



Management Letter

February 22, 2023

To the Honorable Mayor, City Council
Members, and Finance Committee of the
City of Kilgore, Texas:

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the City. Accordingly, the City's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kilgore, Texas (the "City") as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. There is a new pronouncement we want to bring to your attention.

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.



Required Auditor Disclosure Letter

February 22, 2023

To the Honorable Mayor, and City Council
Members, and Finance Committee of the
City of Kilgore, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Kilgore, Texas (the “City”) for the year ended September 30, 2022. Professional standards require that we provide the City Council (the “governing body”) with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter previously sent at the start of the annual audit. Professional standards also require that we communicate to the governing body the following information related to our audit.

I. Significant Audit Findings

1. *Qualitative Aspects of Accounting Practices*

- A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. As described in the notes to the financial statements, the City changed accounting policies related to accounting for leases by adopting Governmental Accounting Standards Statement No. 87, *Leases*, in fiscal year 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position and the Statement of Activities. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- B. Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management’s estimate of the useful lives of capital assets is based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Estimates are used in the calculation of the pension liability and the required annual contribution. The Texas Municipal Retirement System (TMRS) hires a licensed actuary to make key assumptions and to perform calculations, as well as an independent auditor to review those assumptions and calculations. We evaluated the reasonableness of the employee data provided by the City to TMRS.

Estimates are used in the calculation of the health care liability for other postemployment benefits. The City hires a licensed actuary to perform the calculation. We evaluated the key factors and assumptions used to develop the liability in relation to the financial statements taken as a whole.

- C. The financial statement disclosures are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant to financial statement users because it discloses the City's long-term financial obligations.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures. Management has corrected all misstatements.

4. Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 22, 2023.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Changes in Risk Assessment

No changes in risk assessment were noted in the completion of the audit as previously communicated in our planning letter.

II. Other Matters

We applied certain limited procedures to the Required Supplementary Information (RSI), as identified on the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, as identified on the table of contents, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

III. Restrictions on Use

This information is intended solely for the use of the Mayor, City Council, and management and is not intended to be, and should not be, used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		2.2.04		
GASB 34 adjustment to fix beginning net position balance for governmental and business-type activities.				
100-0000-1259	Note Receivables		400,000.00	
100-0000-1502	PERMANENT CITY HALL		0.05	
100-0000-1507	PERMANENT FIN FURN/FIX EQUIP		0.46	
100-0000-1531	PERMANENT STREET IMPROVEMENTS		0.04	
100-0000-1532	PERMANENT STREET SIGNLS/MARKRS		0.25	
100-0000-1546	PERMANENT CITY PARK EQUIPMENT		0.50	
100-0000-1548	PERMANENT DRILLER PARK STADIUM		0.13	
100-0000-1553	PERMANENT SWIM POOL FURN/EQUIP		0.10	
100-0000-1570	PERMANENT KILGRE PUBLC LIBRARY		0.40	
100-0000-1580	PERMANENT MAIN ST. DOWNTOWN		0.21	
100-0000-1592	PERMANENT TUFF ST		0.05	
100-0000-1702	DEFERRED OUTFLOWS Pension		841,690.00	
100-0000-1707	DEFERRED OUTFLOWS TMRS OPE		85,860.00	
100-0000-2509	A/P ACCRUED VAC, SICK, HOL, &		36,499.90	
100-0000-3302	RESERVE/INVESTMENT FIXED ASSET		422,020.53	
100-0000-3315	RESERVE/OPEB		6,521,747.00	
100-0000-3359	DEFFERED INFLOWS ELIMINATION		1,582,030.80	
100-0000-3399	OTHER NP AMOUNTS		43.60	
100-0100-6701	DEPRECIATION EXPENSE		3.67	
100-1200-6710	Cap asset additions C&R Expense		612,603.67	
105-5600-8710	Transfer of capital assets		786,359.00	
114-0000-1554	PERMANENT CEMETERY ASSETS		0.06	
114-1401-6701	DEPRECIATION EXPENSE		0.17	
114-5600-8710	Transfer of capital asset		0.27	
200-0000-1299	ISF BTA UTILITY ELIMINATION		126,295.00	
300-0000-1299	ISF BTA GOLF ELIMINATION		16,930.00	
330-0000-1299	ISF BTA HOPSITAL ELIMINATION		9,181.00	
400-0000-1902	DEFERRED LOSS ON REFUNDING		14,080.00	
400-0000-3329	RETIREMENT OF BONDS		313,094.37	
450-0000-3302	RESERVE / INVESTMENT IN FIXED		161,099.11	
511-0000-1511	PERMANENT POLICE		0.19	
511-0000-1513	PERMANENT ASSETS-OFFICE EQUIP		0.32	
511-0000-3309	ACCUMULATED DEPRECIATION		0.74	
530-0000-1501	PERMANENT POLICE ASSETS		0.34	
530-0000-1511	PERMANENT POLICE		0.05	
530-0000-3302	RESERVE/INVESTMENT FIXED ASSET		12,661.21	
530-0000-3309	ACCUMULATED DEPRECIATION		2.46	
531-2400-6701	DEPRECIATION EXPENSE		1.00	
531-5600-8710	Transfer of capital asset		0.72	
532-0000-1501	PERMAMENT ASSETS		0.45	
540-0000-1514	PERMANENT COURT FURN/FIXTURES		0.32	
541-0000-3302	RESERVE/INVESTMENT FIXED ASSET		0.57	
541-0000-3309	ACCUMULATED DEPRECIATION		0.45	
100-0000-1299	ISF GTA ELIMINATION			152,406.00
100-0000-1506	PERMANENT CITY MAPS			
100-0000-1510	PERMANENT POLICE STA. ADDITION			
100-0000-1511	PERMANENT POLICE DEPT. EQUIP.			0.44
100-0000-1514	PERMANENT COURT FURN/FIX EQUIP			0.34
100-0000-1518	PERMANENT CODE ENFORCEMENT			0.12
100-0000-1525	PERMANENT FIRE DEPT EQUIPMENT			0.42
100-0000-1533	PERMANENT STREAM DRAINAGE			0.06
100-0000-1535	PERMANENT ROW EQUIPMENT			0.16
100-0000-1542	PERMANENT CITY PARK IMPROVMNTS			0.40
100-0000-1549	PERMANENT REC BLDG HARRIS ST			0.11
100-0000-1576	PERMANENT WAREHOUSE YARD			0.31

