	1,537,167	2,599,591
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	122,321	6,892
NET ASSETS WITH DONOR RESTRICTIONS		
Revenue and Other Support:		
Contributions	2,513,262	2,720,017
Fundraising	311,982	46,939
Net Investment Income	3,297,669	3,807,726
Total Revenue and Other Support	6,122,913	6,574,682
Net Assets Released from Restrictions	(1,459,138)	(2,579,180)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,663,775	3,995,502
CHANGE IN NET ASSETS	4,786,096	4,002,394
Net Assets - Beginning of Year	28,515,492	24,513,098
NET ASSETS - END OF YEAR	\$ 33,301,588	\$ 28,515,492

See accompanying Notes to Basic Financial Statements.

**KILGORE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2025 AND 2024**

	Primary Government	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 11,803,838	\$ 11,301,445
Receipts of Grants and Contracts	4,627,968	5,035,452
Other Receipts	580,796	714,497
Payments to employees	(28,320,362)	(26,442,326)
Payments to Suppliers and Students	(26,646,292)	(22,309,155)
Net Cash Used by Operating Activities	(37,954,052)	(31,700,087)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts of State Appropriations	16,862,788	15,036,040
Receipts from Ad Valorem Taxes for Maintenance and Operation	10,143,322	9,240,212
Receipts of Grants and Contracts	12,634,447	11,450,171
Receipts from Gifts for Other than Capital Purposes	771,115	750,532
Net Cash Provided by Noncapital Financing Activities	40,411,672	36,476,955
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(5,048,327)	(12,071,928)
Payments on Capital Debt, Lease, and Subscription Principal	(3,174,595)	(3,977,824)
Payments on Capital Debt, Lease, and Subscription Interest	(295,893)	(328,703)
Net Cash Used by Capital and Related Financing Activities	(8,518,815)	(16,378,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Interest on Investments	1,156,168	1,806,815
Net Cash Provided by Investing Activities	1,156,168	1,806,815
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,905,027)	(9,794,772)
Cash and Cash Equivalents - Beginning of Year	23,598,305	33,393,077
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 18,693,278	\$ 23,598,305

See accompanying Notes to Basic Financial Statements.

KILGORE COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED AUGUST 31, 2025 AND 2024

	Primary Government	
	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (43,949,024)	\$ (38,429,637)
Adjustments to Reconcile Operating Loss to Net		
Cash Used by Operating Activities:		
Depreciation and Amortization Expense	5,527,251	5,936,085
On-Behalf Payments	3,821,160	3,424,887
Changes in Operating Assets and Liabilities:		
Receivables, Net	701,024	(1,434,286)
Inventories	(164,201)	397,423
Prepaid Expenses	875	(327)
Accounts Payable and Accrued Liabilities	(1,109,961)	736,076
Funds Held for Others	(713,936)	(417,894)
Unearned Revenue	(1,334,358)	(94,202)
Compensated Absences	445,833	111,525
Net Pension/OPEB Liability	1,488,038	17,774
Changes in Deferred Inflows and Outflows:		
Deferred Inflows	875,691	480,430
Deferred Outflows	(3,542,444)	(2,427,941)
Net Cash Used by Operating Activities	\$ (37,954,052)	\$ (31,700,087)
 SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY		
State Appropriations On-Behalf Payments	\$ 3,821,160	\$ 3,424,887
Purchase of Right-of-Use Lease Assets	\$ 2,639,929	\$ 2,191,530
Loss on Disposal of Fixed Assets	\$ -	\$ 1,361,088

See accompanying Notes to Basic Financial Statements.

KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 1 NATURE OF OPERATIONS AND REPORTING ENTITY

Kilgore College (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. During the year ended August 31, 2025 and 2024, the Foundation distributed \$1,459,138 and \$2,579,180 in support and scholarships to the District. 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.

NOTE 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 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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Accounting (continued)

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 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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$204,671 and \$195,680 at August 31, 2025 and 2024, 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.

Restricted cash and cash equivalents at August 31, 2025 and 2024 are mainly comprised of resources accumulated for debt service payments and unspent proceeds from the maintenance tax note issued in 2023.

Bank balances up to \$250,000 were covered under the Federal Deposit Insurance Corporation (FDIC) for the years ended August 31, 2025 and 2024. Demand deposits not covered under the FDIC require pledged collateral, as required by state statutes. All demand deposits not covered under FDIC were covered by pledged securities for the years ended August 31, 2025 and 2024.

KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to 10 Years

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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows and Inflows of Resources (Continued)

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, 2025 and 2024 consist of the following:

	2025	2024
Deferred Outflows		
Pension Related:		
Contributions Subsequent to Measurement Date	\$ 960,332	\$ 865,704
Changes in Assumptions	493,557	957,613
Changes in Proportionate Contributions	744,263	488,615
Differences Between Projected and Actual Investment Earnings, Net	58,106	1,473,414
Differences Between Projected and Actual Economic Experience	526,886	360,752
OPEB Related:		
Contributions Subsequent to Measurement Date	790,990	713,332
Changes in Assumptions	1,289,895	717,422
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	214,880	376,011
Differences Between Projected and Actual Investment Earnings	-	1,737
Total	\$ 5,078,909	\$ 5,954,600
Deferred Inflows		
Pension Related:		
Changes in Assumptions	\$ 66,169	\$ 234,350
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	158,680	247,602
Differences Between Projected and Actual Economic Experience	74,633	122,601
OPEB Related:		
Changes in Assumptions	4,693,317	6,716,656
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	510,586	1,544,482
Differences Between Projected and Actual Investment Earnings	388,711	568,849
Total	\$ 5,892,096	\$ 9,434,540

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Unearned Revenue

Unearned revenue of the District at August 31, 2025 and 2024 consists of the following:

	2025	2024
Tuition and Fees	\$ 8,251,836	\$ 9,702,296
Grants	533,691	417,589
Other	14,862	14,862
Total	\$ 8,800,389	\$ 10,134,747

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 Postemployment 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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Adoption of New GASB Pronouncement

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for the leave that has not been used if (1) the leave is attributable to services already rendered, (2) the leave accumulates, and (3) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Statement requires that a liability for certain types of compensated absences-including parental leave, military leave, and jury duty leave-not be recognized until the leave commences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The requirements of this statement are effective for community college implementation in FY2025. The District adopted GASB Statement No. 101, *Compensated Absences* in FY2025.

In December 2023, GASB issued Statement No. 102 *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about the risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

N. Reclassifications

Certain reclassifications have been made to 2024 amounts to conform to 2025 presentation.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 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.

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits and investments of the District at August 31, 2025 and 2024 consist of the following:

	2025	2024
Deposits:		
Cash - Demand Deposits	\$ 9,621,928	\$ 14,943,843
Cash - Certificates of Deposit	8,860,579	8,452,682
Cash - Petty Cash on Hand	6,100	6,100
Total Deposits	18,488,607	23,402,625
Investments - Cash Equivalents:		
Texas Local Government Investment Pool	204,671	195,680
Total Investments - Cash Equivalents	204,671	195,680
Total Deposits and Investments	\$ 18,693,278	\$ 23,598,305

Deposits and investments of the Foundation at August 31, 2025 and 2024 consist of the following:

	2025	2024
Deposits:		
Cash - Demand Deposits	\$ 2,001,494	\$ 1,601,063
Total Deposits	2,001,494	1,601,063
Investments:		
Funds of a Management Investment Company	31,254,344	26,961,983
Total Investments	31,254,344	26,961,983
Total Deposits and Investments	\$ 33,255,838	\$ 28,563,046

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

The weighted average maturity of investments (in days) of the District at August 31, 2025 and 2024 consists of the following:

	2025	2024
Texas Local Governmental Investment Pool	42 Days	36 Days

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, 2025 and 2024, 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, 2025 and 2024 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 COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 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.