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
100-0000-1582	PERMANENT PENTECOST PARK			0.38
100-0000-1585	PERMANENT HOUSING FURN/EQUIP			
100-0000-1586	PERMANENT KEDC STREETS DEDICAT			0.25
100-0000-1587	PERMANENT WHATABURGER			0.10
100-0000-1588	PERMANENT MLK PARK			0.45
100-0000-1589	PERMANENT SPLASH PAD & REST			0.10
100-0000-1590	PERMANENT SKATE PARK			0.15
100-0000-1593	PERMANENT TRAILS SYSTEMS &			0.15
100-0000-1600	AMOUNTS TO BE PROVIDED			862,141.18
100-0000-1705	DEFERRED INFLOWS - OPEB			
100-0000-2407	A/P ACCRUED INTEREST			10,350.00
100-0000-2701	NET OPEB OBLIGATION			
100-0000-2702	NET PENSION LIABILITY			3,104,497.00
100-0000-2703	DEFERRED INFLOWS PENSION			3,773,810.00
100-0000-2705	TOTAL OPEB LIAB-TMRS OPEB			535,138.00
100-0000-2706	Claim Liabilities			66,302.00
100-0000-2707	DEFERRED INFLOWS-OPEB-TMRS			35,852.00
100-0000-3301	FUND BALANCE			43.60
100-0000-3309	ACCUMULATED DEPRECIATION			3.67
100-0000-3399	OTHER NP AMOUNTS			927,331.52
100-0100-6710	Cap asset additions GG Expense			9,750.00
100-0300-6710	Cap asset additions PS Expense			32,214.00
100-0900-6710	Cap asset additions PW Expense			197,939.00
100-1200-6710	Cap asset additions C&R Expense			182,121.00
100-5600-8710	Transfer of capital asset			612,598.45
105-0000-1200	CONSTRUCTION IN PROCESS			
105-0000-1591	LAND PURCHASE			
105-0000-3308	RESERVE FOR FIXED ASSETS			786,359.00
114-0000-3302	RESERVE / INVESTMENT IN FIXED			0.33
114-0000-3309	ACCUMULATED DEPRECIATION			0.17
200-0000-3399	OTHER UTILITY BTA AMOUNTS			126,295.00
300-0000-3399	OTHER GOLF BTA AMOUNTS			16,930.00
330-0000-3399	OTHER HOSPITAL BTA AMOUNTS			9,181.00
400-0000-2902	FUNDED DEBT 2017 REFUND BONDS			310,000.00
400-0000-2903	BOND PREMIUM			17,174.37
450-0000-1200	CONSTRUCTION IN PROCESS			0.11
450-5600-8710	Transfer of capital asset			161,099.00
511-0000-3308	RESERVED FOR FIXED ASSETS			0.04
511-2200-6701	DEPRECIATION EXPENSE			0.74
511-5600-8710	Transfer of capital asset			0.47
530-0000-1212	VEHICLE BUILD OUT IN PROGRESS			0.39
530-2400-6701	DEPRECIATION EXPENSE			2.46
530-5600-8710	Transfer of capital assets			2.21
530-5600-8710	Transfer of capital assets			12,659.00
531-0000-1501	PERMANENT ASSETS			0.25
531-0000-3302	RESERVE/INVESTMENT FIXED ASSET			0.47
531-0000-3308	RESERVE FOR FIXED ASSETS			1.00
532-5600-8710	Transfer of capital asset			0.45
540-5600-8710	Transfer of capital asset			0.32
541-0000-1514	PERMANENT COURT FURN/FIXTURES			0.48
541-2800-6701	DEPRECIATION EXPENSE			0.45
541-5600-8710	Transfer of capital asset			0.09
Total			11,942,209.16	11,942,209.16

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2				
Adjustment for rounding purposes.				
100-0000-3302	RESERVE/INVESTMENT FIXED ASSET		1.67	
100-0000-3302	RESERVE/INVESTMENT FIXED ASSET		1.69	
100-0000-3302	RESERVE/INVESTMENT FIXED ASSET		4.00	
100-1200-6710	Cap asset additions C&R Expense		1.00	
100-0000-1593	PERMANENT TRAILS SYSTEMS &			5.00
100-1200-6710	Cap asset additions C&R Expense			1.67
100-9999-6709	ISF Elimination of ISF in GTA			1.69
Total			<u>8.36</u>	<u>8.36</u>
Adjusting Journal Entries JE # 3				
		C.05a		
To reclass transfers out of WSF to internal service fund and record payments within operating income.				
200-3400-6333	CONTRACTUAL EQUIP FUND LEASE		150,000.00	
622-0000-9200	TRANS IN FROM UTILITY FUND		150,000.00	
200-0000-8622	TRANSFER OUT TO EQUIP REPL FUND			150,000.00
622-0000-5731	INTERNAL SERV FUND REV - WATER			150,000.00
Total			<u>300,000.00</u>	<u>300,000.00</u>

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 4		C.05a		
To adjust the allocation of the internal service fund operating income.				
100-0100-6709	ISF elimination GG Expense		4,435.00	
100-0300-6709	ISF elimination PS Expense		252,606.00	
100-0900-6709	ISF elimination PW Expense		70,937.00	
100-1100-6709	ISF elimination Public welfare Expense		1,114.00	
100-1200-6709	ISF elimination C&R Expense		55,476.00	
100-1500-6709	ISF elimination DS Expense		12,084.00	
100-9999-6709	ISF Elimination of ISF in GTA		665,230.00	
200-0000-1299	ISF BTA UTILITY ELIMINATION		69,603.00	
200-9999-6999	Change in ISF owed water		40,683.00	
300-0000-1299	ISF BTA GOLF ELIMINATION		158.00	
330-0000-1299	ISF BTA HOPSITAL ELIMINATION		4,227.00	
100-0000-1299	ISF GTA ELIMINATION			73,988.00
100-0100-6709	ISF elimination GG Expense			2,711.00
100-0100-6709	ISF elimination GG Expense			8,879.00
100-0100-6709	ISF elimination GG Expense			14,871.00
100-0300-6709	ISF elimination PS Expense			18,232.00
100-0300-6709	ISF elimination PS Expense			124,194.00
100-0300-6709	ISF elimination PS Expense			505,784.00
100-0900-6709	ISF elimination PW Expense			1,485.00
100-0900-6709	ISF elimination PW Expense			6,395.00
100-0900-6709	ISF elimination PW Expense			142,035.00
100-1100-6709	ISF elimination Public welfare Expense			307.00
100-1100-6709	ISF elimination Public welfare Expense			2,231.00
100-1100-6709	ISF elimination Public welfare Expense			2,403.00
100-1200-6709	ISF elimination C&R Expense			2,340.00
100-1200-6709	ISF elimination C&R Expense			11,739.00
100-1200-6709	ISF elimination C&R Expense			111,078.00
100-1500-6709	ISF elimination DS Expense			892.00
100-1500-6709	ISF elimination DS Expense			8,123.00
100-1500-6709	ISF elimination DS Expense			24,195.00
200-9999-6999	Change in ISF owed water			4,396.00
200-9999-6999	Change in ISF owed water			24,432.00
200-9999-6999	Change in ISF owed water			81,458.00
300-9999-6999	Change in ISF owed golf			1,157.00
300-9999-6999	Change in ISF owed golf			3,070.00
330-9999-6999	Change in ISF owed hospital			158.00
Total			1,176,553.00	1,176,553.00