NOTE 5 DISAGGREGATION OF ACCOUNTS RECEIVABLE AND ACCRUED LIABILITIES

Accounts receivable at August 31, 2025 and 2024 consisted of the following:

	2025	2024
Student	\$ 16,568,774	\$ 15,912,077
Taxes	1,168,924	1,041,969
Grants	1,063,484	939,270
Total	18,801,182	17,893,316
Less: Allowance for Doubtful Accounts	(6,312,832)	(4,968,134)
Accounts Receivable, Net	\$ 12,488,350	\$ 12,925,182

Accrued liabilities at August 31, 2025 and 2024 consisted of the following:

	2025	2024
Salaries and Benefits	\$ 670,134	\$ 599,612
Interest	14,036	14,036
Other Payables	(79,159)	(24,432)
Total Accrued Liabilities	\$ 605,011	\$ 589,216

KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 6 CAPITAL ASSETS

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

	Balance at September 1, 2024	Additions	Transfers and Retirements	Balance at August 31, 2025
Capital Assets Not Being Depreciated:				
Land	\$ 4,208,950	\$ -	\$ -	\$ 4,208,950
Construction in Process	1,353,379	418,893	(1,051,736)	720,536
Total Capital Assets Not Being Depreciated	5,562,329	418,893	(1,051,736)	4,929,486
Capital Assets Being Depreciated:				
Buildings	66,317,561	2,432,488	1,051,736	69,801,785
Buildings - Right-of-Use Lease Assets	5,953,335	-	-	5,953,335
Land Improvements and Infrastructure	14,402,623	332,290	-	14,734,913
Leasehold Improvements	1,872,823	-	-	1,872,823
Library Books	556,161	7,682	(14,252)	549,591
Equipment	32,209,158	1,856,974	-	34,066,132
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	2,564,950	-	4,565,894
Total Capital Assets Being Depreciated	127,377,222	7,194,384	1,037,484	135,609,090
Less Accumulated Depreciation and Amortization:				
Buildings	28,882,255	1,471,588	-	30,353,843
Buildings - Right-of-Use Lease Assets	1,072,052	332,356	-	1,404,408
Land Improvements and Infrastructure	2,985,922	300,186	-	3,286,108
Leasehold Improvements	871,280	87,080	-	958,360
Library Books	460,582	12,247	-	472,829
Equipment	17,783,987	2,182,575	-	19,966,562
Equipment - Right-of-Use Lease Assets	735,287	339,364	-	1,074,651
Exhibits	1,986,636	-	-	1,986,636
Software - Right-of-Use Subscription Assets	1,475,122	801,855	-	2,276,977
Total Accumulated Depreciation	56,253,123	5,527,251	-	61,780,374
Total Capital Assets Being Depreciated, Net	71,124,099	1,667,133	1,037,484	73,828,716
Capital Assets, Net	<u>\$ 76,686,428</u>	<u>\$ 2,086,026</u>	<u>\$ (14,252)</u>	<u>\$ 78,758,202</u>

KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 6 CAPITAL ASSETS (CONTINUED)

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

	Balance at September 1, 2023	Additions	Transfers and Retirements	Balance at August 31, 2024
Capital Assets Not Being Depreciated:				
Land	\$ 4,208,950	\$ -	\$ -	\$ 4,208,950
Construction in Process	6,339,303	11,136,919	(16,122,843)	1,353,379
Total Capital Assets Not Being Depreciated	10,548,253	11,136,919	(16,122,843)	5,562,329
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 Capital Assets Being Depreciated	108,775,721	5,826,542	12,774,959	127,377,222
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	52,303,834	5,936,085	(1,986,796)	56,253,123
Total Capital Assets Being Depreciated, Net	56,471,887	(109,543)	14,761,755	71,124,099
Capital Assets, Net	<u>\$ 67,020,140</u>	<u>\$ 11,027,376</u>	<u>\$ (1,361,088)</u>	<u>\$ 76,686,428</u>

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Construction in progress at August 31, 2025 consists of:

	Spent to Date	Remaining Commitment
Dodson	\$ 418,893	\$ 1,581,107
HVAC Repair/Replacement	301,643	709,512
Total	\$ 720,536	\$ 2,290,619

NOTE 7 LONG-TERM LIABILITIES

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

	Balance at September 1, 2024	Additions	Reductions	Balance at August 31, 2025	Current Portion
Notes Payable:					
SECO Loan #1	\$ 5,199,598	\$ -	\$ 460,524	\$ 4,739,074	\$ 460,523
SECO Loan #2	5,487,681	-	486,035	5,001,646	491,487
Kilgore ISD	78,367	-	45,951	32,416	32,416
Maintenance Tax Note	4,260,000	-	605,000	3,655,000	630,000
Compensated Absences	992,711	454,764	8,931	1,438,544	587,844
Lease Liabilities	3,763,888	-	574,514	3,189,374	529,855
Subscription Liabilities	583,295	2,564,950	752,631	2,395,614	659,090
Net Pension Liability	10,124,860	-	565,748	9,559,112	-
OPEB Liability	21,506,147	2,053,786	-	23,559,933	-
Total	\$ 51,996,547	\$ 5,073,500	\$ 3,499,334	\$ 53,570,713	\$ 3,391,215

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

	Balance at September 1, 2023	Additions	Reductions	Balance at 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	-
Total	\$ 52,303,543	\$ 4,229,197	\$ 4,536,193	\$ 51,996,547	\$ 3,059,882

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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 \$78,000.

\$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.

As of August 31, 2025 and 2024, the District has borrowings outstanding of \$13,428,136 and \$15,025,646, respectively. Debt service requirements for these notes as of August 31, 2025, are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,752,514	95,550	1,848,064
2031-2035	5,065,053	134,051	5,199,104
Total	<u>\$ 13,428,136</u>	<u>\$ 1,031,112</u>	<u>\$ 14,459,248</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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Leases (Continued)

Future principal and interest requirements for lease liabilities as of August 31, 2025, are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	61,030	9,701	70,731
2031-2053	1,486,484	112,407	1,598,891
Total	<u>\$ 3,189,374</u>	<u>\$ 336,238</u>	<u>\$ 3,525,612</u>

Subscription-Based Information Technology Arrangements

The District contracts for the use of various software with information technology arrangements through 2030. The arrangements utilize an incremental borrowing rate of 8.5% and annual payment terms ranging from \$7,390 to \$482,000.

Future principal and interest requirements for subscription liabilities as of August 31, 2025, are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 659,090	\$ 45,027	\$ 704,117
2027	532,678	29,763	562,441
2028	563,170	20,843	584,013
2029	563,551	14,212	577,763
2030	77,125	2,676	79,801
Total	<u>\$ 2,395,614</u>	<u>\$ 112,521</u>	<u>\$ 2,508,135</u>

NOTE 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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 8 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with five 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 postemployment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc postemployment 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 2026. Contribution rates were as follows:

Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2025	8.25 %	\$ 1,678,748	8.25 %	\$ 815,207	8.25 %	\$ 1,678,748
2024	8.25	1,515,290	8.25	537,892	8.25	1,515,290
2023	8.00	1,304,210	8.00	462,238	8.00	1,304,210
2022	8.00	1,159,012	7.80	435,274	7.80	1,122,793

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 8 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Contributors to the plan include members, employers, and the state of Texas as the only nonemployer 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 nonemployer 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 noneducational 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 COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 8 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions. The total pension liability in the August 31, 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions:

Valuation Date

	Valuation Date	
	August 31, 2024 Rolled Forward to August 31, 2025	August 31, 2023 Rolled Forward to August 31, 2024
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	3.87%	4.13%
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 Postemployment Benefit Changes	None	None

The actuarial methods and assumptions used in the determination of the total pension liability as of August 31, 2024 and 2023 are the same, except as indicated otherwise above. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2024.

Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability as of August 31, 2024 and 2023. 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 nonemployer 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 9.56% 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 COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 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, 2024 are summarized below:

Asset Class	Target Allocation**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.A.	18.0 %	4.4 %	1.0 %
Non-U.S. Developed	13.0	4.2	0.8
Emerging Markets	9.0	5.2	0.7
Private Equity*	14.0	6.7	1.2
Stable Value:			
Government Bonds	16.0	1.9	0.4
Absolute Return*	-	4.0	-
Stable Value Hedge Funds	5.0	3.0	0.2
Real Return:			
Real Estate	15.0	6.6	1.2
Energy, Natural Resources, and Infrastructure	6.0	5.6	0.4
Commodities	-	2.5	-
Risk Parity:			
Risk Parity	8.0	4.0	0.4
Asset Allocation Leverage:			
Cash	2.0	1.0	-
Asset Allocation Leverage	(6.0)	1.3	(0.1)
Inflation Expectation	-		2.4
Volatility Drag***	-		(0.7)
Expected Return	<u>100.0 %</u>		<u>7.9 %</u>

* Absolute return includes credit sensitive investments.

** Target allocations are based on the FY2024 policy model.

*** Capital market assumptions come from Aon Hewitt (as of June 30, 2024).

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

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 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 2025 net pension liability:

	1% Decrease (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
District's Proportionate Share of the Net Pension Liability	\$ 15,268,324	\$ 9,559,112	\$ 4,828,624

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 2024 net pension liability:

	1% Decrease (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
District's Proportionate Share of the Net Pension Liability	\$ 15,137,227	\$ 10,124,860	\$ 5,957,075

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2025 and 2024, the District reported a liability of \$9,559,112 and \$10,124,860, 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, 2025 and 2024 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:

	2025	2024
District's Proportionate Share of the Net Pension Liability	\$ 9,559,112	\$ 10,124,860
State's Proportionate Share of the Net Pension Liability Associated with the District	6,820,864	7,187,991
Total	\$ 16,379,976	\$ 17,312,851

The 2025 net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

The District's proportion of the collective net pension liability was 0.015% which was consistent with its proportion measured as of August 31, 2024.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 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 participating employers to the plan for the period September 1, 2022 to 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.

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, 2025 and 2024, the District recognized total pension expense of \$1,307,342 and \$1,956,795, respectively. Of the total pension expense, for the measurement periods ended August 31, 2025 and 2024, the District recognized pension expense of \$815,207 and \$1,085,324, respectively, and revenue of \$629,263 and \$537,892, respectively, for support provided by the State.

At August 31, 2025 and 2024, 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:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 526,885	\$ 74,633
Changes in Actuarial Assumptions	493,557	66,169
Differences Between Projected and Actual Investment Earnings, Net	58,106	-
Changes in Proportion and Differences Between District's Contributions and the Proportionate Share of Contributions	744,263	158,680
Contributions Paid to TRS Subsequent to the Measurement Date	960,332	-
Total	\$ 2,783,143	\$ 299,482

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 8 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual 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 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	\$ 4,146,098	\$ 604,553

The \$960,332 reported as deferred outflows of resources at August 31, 2025 related to contributions paid to TRS subsequent to the measurement date at August 31, 2024 will be recognized as a reduction of the net pension liability in fiscal year 2026.

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
2026	\$ 1,144,212
2027	258,240
2028	(125,597)
2029	86,409

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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 8 EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Contribution rates as a percentage of compensation and contributions made for ORP for 2023, 2024, and 2025 are shown in the table below.

Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2025	8.25 %	\$ 1,678,748	8.25 %	\$ 815,207	8.25 %	\$ 1,678,748
2024	8.25	1,515,290	8.25	537,892	8.25	1,515,290
2023	8.00	1,304,210	8.00	462,238	8.00	1,304,210
2022	8.00	1,159,012	7.80	435,274	7.80	1,122,793

The total payroll for all District employees was \$26,903,493, \$24,646,134, and \$22,968,480 for the years ended August 31, 2025, 2024, and 2023, respectively. The total payroll of employees covered by ORP was \$2,823,161, \$2,860,162, and \$3,057,273 for the years ended August 31, 2025, 2024, and 2023, respectively.

NOTE 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 two 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 \$528,030 and \$537,953 at August 31, 2025 and 2024, respectively, based on employees currently eligible for retirement. In addition, \$417,192 of sick leave pool has also been accrued at August 31, 2025. 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 \$478,478 and \$432,036 at August 31, 2025 and 2024, respectively, all of which has been classified as a current liability.

The District's reporting of accrued liabilities for compensated absences is in accordance with GASB Statement No. 101, *Accounting for Compensated Absences*. Under GASB Statement No. 101, the District calculates the compensated absences liability based on recorded balances of (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. That liability is inventoried at fiscal year-end current salary costs and the cost of the net change in the liability for salary-related benefit payments is recorded in the current year in the applicable functional expenditure categories.

KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 OTHER POSTEMPLOYMENT 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.

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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 nonemployer contributing entity (NECE), the state of Texas pays part of the premiums for the junior and community colleges.

	2025	2024
Retiree Only	\$ 624.82	\$ 624.82
Retiree and Spouse	1,340.82	1,340.82
Retiree and Children	1,104.22	1,104.22
Retiree and Family	1,820.22	1,820.22

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

Year Ending August 31,	State Amount	District Amount
2025	\$ 948,486	\$ 940,742
2024	950,904	951,603
2023	976,720	978,683

Actuarial Assumptions. The total OPEB liability in the August 31, 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	Valuation Date	
	August 31, 2024	August 31, 2023
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:	Any years, age 65	Any years, age 65
Discount Rate	3.87%	3.81%
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 2026, 5.60% for fiscal year 2027, 5.25% for fiscal year 2028, 5.00% for fiscal year 2029, 4.75% for fiscal year 2030, decreasing 10 basis points per year to an ultimate rate of 4.30% for fiscal year 2033 and later years	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
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 three-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 2021 using a three-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 two-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 two-year set forward for males with Ultimate MP Projection Scale from the year 2010.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 10 OTHER POSTEMPLOYMENT 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 3.81%. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.87%, which amounted to an increase of 0.06%. 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 (3.87%) in measuring the 2024 OPEB liability:

	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
District's Proportionate Share of the OPEB Liability	\$ 27,412,118	\$ 23,559,933	\$ 20,468,512

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 OPEB Liability	\$ 24,954,794	\$ 21,506,147	\$ 18,732,312

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 10 OTHER POSTEMPLOYMENT 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 2024 OPEB liability:

	Current Healthcare Cost Trend Rates		
	(4.5% Decreasing to 3.3%)	(5.6% Decreasing to 4.3%)	(6.6% Decreasing to 5.3%)
District's Proportionate Share of the OPEB Liability	\$ 20,215,607	\$ 23,559,933	\$ 27,823,047

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 2023 OPEB liability:

	Current Healthcare Cost Trend Rates		
	(4.6% Decreasing to 3.3%)	(5.6% Decreasing to 4.3%)	(6.6% Decreasing to 5.3%)
District's Proportionate Share of the OPEB Liability	\$ 18,498,276	\$ 21,506,147	\$ 25,326,159

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 \$23,559,933 and \$21,506,147, 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, 2025 and 2024 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:

	2025	2024
District's Proportionate Share of the Net OPEB Liability	\$ 23,559,933	\$ 21,506,147
State's Proportionate Share of the Net OPEB Liability Associated with the District	22,244,601	20,471,756
Total	\$ 45,804,534	\$ 41,977,903

The 2025 OPEB liability was measured as of August 31, 2024 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, 2023 to August 31, 2024. At the measurement date of August 31, 2024, the District's proportion of the collective OPEB liability was 0.0804%, which was an increase of 0.0001% from its proportion measured as of August 31, 2023.

KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The 2025 OPEB liability was measured as of August 31, 2024 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, 2023 to August 31, 2024. At the measurement date of August 31, 2024, the District's proportion of the collective OPEB liability was 0.0804%, which was an increase of 0.0001% from its proportion measured as of August 31, 2023.

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.

For the years ended August 31, 2025 and 2024, the District recognized total OPEB benefit of \$878,494 and \$2,086,651, respectively. Of the total benefit, for the measurement period ended August 31, 2024 and 2023, the District recognized OPEB benefit of \$4,584 and \$607,538, respectively, and revenue of \$948,486 and \$950,904, respectively, for support provided by the State.

Changes Since the 2023 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.

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.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The discount rate assumption was changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 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, 2025 and 2024, 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:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 388,711
Changes in Actuarial Assumptions	1,289,895	4,693,317
Differences Between Projected and Actual Investment Earnings	-	901
Changes in Proportion and Differences Between District's Contributions and the Proportionate Share of Contributions	214,880	509,685
Contributions Paid to ERS Subsequent to the Measurement Date	790,990	-
Total	\$ 2,295,765	\$ 5,592,614
	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual 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 District's Contributions and the Proportionate Share of Contributions	-	-
Contributions Paid to ERS Subsequent to the Measurement Date	376,011	1,544,482
Total	\$ 1,808,502	\$ 8,829,987

The \$790,990 reported as deferred outflows of resources related to contributions paid to ERS subsequent to the measurement date at August 31, 2025 will be recognized as a reduction of the OPEB liability beginning in fiscal year 2026.

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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:

<u>Measurement Year Ended August 31,</u>	<u>OPEB Benefit</u>
2026	\$ (1,705,016)
2027	(1,527,840)
2028	(949,721)
2029	(16,237)
2030	110,975

NOTE 11 RELATED PARTIES

During both years ended August 31, 2025 and 2024, the District provided certain services, such as office space, utilities, and staff assistance amounting to approximately \$119,000 at no cost to the Foundation.

As a public institution, the District 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.

NOTE 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:

	<u>2025</u>	<u>2024</u>
Assess Valuation of the District	\$ 6,681,853,201	\$ 6,272,374,346
Less: Exemptions	(724,575,316)	(762,183,973)
Net Assessed Valuation of The District	<u>\$ 5,957,277,885</u>	<u>\$ 5,510,190,373</u>

Tax rates authorized and assessed (all current operations) during fiscal years 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Tax Rate per \$100 Valuation Authorized	\$ 0.200	\$ 0.200
Tax Rate per \$100 Valuation Assessed	0.177	0.180

**KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

NOTE 12 AD VALOREM PROPERTY TAXES (CONTINUED)

Taxes levied for the years ended August 31, 2025 and 2024 were \$9,967,721 and \$9,173,529, 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, 2025 and 2024 are as follows:

	2025	2024
Current Taxes Collected	\$ 9,762,274	\$ 8,999,326
Delinquent Taxes Collected	73,148	171,503
Penalties and Interest Collected	132,299	149,849
Total Collections	\$ 9,967,721	\$ 9,320,678

Current tax collections for the years ended August 31, 2025 and 2024 were approximately 99% and 98%, 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, 2025 and 2024, the District, did not enter into any significant tax abatement agreements.

NOTE 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.

NOTE 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 2025 or 2024.

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

KILGORE COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 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.

As of August 31, 2025 and 2024, various lawsuits and claims involving the District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

NOTE 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. There were no such commitments for federal or state contract and grant awards at August 31, 2025 and 2024.

NOTE 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.

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 27, 2026, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

KILGORE COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT YEARS
(SEE INDEPENDENT AUDITORS' REPORT)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.015649081	0.014739858	0.014079244	0.013359121	0.014104439	0.0144454500	0.014010400	0.014281800	0.014733000	0.016308000
District's Proportionate Share of the Net Pension Liability	\$ 9,559,112	\$ 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
State's Proportionate Share of the Net Pension Liability Associated with the District	6,820,864	7,187,991	5,880,866	2,597,529	5,870,861	5,553,473	5,515,265	3,273,061	4,025,645	4,305,508
Total	\$ 16,379,976	\$ 17,312,851	\$ 14,239,351	\$ 5,999,624	\$ 13,424,911	\$ 13,067,345	\$ 13,226,914	\$ 7,839,611	\$ 9,593,042	\$ 10,070,275
District's Covered Payroll	\$ 18,367,156	\$ 16,302,624	\$ 14,487,648	\$ 13,333,325	\$ 13,685,419	\$ 12,985,938	\$ 11,863,073	\$ 11,692,838	\$ 11,801,949	\$ 11,773,932
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	52.0%	62.1%	57.7%	25.5%	55.2%	57.9%	65.0%	39.1%	47.2%	49.0%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.5%	73.2%	75.6%	88.8%	75.5%	75.2%	73.7%	82.2%	78.0%	78.0%

KILGORE COLLEGE
SCHEDULE OF CONTRIBUTIONS TO THE TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS
(SEE INDEPENDENT AUDITORS' REPORT)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contributions	\$ 960,332	\$ 865,704	\$ 750,181	\$ 649,848	\$ 568,579	\$ 568,212	\$ 579,153	\$ 449,262	\$ 468,074	\$ 468,106
Contributions in Relation to the										
Contractually Required Contribution	960,332	865,704	750,181	649,848	568,579	568,212	579,153	449,262	468,074	468,106
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 20,348,456	\$ 18,367,156	\$ 16,302,624	\$ 14,487,648	\$ 13,333,325	\$ 13,685,419	\$ 12,985,938	\$ 11,863,073	\$ 11,692,838	\$ 11,801,949
Contributions as a Percentage of Covered Payroll	4.72%	4.71%	4.60%	4.49%	4.26%	4.15%	4.46%	3.79%	4.00%	3.97%

KILGORE COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF THE OPEB LIABILITY
LAST TEN MEASUREMENT YEARS
(SEE INDEPENDENT AUDITORS' REPORT)

	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability	0.080393990	0.080494520	0.081632940	0.080781490	0.084201820	0.081326500	0.104132200	0.097567300
District's Proportionate Share of the OPEB Liability	\$ 23,559,933	\$ 21,506,147	\$ 23,254,748	\$ 23,980,769	\$ 27,824,181	\$ 28,108,603	\$ 30,862,433	\$ 33,244,124
State's Proportionate Share of the OPEB Liability Associated with the District	22,244,601	20,471,756	22,076,248	28,011,426	25,795,331	27,827,761	17,802,444	33,124,123
Total	<u>\$ 45,804,534</u>	<u>\$ 41,977,903</u>	<u>\$ 45,330,996</u>	<u>\$ 51,992,195</u>	<u>\$ 53,619,512</u>	<u>\$ 55,936,364</u>	<u>\$ 48,664,877</u>	<u>\$ 66,368,247</u>
District's 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>
District's Proportionate Share of the OPEB Liability as a Percentage of its Covered Payroll	128.3%	131.9%	160.5%	217.4%	203.3%	216.5%	260.2%	284.3%
Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.5%	0.6%	0.6%	0.4%	0.3%	0.2%	1.3%	2.0%