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 5		F.04		
To adjust the changes in pension liability along with the changes in deferred inflows and outflows for the non hospital funds.				
100-0000-1702	DEFERRED OUTFLOWS Pension		499,735.00	
100-0000-2702	NET PENSION LIABILITY		1,821,961.00	
100-0100-6706	Change in pension GG Expense		126,039.00	
100-0300-6706	Change in pension PS Expense		1,052,559.00	
100-0900-6706	Change in pension PW Expense		54,200.00	
100-1100-6706	Change in pension Public welfare Expense		20,363.00	
100-1200-6706	Change in pension C&R Expense		99,489.00	
100-1500-6706	Change in pension DS Expense		68,845.00	
200-0000-1702	DEFERRED OUTFLOWS-INV EXP		72,796.00	
200-0000-2702	NET PENSION LIABILITY		265,402.00	
300-0000-1702	DEFERRED OUTFLOWS-INV EXP		9,146.00	
300-0000-2702	NET PENSION LIABILITY		33,347.00	
100-0000-2703	DEFERRED INFLOWS PENSION			1,421,495.00
100-0100-6706	Change in pension GG Expense			44,310.00
100-0100-6706	Change in pension GG Expense			161,547.00
100-0300-6706	Change in pension PS Expense			370,033.00
100-0300-6706	Change in pension PS Expense			1,349,088.00
100-0900-6706	Change in pension PW Expense			19,054.00
100-0900-6706	Change in pension PW Expense			69,469.00
100-1100-6706	Change in pension Public welfare Expense			7,159.00
100-1100-6706	Change in pension Public welfare Expense			26,100.00
100-1200-6706	Change in pension C&R Expense			34,976.00
100-1200-6706	Change in pension C&R Expense			127,517.00
100-1500-6706	Change in pension DS Expense			24,203.00
100-1500-6706	Change in pension DS Expense			88,240.00
100-2100-6706	Change in pension Sanitation Expense			
100-2100-6706	Change in pension Sanitation Expense			
100-2100-6706	Change in pension Sanitation Expense			
200-0000-2704	DEFERRED INFLOWS - INVEST EXP			207,067.00
200-3100-6706	Change in pension			131,131.00
300-0000-2704	DEFERRED INFLOWS - INVEST EXP			26,017.00
300-4200-6706	Change in pension			16,476.00
Total			<u>4,123,882.00</u>	<u>4,123,882.00</u>