* This schedule is present to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

KILGORE COLLEGE
SCHEDULE OF CONTRIBUTIONS TO THE EMPLOYEE RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS
(SEE INDEPENDENT AUDITORS' REPORT)

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ 790,990	\$ 713,332	\$ 730,265	\$ 977,948	\$ 992,208	\$ 991,903	\$ 977,733	\$ 988,903
Contributions in Relation to the								
Contractually Required Contribution	790,990	713,332	730,265	977,948	992,208	991,903	977,733	988,903
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 20,348,456	\$ 18,367,156	\$ 16,302,624	\$ 14,487,648	\$ 13,333,325	\$ 13,685,419	\$ 12,985,938	\$ 11,863,073
Contributions as a Percentage of								
Covered Payroll	3.89%	3.88%	4.48%	6.75%	7.44%	7.25%	7.53%	8.34%

* This schedule is present to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

KILGORE COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE RETIREMENT SYSTEM OF TEXAS
AUGUST 31, 2025

NOTE 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, 2024, 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.

NOTE 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 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 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.

SUPPLEMENTARY INFORMATION

KILGORE COLLEGE
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
(SEE INDEPENDENT AUDITORS' REPORT)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					2025	2024
Tuition and Fees						
State Funded Credit Courses:						
In-District Resident Tuition	\$ 1,032,935	\$ -	\$ 1,032,935	\$ -	\$ 1,032,935	\$ 1,200,326
Out-of-District Resident Tuition	2,816,296	-	2,816,296	-	2,816,296	3,299,430
Non-Resident Tuition	247,493	-	247,493	-	247,493	289,255
TPEG - Credit (Set Aside)	385,436	-	385,436	-	385,436	302,414
State Funded Continuing Education	3,093,377	-	3,093,377	-	3,093,377	1,868,835
Non-State Funded Educational Programs	82,455	-	82,455	-	82,455	69,567
Total Tuition	<u>7,657,992</u>	<u>-</u>	<u>7,657,992</u>	<u>-</u>	<u>7,657,992</u>	<u>7,029,827</u>
Fees:						
General Education Fees	2,877,169	-	2,877,169	-	2,877,169	2,879,750
Out-of-District Fees	4,676,305	-	4,676,305	-	4,676,305	4,458,652
Laboratory Fees	806,217	-	806,217	-	806,217	800,775
Testing Fees	830,036	-	830,036	-	830,036	1,011,572
Administrative Fees	2,066,119	-	2,066,119	-	2,066,119	1,635,929
Special Services Fees	9,075	-	9,075	-	9,075	8,550
Distance Learning Fees	1,202,563	-	1,202,563	-	1,202,563	1,159,000
Total Fees	<u>12,467,484</u>	<u>-</u>	<u>12,467,484</u>	<u>-</u>	<u>12,467,484</u>	<u>11,954,228</u>
Scholarship Allowances and Discounts:						
Remissions and Exemptions	(1,184,499)	-	(1,184,499)	-	(1,184,499)	(1,014,483)
Federal Grants To Students	(8,264,992)	-	(8,264,992)	-	(8,264,992)	(7,220,304)
TPEG Awards	(230,067)	-	(230,067)	-	(230,067)	(188,546)
State Grants	(567,717)	-	(567,717)	-	(567,717)	(346,933)
Local Scholarships	(929,624)	-	(929,624)	-	(929,624)	(761,855)
Total Scholarship Allowances	<u>(11,176,899)</u>	<u>-</u>	<u>(11,176,899)</u>	<u>-</u>	<u>(11,176,899)</u>	<u>(9,532,121)</u>
Total Net Tuition and Fees	8,948,577	-	8,948,577	-	8,948,577	9,451,934
Additional Operating Revenues						
Federal Grants and Contracts	-	2,470,491	2,470,491	-	2,470,491	2,458,491
State Grants and Contracts	-	2,050,691	2,050,691	-	2,050,691	505,587
Local Grants and Contracts	-	231,000	231,000	-	231,000	2,332,053
Sales and Services of Educational Activities	8,230	-	8,230	-	8,230	24,992
Other Operating Revenues	580,796	-	580,796	-	580,796	714,497
Total Additional Operating Revenues	<u>589,026</u>	<u>4,752,182</u>	<u>5,341,208</u>	<u>-</u>	<u>5,341,208</u>	<u>6,035,620</u>
Auxiliary Enterprises:						
Bookstore	-	-	-	785,984	785,984	1,049,235
Less: Discounts	-	-	-	(484,446)	(484,446)	(890,019)
Dormitories	-	-	-	1,231,506	1,231,506	1,184,224
Less: Discounts	-	-	-	(436,903)	(436,903)	(290,568)
Cafeteria	-	-	-	1,484,810	1,484,810	1,403,475
Less: Discounts	-	-	-	(279,679)	(279,679)	(186,665)
Athletics	-	-	-	57,055	57,055	81,530
East Texas Oil Museum	-	-	-	151,290	151,290	160,396
Rangerette Showcase and Museum	-	-	-	525,651	525,651	522,946
Texas Shakespeare Festival	-	-	-	343,760	343,760	369,554
Fitness Center	-	-	-	134,578	134,578	105,343
Student Activities	-	-	-	300	300	771
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,513,906</u>	<u>3,513,906</u>	<u>3,510,222</u>
Total Operating Revenues	<u>\$ 9,537,603</u>	<u>\$ 4,752,182</u>	<u>\$ 14,289,785</u>	<u>\$ 3,513,906</u>	<u>\$ 17,803,691</u>	<u>\$ 18,997,776</u>

In accordance with Education Code 56.033, \$385,436 and \$302,414 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2025 and 2024, respectively.

See accompanying Notes to Supplementary Information.

KILGORE COLLEGE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
(SEE INDEPENDENT AUDITORS' REPORT)

	Operating Expenses				Totals	
	Salaries and Wages	Benefits		Other Expenses	2025	2024
		State	Local			
Unrestricted Educational Activities						
Instruction	\$ 12,598,517	\$ -	\$ 906,532	\$ 3,361,068	\$ 16,866,117	\$ 13,566,823
Public Service	-	-	-	7,502	7,502	6,834
Academic Support	2,834,642	-	203,968	454,625	3,493,235	2,872,824
Student Services	1,734,160	-	124,782	249,733	2,108,675	1,959,900
Institutional Support	5,882,574	-	423,283	5,562,740	11,868,597	10,749,974
Operation and Maintenance of Plant	220,312	-	15,853	4,868,019	5,104,184	6,050,928
Scholarships and Fellowships	-	-	-	1,506,960	1,506,960	1,239,853
Total Unrestricted Educational Activities	23,270,205	-	1,674,418	16,010,647	40,955,270	36,447,136
Restricted Educational Activities						
Instruction	780,971	1,985,474	56,195	223,882	3,046,522	3,094,907
Public Service	368,472	56,519	26,514	206,748	658,253	635,782
Academic Support	1,175	485,482	85	77,418	564,160	496,553
Student Services	845,121	440,467	60,811	256,426	1,602,825	1,377,315
Institutional Support	-	853,218	-	28,600	881,818	852,736
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarships and Fellowships	-	-	-	2,547,077	2,547,077	2,695,947
Total Restricted Educational Activities	1,995,739	3,821,160	143,605	3,340,151	9,300,655	9,153,240
Total Educational Activities	25,265,944	3,821,160	1,818,023	19,350,798	50,255,925	45,600,376
Auxiliary Enterprises	1,637,549	-	268,980	4,063,010	5,969,539	5,890,952
Depreciation and Amortization						
Buildings and Other Improvements	-	-	-	2,191,210	2,191,210	2,018,017
Software	-	-	-	801,855	801,855	381,151
Equipment	-	-	-	2,521,939	2,521,939	3,514,374
Library Books	-	-	-	12,247	12,247	10,710
Exhibits	-	-	-	-	-	11,833
Total Depreciation and Amortization Expense	-	-	-	5,527,251	5,527,251	5,936,085
Total Operating Expenses	<u>\$ 26,903,493</u>	<u>\$ 3,821,160</u>	<u>\$ 2,087,003</u>	<u>\$ 28,941,059</u>	<u>\$ 61,752,715</u>	<u>\$ 57,427,413</u>

See accompanying Notes to Supplementary Information.