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 6		F.05		
To adjust the changes in pension liabilities along with the changes in deferred inflows and outflows for the hospital fund.				
330-0000-1702	DEFERRED OUTFLOWS-INV EXP		9,726.00	
330-0000-2702	NET PENSION LIABILITY		719,468.00	
330-0000-2704	DEFERRED INFLOWS GÇô INVEST EXP			500,131.00
330-4100-6706	PENSION EXPENSE			229,063.00
Total			729,194.00	729,194.00
Adjusting Journal Entries JE # 7		F.06		
To adjust the changes in other post employment benefits for supplemental death benefits liability along with the changes in deferred inflows and outflows for the non hospital funds.				
100-0000-2707	DEFERRED INFLOWS-OPEB-TMRS		16,413.00	
100-0100-6708	Change in SDBF GG Expense		1,380.00	
100-0100-6708	Change in SDBF GG Expense		4,729.00	
100-0300-6708	Change in SDBF PS Expense		11,523.00	
100-0300-6708	Change in SDBF PS Expense		39,486.00	
100-0900-6708	Change in SDBF PW Expense		593.00	
100-0900-6708	Change in SDBF PW Expense		2,033.00	
100-1100-6708	Change in SDBF Public welfare Expense		223.00	
100-1100-6708	Change in SDBF Public welfare Expense		764.00	
100-1200-6708	Change in SDBF C&R Expense		1,089.00	
100-1200-6708	Change in SDBF C&R Expense		3,732.00	
100-1500-6708	Change in SDBF DS Expense		754.00	
100-1500-6708	Change in SDBF DS Expense		2,583.00	
200-0000-2707	DEFERRED INFLOWS-ASSUMP-TMRS		2,391.00	
200-3100-6708	Change OPEB SDBF		7,644.00	
300-0000-2707	DEFERRED INFLOWS-ASSUMP-TMRS		300.00	
300-4200-6708	Change OPEB SDBF		961.00	
100-0000-1707	DEFERRED OUTFLOWS TMRS OPE			15,562.00
100-0000-2705	TOTAL OPEB LIAB-TMRS OPEB			53,327.00
100-0100-6708	Change in SDBF GG Expense			1,455.00
100-0300-6708	Change in SDBF PS Expense			12,153.00
100-0900-6708	Change in SDBF PW Expense			626.00
100-1100-6708	Change in SDBF Public welfare Expense			235.00
100-1200-6708	Change in SDBF C&R Expense			1,149.00
100-1500-6708	Change in SDBF DS Expense			795.00
100-2100-6708	Change in SDBF Sanitation Expense			
100-2100-6708	Change in SDBF Sanitation Expense			
100-2100-6708	Change in SDBF Sanitation Expense			
200-0000-1707	DEFERRED OUTFLOWS CHG TMRS			2,267.00
200-0000-2705	TOTAL OPEB LIAB-TMRS OPEB			7,768.00
300-0000-1707	DEFERRED OUTFLOWS CHG TMRS			285.00
300-0000-2705	TOTAL OPEB LIAB-TMRS OPEB			976.00
Total			96,598.00	96,598.00

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 8		F.07		
To adjust the changes in other post employment benefits for supplemental death benefits liability along with the changes in deferred inflows and outflows for the hospital fund.				
330-0000-1707	DEFERRED OUTFLOWS TMRS OPEB		773.00	
330-0000-2705	TOTAL OPEB LIAB- TMRS OPEB		6,772.00	
330-0000-2707	TMRS SDBF Deferred Inflows			
330-4101-6707	OPEB EXPENSE			7,545.00
Total			7,545.00	7,545.00
Adjusting Journal Entries JE # 9		F.08		
To adjust the changes in other post employment benefits for health benefits liability along with the changes in deferred inflows				
100-0000-1704	DEF OUTFLOWS-INV EXP-OPEB		121,919.00	
100-0000-1705	DEFERRED INFLOWS - OPEB		48,120.00	
100-0100-6707	Change in health GG Expense		10,710.00	
100-0300-6707	Change in health PS Expense		89,430.00	
100-0900-6707	Change in health PW Expense		4,605.00	
100-1100-6707	Change in health Public welfare Expense		1,730.00	
100-1200-6707	Change in health C&R Expense		8,453.00	
100-1500-6707	Change in health DS Expense		5,849.00	
200-0000-1704	DEF OUTFLOWS-INV EXP-OPEB		19,991.00	
200-0000-1705	DEFERRED INFLOWS - OPEB		7,890.00	
100-0000-2701	NET OPEB OBLIGATION			120,777.00
100-0100-6707	Change in health GG Expense			4,266.00
100-0100-6707	Change in health GG Expense			10,809.00
100-0300-6707	Change in health PS Expense			35,631.00
100-0300-6707	Change in health PS Expense			90,276.00
100-0900-6707	Change in health PW Expense			1,835.00
100-0900-6707	Change in health PW Expense			4,649.00
100-1100-6707	Change in health Public welfare Expense			689.00
100-1100-6707	Change in health Public welfare Expense			1,747.00
100-1200-6707	Change in health C&R Expense			3,368.00
100-1200-6707	Change in health C&R Expense			8,533.00
100-1500-6707	Change in health DS Expense			2,331.00
100-1500-6707	Change in health DS Expense			5,905.00
100-2100-6707	Change in health Sanitation Expense			
100-2100-6707	Change in health Sanitation Expense			
100-2100-6707	Change in health Sanitation Expense			
200-0000-2701	NET OPEB OBLIGATION			19,804.00
200-3100-6707	Change OPEB Health			8,077.00
Total			318,697.00	318,697.00
Adjusting Journal Entries JE # 10		F.08		
To record the correct balances for the other post employment health benefits plan assets.				
770-0000-3301	FUND BALANCE		29,553.00	
770-0000-2000	Auditor Benefits Payable			28,146.00
770-7001-6609	TRUST DRAW DOWN			1,407.00
Total			29,553.00	29,553.00

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 11		F.03		
To record the change in governmental activities compensated absences.				
100-0300-6705	Comp absences PS Expense		10,053.39	
100-0900-6705	Comp absences PW Expense		4,260.02	
100-1100-6705	Comp absences Public welfare Expense		2,154.91	
100-1200-6705	Comp absences C&R Expense		19,912.25	
100-1500-6705	Comp absences DS Expense		7,337.89	
100-0000-2509	A/P ACCRUED VAC, SICK, HOL, &			36,499.90
100-0100-6705	Comp absences GG Expense			7,218.56
Total			<u>43,718.46</u>	<u>43,718.46</u>
Adjusting Journal Entries JE # 12		H.01		
Adjustment to fix the GASB 34 entry for governmental activities capital asset balances and changes in activities.				
100-0900-6710	Cap asset additions PW Expense		462,479.00	
100-1200-6710	Cap asset additions C&R Expense			462,479.00
Total			<u>462,479.00</u>	<u>462,479.00</u>
Adjusting Journal Entries JE # 13		H.01		
Client provided adjustment 4912.				
331-0000-1598	CONSTRUCTION IN PROGRESS-		138,353.30	
331-0000-2511	ACCOUNTS PAYABLE			138,353.30
Total			<u>138,353.30</u>	<u>138,353.30</u>

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 14		A.01		
Adjusting entry to reclass cash balances to investments.				
100-0000-1120	CONSOLIDATED / POOLED Investments		8,532,023.00	
199-0000-1120	CLAIM ON POOLED Investments		44,152.00	
200-0000-1120	CLAIM ON POOLED Investments		3,308,788.00	
300-0000-1120	CLAIM ON POOLED Investments		174,151.00	
330-0000-1120	CLAIM ON POOLED Investments		126,591.00	
450-0000-1120	CLAIM ON POOLED Investments		2,033,752.00	
451-0000-1120	CLAIM ON POOLED Investments		1,843,459.00	
452-0000-1120	CLAIM ON POOLED Investments		487.00	
453-0000-1120	CLAIM ON POOLED Investments		1,398,887.00	
505-0000-1120	CLAIM ON POOLED Investments		121,788.00	
511-0000-1120	CLAIM ON POOLED Investments		81,663.00	
530-0000-1120	CLAIM ON POOLED Investments		144,698.00	
531-0000-1120	CLAIM ON POOLED Investments		2,885.00	
540-0000-1120	CLAIM ON POOLED Investments		18,236.00	
541-0000-1120	CLAIM ON POOLED Investments		70,992.00	
542-0000-1120	CLAIM ON POOLED Investments		8,871.00	
545-0000-1120	CLAIM ON POOLED Investments		3,161.00	
546-0000-1120	CLAIM ON POOLED Investments		8,685.00	
547-0000-1120	CLAIM ON POOLED Investments		1,939.00	
622-0000-1120	CLAIM ON POOLED Investments		767,992.00	
623-0000-1120	CLAIM ON POOLED Investments		212,658.00	
100-0000-1020	CONSOLIDATED / POOLED CASH			8,532,023.00
105-0000-1020	CLAIM ON POOLED CASH			
114-0000-1020	CLAIM ON POOLED CASH			
115-0000-1020	CLAIM ON POOLED CASH			
135-0000-1020	CLAIM ON POOLED CASH			
199-0000-1020	CLAIM ON POOLED CASH			44,152.00
200-0000-1020	CLAIM ON POOLED CASH			3,308,788.00
250-0000-1020	CLAIM ON POOLED CASH			
255-0000-1020	CLAIM ON POOLED CASH			
300-0000-1020	CLAIM ON POOLED CASH			174,151.00
330-0000-1020	CLAIM ON POOLED CASH			126,591.00
331-0000-1020	CLAIM ON POOLED CASH			
450-0000-1020	CLAIM ON POOLED CASH			2,033,752.00
451-0000-1020	CLAIM ON POOLED CASH			1,843,459.00
452-0000-1020	CLAIM ON POOLED CASH			487.00
453-0000-1020	CLAIM ON POOLED CASH			1,398,887.00
505-0000-1020	CLAIM ON POOLED CASH			121,788.00
511-0000-1020	CLAIM ON POOLED CASH			81,663.00
530-0000-1020	CLAIM ON POOLED CASH			144,698.00
531-0000-1020	CLAIM ON POOLED CASH			2,885.00
540-0000-1020	CLAIM ON POOLED CASH			18,236.00
541-0000-1020	CLAIM ON POOLED CASH			70,992.00
542-0000-1020	CLAIM ON POOLED CASH			8,871.00
545-0000-1020	CLAIM ON POOLED CASH			3,161.00
546-0000-1020	CLAIM ON POOLED CASH			8,685.00
547-0000-1020	CLAIM ON POOLED CASH			1,939.00
606-0000-1020	CLAIM ON POOLED CASH			
622-0000-1020	CLAIM ON POOLED CASH			767,992.00
623-0000-1020	CLAIM ON POOLED CASH			212,658.00
Total			18,905,858.00	18,905,858.00