KILGORE COLLEGE
SCHEDULE OF NONOPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
(SEE INDEPENDENT AUDITORS' REPORT)

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				2025	2024
Nonoperating Revenues					
State Appropriations:					
Education and General State Support	\$ 15,031,155	\$ -	\$ -	\$ 15,031,155	\$ 13,778,730
FAST program Support	1,717,369	-	-	1,717,369	1,110,728
Hazelwood Legacy Act	114,264	-	-	114,264	146,582
State Group Insurance	-	2,451,700	-	2,451,700	1,707,286
State Retirement Matching	-	1,369,460	-	1,369,460	1,717,601
Total State Appropriations	16,862,788	3,821,160	-	20,683,948	18,460,927
Maintenance Ad Valorem Taxes	10,143,322	-	-	10,143,322	9,351,384
Federal Grants and Contracts	-	12,634,447	-	12,634,447	11,549,167
Investment Income	1,156,168	-	-	1,156,168	1,806,815
Gifts	-	279,498	491,617	771,115	750,004
Insurance Proceeds	-	-	-	-	-
Other	-	-	-	-	532
Total Nonoperating Revenues	28,162,278	16,735,105	491,617	45,389,000	41,918,829
Nonoperating Expenses					
Interest on Capital Related Debt, Leases, and Subscriptions	295,893	-	-	295,893	328,703
Loss on Disposal of Capital Assets	-	-	-	-	1,361,088
Total Nonoperating Expenses	295,893	-	-	295,893	1,689,791
Net Nonoperating Revenues	\$ 27,866,385	\$ 16,735,105	\$ 491,617	\$ 45,093,107	\$ 40,229,038

See accompanying Notes to Supplementary Information.

KILGORE COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
AUGUST 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Unrestricted	Expendable	Nonexpendable	Net Investment in Capital Assets	Total	Available for Current Operation	
						Yes	No
Current							
Unrestricted	\$ (10,257,722)	\$ -	\$ -	\$ -	\$ (10,257,722)	\$ (10,257,722)	\$ -
Restricted	-	2,291,423	-	-	2,291,423	-	2,291,423
Auxiliary	(11,622,663)	-	-	-	(11,622,663)	(11,622,663)	-
Plant							
Unexpended	(1,354,644)	-	-	-	(1,354,644)	(1,354,644)	-
Debt Service	-	(501,594)	-	-	(501,594)	-	(501,594)
Investment in Plant	-	-	-	67,051,266	67,051,266	-	67,051,266
Total Net Position, August 31, 2025	(23,235,029)	1,789,829	-	67,051,266	45,606,066	(23,235,029)	68,841,095
Total Net Position, August 31, 2024	(17,630,573)	1,095,552	-	60,997,004	44,461,983	(17,630,573)	62,092,556
Net Increase (Decrease) in Net Position	<u>\$ (5,604,456)</u>	<u>\$ 694,277</u>	<u>\$ -</u>	<u>\$ 6,054,262</u>	<u>\$ 1,144,083</u>	<u>\$ (5,604,456)</u>	<u>\$ 6,748,539</u>

KILGORE COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

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.S. Department of Education				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grant Program	84.007		\$ -	\$ 180,000
Federal Work Study Program	84.033		-	174,633
Federal Pell Grant Program	84.063		-	12,279,814
Federal Direct Student Loans	84.268		-	4,996,726
Total Student Financial Assistance Cluster			-	17,631,173
TRIO Cluster:				
TRIO - Student Support Services	84.042A		-	279,837
TRIO - Upward Bound	84.047A		-	287,910
TRIO - Employment Opportunity Center	84.066A		-	260,670
Total TRIO Cluster			-	828,417
Education Stabilization Fund:				
Pass Through From:				
Texas Higher Education Coordinating Board:				
COVID-19 TRUE 2 Reskilling Support Fund Grant Program	84.425C	THECB 00295	-	60,261
TRUE 24 Reskilling Support Fund Grant Program	84.425C		-	115,811
Total Education Stabilization Fund			-	176,072
Pass Through From:				
Humanities of Texas:				
Texas Shakespeare Festival	42.129	2023-6848	-	40,857
Total Humanities of Texas Grants			-	40,857
Literacy Council of Tyler:				
Adult Education & Family Literacy Act	84.002	0818ALA00C	-	421,604
Total Adult Education & Family Literacy Act			-	421,604
Texas Higher Education Coordinating Board:				
Carl Perkins - Career and Technical Education - Basic Grants to States	84.048	2242020271	-	426,984
Perkins Leadership	84.048A		-	19,741
Total Vocational Education - State Basic Grant Program			-	446,725
Total U.S. Department of Education			-	19,544,848
U.S. Department of Defense				
Direct Program:				
GenCyber Program	12.903		-	33,900
RBITTE Grant	47.076	2350276	-	81,742
Total U.S. Department of Defense			-	115,642
U.S. Department of Health and Human Services				
Pass Through From:				
Texas Workforce Commission:				
Entrepreneurship Bootcamp	93.558	KC-EBC-PY22-01	-	135,516
Total Texas Workforce Commission			-	135,516
Total U.S. Department of Health and Human Services			-	135,516
Total Federal Awards			\$ -	\$ 19,796,006

See accompanying Notes to Schedule of Expenditures of Federal Awards.



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

Board of Trustees
Kilgore College
Kilgore, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Kilgore College, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Kilgore College's basic financial statements, and have issued our report thereon dated May 27, 2026. Our report includes a reference to other auditors who audited the financial statements of The Kilgore College Foundation as described in our report on Kilgore College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kilgore College'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kilgore College's internal control. Accordingly, we do not express an opinion on the effectiveness of Kilgore College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

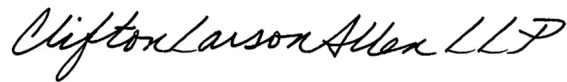
As part of obtaining reasonable assurance about whether Kilgore College’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Kilgore College’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Kilgore College’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Kilgore College’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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Dallas, Texas
May 27, 2026



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

Board of Trustees
Kilgore College
Kilgore, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kilgore College's 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 Kilgore College's major federal programs for the year ended August 31, 2025. Kilgore College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kilgore College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Kilgore College 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 qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Kilgore College'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 Kilgore College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kilgore College'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 Kilgore College'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 Kilgore College'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 Kilgore College'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 Kilgore College'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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-002, 2025-003, 2025-004, 2025-005, and 2025-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on Kilgore College's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Kilgore College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-003, 2025-004, 2025-005 and 2025-006 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Kilgore College's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Kilgore College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Trustees
Kilgore College

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Dallas, Texas
May 27, 2026

**KILGORE COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2025**

NOTE 1 FEDERAL REVENUE RECONCILIATION

Federal revenues for 2025 are reported in the basic financial statements as follows:

Federal Grants and Contracts per the Statement of Revenues, Expenses, and Changes in Net Position	\$ 15,104,938
Add: Federal Direct Student Loans Made	4,996,726
Less: Amounts Not Subject to Single Audit	<u>(305,658)</u>
Total per Schedule of Expenditures of Federal Awards	<u><u>\$ 19,796,006</u></u>

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Kilgore College (the District) under programs of the federal government for the year ended August 31, 2025. 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.

NOTE 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.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 STUDENT FINANCIAL AID INSTITUTIONAL AND PROGRAM ELIGIBILITY METRICS

The District is in compliance with the following institutional and program eligibility requirements under the Higher Education Act of 1965 and Federal regulations under 34 CFR 668.23:

- Correspondence courses the institution offers under 34 CFR 600.7(b) and (g)
- Regular students that enroll in correspondence courses under 34 CFR 600.7(b) and (g)

**KILGORE COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2025**

**NOTE 12 STUDENT FINANCIAL AID INSTITUTIONAL AND PROGRAM ELIGIBILITY METRICS
(CONTINUED)**

- Institution's regular students that are incarcerated under 34 CFR 600.7(c) and (g)
- Completion rates for confined or incarcerated individuals enrolled in non-degree programs at nonprofit institutions under 34 CFR 600.7(c)(3)(ii) and (g)
- Institution's regular students that lack a high school diploma or its equivalent under 34 CFR 600.7(d) and (g)
- Completion rates for short-term programs under 34 CFR 668.8(f) and (g)
- Placement rates for short-term programs under <https://www.ecfr.gov/current/title-34/subtitle-B/chapter-VI/part-668/subpart-A/section-668.8> 34 CFR 668.8(e)(2)

**KILGORE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

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

Type of auditors’ report issued on compliance for major federal 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? X yes no

Identification of Major Federal Programs

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.007	Federal Supplemental Education Opportunity Grants
84.268	Federal Direct Loan Program
84.033	Federal Work Study
84.063	PELL

Dollar threshold used to distinguish between Type A and type B federal programs:? \$ 750,000 / \$ 187,500

Auditee qualified as low-risk auditee? yes X no

**KILGORE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section II – Financial Statement Findings

2025 – 001

Type of Finding:

- Material Weakness in Internal Control Over Financial Reporting

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and ensuring the fair presentation of the financial position, changes in net assets, and cash flows, and disclosures in the statements, in conformity with accounting principles generally accepted in the United States of America.

Condition: Although the errors identified during our audit related to capital asset balances and net position classifications were not material to the financial statements, the absence of formal, documented reconciliations between the capital asset subsidiary records and the statement of net position increases the risk that misstatements—whether due to error or fraud—may not be prevented or detected in a timely manner. These control deficiencies reduce the reliability of capital asset and net position reporting and heighten the risk of future misstatement.

Cause: The District's process in place to ensure that year-end capital asset and net position account reconciliations are completed were not done timely and discrepancies were not corrected timely.

Effect or Potential Effect of Finding: Financial statements could be materially misstated.

Repeat Finding: No.

Recommendation: We recommend that management implement a structured reconciliation process requiring all significant accounts to be reconciled and reviewed at least quarterly, with documentation retained.

Views of Responsible Officials: There is no disagreement with the audit finding.

**KILGORE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section III – Findings and Questioned Costs – Major Federal Programs

2025 – 002

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Aid

Assistance Listing Number: Student Financial Aid Cluster

Award Period: September 1, 2024 to August 31, 2025

Type of Finding:

- Significant Deficiency in Internal Control Over Compliance
- Other Matters

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 668.164(h) states a title IV, HEA credit balance occurs whenever the amount of title IV, HEA program funds credited to a student's ledger account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period. Title IV, HEA credit balances must be paid directly to the student or parent as soon as possible, but:

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Condition: During our testing of credit balances resulting from federal funds, we noted that although the refunds were ultimately paid, 3 out of 40 credit balances tested were not refunded within the required 14-day period. It was also noted that the credit balances selected for testing lacked sufficient documentation to demonstrate proper oversight. We were unable to identify formalized review/approval procedures to ensure that internal control activities are consistently executed and documented.

Questioned Costs: None

Context: Federal regulations require institutions to refund credit balances resulting from Title IV funds within 14 days of the balance being created. Timely refunds ensure compliance with U.S. Department of Education requirements and protect students from delays in receiving funds. Failure to meet this deadline can result in noncompliance and potential financial or administrative consequences.

Cause: The District did not have proper procedures in place to ensure all credit balances are refunded within the 14-day period.

Effect or Potential Effect of Finding: The District did not refund students within 14 days for credit balances that arose from federal funds as required by the regulations.

Repeat Finding: No.

Recommendation: We recommend the District review and strengthen its policies and procedures to ensure that all student credit balances resulting from federal funds are refunded within the required 14-day period.

Views of Responsible Officials: There is no disagreement with the audit finding.

**KILGORE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2025 – 003

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Aid

Assistance Listing Number: Student Financial Aid Cluster

Award Period: September 1, 2024 to August 31, 2025

Type of Finding:

- Material Weakness in Internal Control Over Compliance
- Other Matters

Criteria or Specific Requirement: The Department of Education requires the District to report the disbursement dates and amounts to the Common Origination and Disbursement (COD) system within 15 days of disbursing Pell (34 CFR 690.83(b)(2)) and Direct Loan (34 CFR 685.309) funds to a student.

Condition: During our testing, we noted 27 of the 40 disbursements tested were not reported within the required 15 days to the Common Origination and Disbursement (COD) system. In addition, we noted 2 out of the 40 disbursements tested where the disbursement date in COD did not match the student ledger.

Questioned Costs: None

Context: During our testing, it was noted the District had gone back to update student disbursement dates to match the student ledger; however, this was not done within the 15 days.

Cause: The District identified a number of disbursement dates in COD did not match the disbursement dates per the student ledgers. Due to this, they corrected the disbursements in COD but it was not done within the 15-day-requirement.

Effect or Potential Effect of Finding: Students' interest accrues based on disbursement date reported to COD, thus interest calculation could be skewed due to the discrepancy in disbursement dates reported. The District is also not following the regulations for timely reporting.

Repeat Finding: No.

Recommendation: We recommend the District evaluate its procedures and policies around reporting disbursements to COD to ensure that student information is reported accurately and timely.

Views of Responsible Officials: There is no disagreement with the audit finding.

**KILGORE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2025 – 004

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Aid

Assistance Listing Number: Student Financial Aid Cluster

Award Period: September 1, 2024 to August 31, 2025

Type of Finding:

- Material Weakness in Internal Control Over Compliance
- Other Matters

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 685.309 requires that enrollment status changes for students be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. In addition, regulations require the data to include an accurate status and effective date.

Condition: During our testing, it was noted the campus enrollment effective date per NSLDS did not match the District's records for 23 out of the 40 students tested. In addition, the change in status was not reported timely for 13 out of the 40 students tested. Finally, for 7 out of 40 students tested, the status in NSLDS did not match the District's records.

Questioned Costs: None

Context: There were discrepancies between the campus enrollment effective dates and statuses reported to NSLDS and the District's records as well as students did not have their enrollment status change updated timely.

Cause: The District's current processes and controls did not ensure that student status changes and effective dates were accurately and timely reported to NSLDS. The effective date should be the student's last date of attendance and academically-related activity.

Effect or Potential Effect of Finding: The NSLDS system is not updated with the correct student information, which can cause a student to not properly enter the repayment period.

Repeat Finding: No.

Recommendation: We recommend the District review and strengthen its reporting procedures to ensure that student statuses are accurately and timely reported to NSLDS, as required by federal regulations.

Views of Responsible Officials: There is no disagreement with the audit finding.

**KILGORE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2025 – 005

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Aid

Assistance Listing Number: Student Financial Aid Cluster

Award Period: September 1, 2024 to August 31, 2025

Type of Finding:

- Material Weakness in Internal Control Over Compliance
- Other Matters

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 668.22(f)(2)(i), the total number of calendar days in a payment period or period of enrollment includes all days that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

Condition: During our testing of Return of Title IV (R2T4) calculations, we noted the District had used an incorrect percentage of days attended causing the District to incorrectly calculate the return of Title IV funds.

Questioned Costs: \$4,138

Context: Federal regulations require institutions to calculate and return unearned Title IV funds when a student withdraws. The calculation is based on the percentage of days attended, and funds must be returned to the COD system within 45 days of completing the R2T4 calculation. These rules ensure compliance with U.S. Department of Education requirements and protect federal funds.

Cause: The District did not have a process in place to correctly calculate the students' percentage of days attended.

Effect or Potential Effect of Finding: The District is not completing accurate R2T4 calculations as defined by the regulations. Failure to return funds timely may result in noncompliance with federal regulations, potential liabilities, and risk of loss of eligibility for Title IV programs.

Repeat Finding: No.

Recommendation: We recommend the District review the R2T4 requirements and implement procedures to ensure that calculations use the correct period of enrollment.

Views of Responsible Officials: There is no disagreement with the audit finding.

**KILGORE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2025 – 006

Federal Agency: U.S. Department of Education

Federal Program Title: Student Financial Aid

Assistance Listing Number: Student Financial Aid Cluster

Award Period: September 1, 2024 to August 31, 2025

Type of Finding:

- Material Weakness in Internal Control Over Compliance
- Other Matters

Criteria or Specific Requirement: Uniform Guidance (2 CFR 200) requires non-federal entities to establish and maintain effective internal control over federal awards that provides reasonable assurance of compliance with federal statutes, regulations, and the terms and conditions of the award. This includes documented control activities such as approvals, reviews, reconciliations, and monitoring procedures.

Condition: During our testing of internal controls over compliance, we identified that the District did not consistently implement or document key control activities related to its monthly reconciliations for Pell, Direct Loans, SEOG, and FWS.

Questioned Costs: None

Context: During our audit, we evaluated the design and operating effectiveness of the District's internal controls over compliance and noted controls were not implemented consistently or lacked sufficient documentation to demonstrate compliance.

Cause: The deficiencies appear to result from insufficient oversight and a lack of formalized procedures to ensure that internal control activities are consistently executed and documented.

Effect or Potential Effect of Finding: Without effective internal controls over compliance, the entity is at increased risk of:

- Noncompliance with federal requirements
- Improper or unallowable costs being charged to federal programs
- Reduced accountability over federal funds
- Potential questioned costs or future restrictions on federal funding

Repeat Finding: No.

**KILGORE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2025 – 006 (Continued)

Recommendation: We recommend that management:

- Strengthen and formalize internal control procedures over federal awards, including documented reviews, approvals, and reconciliations.
- Provide training to staff responsible for federal program administration to ensure understanding of Uniform Guidance requirements.
- Establish periodic internal reviews to verify that control activities are consistently performed and documented.

Views of Responsible Officials: There is no disagreement with the audit finding.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE TEXAS GRANT MANAGEMENT STANDARDS

Board of Trustees
Kilgore College
Kilgore, Texas

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Kilgore College's compliance with the types of compliance requirements identified as subject to audit in the Texas Grant Management Standards that could have a direct and material effect on each of Kilgore College's major state programs for the year ended August 31, 2025. Kilgore College's major state programs are identified in the summary of auditors' results section of the accompanying state schedule of findings and questioned costs.

In our opinion, Kilgore College 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 state programs for the year ended August 31, 2025.

Basis for Opinion on Each Major State 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 the Texas Grant Management Standards (TxGMS). Our responsibilities under those standards and the TxGMS are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kilgore College 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 state program. Our audit does not provide a legal determination of Kilgore College'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 Kilgore College's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kilgore College'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 TxGMS 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 Kilgore College's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the TxGMS, 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 Kilgore College'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 Kilgore College'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 TxGMS, but not for the purpose of expressing an opinion on the effectiveness Kilgore College'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

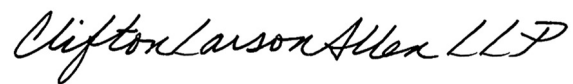
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 state 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.

Board of Trustees
Kilgore College

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 TxGMS. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Dallas, Texas
May 27, 2026

KILGORE COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED AUGUST 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

Grantor Agency/Program Title	Grant Contract Number	Passed Through to Subrecipients	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board			
State Work Study		\$ -	\$ 40,229
Nursing Shortage Grant	27009	-	23,411
Texas Education Opportunity Grant		-	444,444
Total Texas Higher Education Coordinating Board		-	508,084
Texas Workforce Commission			
TWC Eastman	0824SDF001		751,860
TWC McClung	1824SDF003	-	203,689
Total Texas Workforce Commission		-	955,549
Literacy Council of Tyler			
Adult Education and Literacy - State	0818ALA000	-	64,069
Texas Commission on the Arts			
Texas Shakespeare Festival	2024-3065	-	23,000
UT Health Houston			
Texas School Ready	PS-2023-CLI-0981	-	439,322
Workforce Solutions of East Texas Board			
High Demand Job Training - Henderson	KC.HEDCO 24 8.20.24	-	60,667
Total State Awards		\$ -	\$ 2,050,691

KILGORE COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
AUGUST 31, 2025

NOTE 1 STATE REVENUE RECONCILIATION

State revenues for 2025 are reported in the basic financial statements as follows:
State grants and contracts per the statements of revenues, expenses, and changes in net position:

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of Kilgore College (the District) under programs of the state government for the year ended August 31, 2025. 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.

NOTE 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.

**KILGORE COLLEGE
STATE SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

State Awards

1. Internal control over audited state programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
2. Type of auditors’ report issued on compliance for audited federal programs: Unmodified
3. Any audit findings disclosed that are required To be reported in accordance with *Texas Grant Management Standards*? yes X no

Identification of Audited Programs

Contract Number

N/A

Name of State Program or Cluster

Texas Workforce Commission

Dollar threshold to distinguish
Between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes no

KILGORE COLLEGE
STATE SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2025

Section II – Financial Statement Findings

2025 – 001

Type of Finding:

- Material Weakness in Internal Control Over Financial Reporting

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and ensuring the fair presentation of the financial position, changes in net assets, and cash flows, and disclosures in the statements, in conformity with accounting principles generally accepted in the United States of America.

Condition: Although the errors identified during our audit related to capital asset balances and net position classifications were not material to the financial statements, the absence of formal, documented reconciliations between the capital asset subsidiary records and the statement of net position increases the risk that misstatements—whether due to error or fraud—may not be prevented or detected in a timely manner. These control deficiencies reduce the reliability of capital asset and net position reporting and heighten the risk of future misstatement.

Cause: The District's process in place to ensure that year-end capital asset and net position account reconciliations are completed were not done timely and discrepancies were not corrected timely.

Effect or Potential Effect of Finding: Financial statements could be materially misstated.

Repeat Finding: No.

Recommendation: We recommend that management implement a structured reconciliation process requiring all significant accounts to be reconciled and reviewed at least quarterly, with documentation retained.

Views of Responsible Officials: There is no disagreement with the audit finding.

Section III – State Award Findings and Questioned Costs

No state award findings and questioned costs.



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