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 15		2.2.05		
Client provided adjustment reference 4961, 5004, 5011, and 5013.				
100-0000-5846	REVENUE - MISCELLANEOUS		12,000.00	
100-0000-8450	TRANS OUT TO GEN GOV CAPITAL		13,010.96	
100-0000-8450	TRANS OUT TO GEN GOV CAPITAL		39,500.00	
100-1950-6301	CONTRACTUAL OUTSIDE REP/MAINT		780.00	
330-0000-5027	REIMBURSEMENT REVENUE-		848.20	
330-0000-5027	REIMBURSEMENT REVENUE-		909.21	
330-0000-5027	REIMBURSEMENT REVENUE-		2,489.72	
330-0000-5027	REIMBURSEMENT REVENUE-		3,607.86	
450-0000-1020	CLAIM ON POOLED CASH		12,000.00	
999-0000-2019	DUE TO OTHER FUNDS		12,000.00	
100-0000-1020	CONSOLIDATED / POOLED CASH			12,000.00
100-0000-9450	TRANSFER IN FROM GEN GOVT			13,010.96
100-0000-9450	TRANSFER IN FROM GEN GOVT			39,500.00
100-0300-6301	CONTRACTUAL OUTSIDE REP/MAINT			780.00
330-0000-1236	A/R MISCELLANEOUS			848.20
330-0000-1236	A/R MISCELLANEOUS			909.21
330-0000-1236	A/R MISCELLANEOUS			2,489.72
330-0000-1236	A/R MISCELLANEOUS			3,607.86
450-0000-5857	REVENUE - CAPITAL PROJECT			12,000.00
999-0000-2019	DUE TO OTHER FUNDS			12,000.00
Total			<u>97,145.95</u>	<u>97,145.95</u>
Adjusting Journal Entries JE # 16		I.01		
GASB 34 adjustment to governmental activities debt.				
400-0000-2902	FUNDED DEBT 2017 REFUND BONDS		310,000.00	
400-0000-2903	BOND PREMIUM		17,174.17	
400-2900-6799	Change in interest expense		14,080.00	
400-0000-1902	DEFERRED LOSS ON REFUNDING			14,080.00
400-2900-6797	Principal payment elimination			310,000.00
400-2900-6798	Other Debt Amortization			17,174.17
Total			<u>341,254.17</u>	<u>341,254.17</u>
Adjusting Journal Entries JE # 17		F.06		
GASB 34 adjustment to record change in claim liability.				
100-0100-7000	Change in claims liability		5,279.00	
100-0000-2706	Claim Liabilities			5,279.00
Total			<u>5,279.00</u>	<u>5,279.00</u>

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 18		C.01		
To adjust property tax receivables.				
100-0000-1201	A/R DELIQUENT AD VALOREM TAXES		6,526.20	
100-0000-1203	ALLOWANCE-DOUBTFUL AD VAL TAXES		85,690.28	
400-0000-1222	ALLOWANCE FOR DOUBTFUL AD		12,298.06	
100-0000-1204	DEFERRED REVENUE TAXES			92,216.48
400-0000-1221	A/R DELIQUENT AD VALOREM TAXES			5,045.81
400-0000-1224	DEFERRED REVENUE-TAXES			7,252.25
Total			104,514.54	104,514.54
Adjusting Journal Entries JE # 19		C.01		
GASB 34 adjustment for property tax receivables.				
100-0000-3359	DEFERRED INFLOWS ELIMINATION		92,328.61	
100-0000-5099	Change in property taxes			92,328.61
Total			92,328.61	92,328.61
Adjusting Journal Entries JE # 20		C.06		
GASB 34 entry for change in assessment receivables.				
100-0000-5498	Change in assessment		35,937.37	
100-0000-3359	DEFERRED INFLOWS ELIMINATION			35,937.37
Total			35,937.37	35,937.37
Adjusting Journal Entries JE # 21		C.07		
GASB 34 entry for court receivables.				
100-0000-3359	DEFERRED INFLOWS ELIMINATION		19,894.38	
100-0000-5499	Change in fines			19,894.38
Total			19,894.38	19,894.38

Client: **City of Kilgore**
 Engagement: **4.1 - Kilgore 9/30/22**
 Period Ending: **9/30/2022**
 Trial Balance: **2.2.01 - TB**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 22		C.12a		
GASB 34 entry for change in TIRZ receivables.				
100-0000-3359	DEFERRED INFLOWS ELIMINATION		16,131.74	
100-0000-5497	Change in long term receivables			16,131.74
Total			<u>16,131.74</u>	<u>16,131.74</u>
Adjusting Journal Entries JE # 23		D.06b		
To adjust lease receivable for the hospital fund.				
330-0000-1261	Lease receivable		358,808.00	
330-0000-2709	Deferred inflow lease		87,871.00	
330-0000-1261	Lease receivable			85,769.00
330-0000-2709	Deferred inflow lease			358,808.00
330-0000-5025	LEASE REVENUE-CHRISTUS GOOD			2,102.00
Total			<u>446,679.00</u>	<u>446,679.00</u>
Adjusting Journal Entries JE # 24		H.01		
GASB 34 adjustment for disposals to net with proceeds from sale of assets.				
100-0000-5999	GASB 34 Disposal net		784,359.03	
100-0100-6710	Cap asset additions GG Expense			196,089.76
100-0900-6710	Cap asset additions PW Expense			196,089.76
100-1200-6710	Cap asset additions C&R Expense			392,179.51
Total			<u>784,359.03</u>	<u>784,359.03</u>
Adjusting Journal Entries JE # 25		C.13		
To adjust for lease receivables in the general fund.				
100-0000-1261	Lease receivable		461,944.00	
100-0000-2709	Deferred inflow leases		19,966.00	
100-0000-5822	MISC RENTAL OF LAND/BUILDINGS		17,520.00	
100-0000-1261	Lease receivable			15,930.00
100-0000-2709	Deferred inflow leases			461,944.00
100-0000-5825	Lease revenue			21,556.00
Total			<u>499,430.00</u>	<u>499,430.00</u>

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 findings and additional comments are as follows:

CURRENT YEAR MATTER

Future Matter That May Subsequently Warrant Attention:

2022.001 IMPLEMENTATION OF GASB STANDARD NO. 96 – SBITAS

Background

Governmental Accounting Standards Board Statement 96 (GASB 96), *Subscription-Based Information Technology Arrangements* (SBITAs), is effective for the year ending September 30, 2023 and, accordingly, the City has less than one year to implement GASB 96. GASB 96 defines a SBITA as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 96 essentially requires that all SBITAs should be reported on the balance sheet as a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, much like GASB 87, *Leases*, accounting for lease transactions. Unlike many new accounting standards, GASB 96 may require preplanning and changes in the way the City does business. Implementation of GASB 96 will generally require centralized document management; in-depth review of SBITA documents; recording and tracking of multiple data points per agreement, which may necessitate new software based on the volume of arrangements; and development of new controls, reconciliations, and policies and procedures.

Recommendation

The City needs to begin making initial assessments immediately to determine the lead time and resources needed. The City needs to identify all SBITAs in which the term initially exceeded 12 months. Based on the aggregate value of SBITAs and materiality, the City should determine a cutoff for exclusion of insignificant arrangements. If the City's number of SBITAs approaches 10, it may be beneficial for the City to procure and implement software to aid in the task. The City should establish the goal of being fully implemented 60 days prior to year end to provide for a sufficient buffer to safeguard against delay in issuing the City's September 30, 2023 financial statements.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to thank the City and the City's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

The logo for Belt Harris Pechacek, LLLP features the names 'BELT HARRIS PECHACEK, LLLP' in a stylized, serif font. The letters are intertwined and have a decorative, calligraphic quality.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas