

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2021**

Board of Trustees:

***Kenny Ferguson, President
Quinton Kearney, Vice-President
Kelley O'Brien, Secretary
Mike Barkowsky
Ricky Barkowsky
Cody King
Clay Thixton***

Superintendent:

Steve McLaren

Business Manager:

Dalton DeGraffenreid

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**Klondike Independent School District
Annual Financial Report
For the Year Ended August 31, 2021**

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Introductory Section

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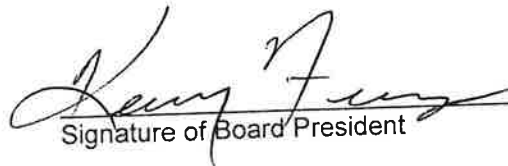
CERTIFICATE OF BOARD

<u>Klondike Independent School District</u>	<u>Dawson</u>	<u>058-905</u>
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2021, at a meeting of the board of the trustees of such school district on the 17th day of February 2022.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

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Financial Section

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STEPHENS, STEPHENS, & TELCHIK, P.C.

Certified Public Accountants

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MEMBER AICPA
MEMBER TSCPA

S.E. STEPHENS, CPA
RAY A. STEPHENS, CPA
KEVIN TELCHIK, CPA

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Klondike Independent School District
Lamesa, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Klondike Independent School District (the District), as of and for the year ended August 31, 2021, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the governmental activities, each major fund, and the aggregate remaining fund information of Klondike Independent School District, as of August 31, 2021, and the respective changes in

net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9, budgetary comparison information on page 53 and the pension and other post-employment benefit (OPEB) related information on pages 54-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Klondike Independent School District's basic financial statements. The other supplementary information comprised of required Texas Education Agency (TEA) schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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. Such other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022, on our consideration of Klondike Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Stephens, Stephens, & Telchik PC
Certified Public Accountants

Lamesa, Texas

February 15, 2022

KLONDIKE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Klondike Independent School District's financial performance provides an overview of the District's financial performance for the year ended August 31, 2021. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$3,132,203 or 13.00%. The District's statement of activities showed total revenues were \$22,708,667 and expenses totaled \$19,576,464.
- The District ended the year, August 31, 2021, with total net position of \$27,224,737 and unrestricted (Net Position) of \$14,330,213. The balance of cash and investments at August 31, 2021, was \$24,340,213.
- Total general fund expenditures were \$19,214,114 for the year ended August 31, 2021. This compares with general fund expenditures of \$16,483,961 for the year ended August 31, 2020. This increase was mainly due to increased maintenance, payroll, contracted instructional service costs, and capital outlay..
- The District's total revenues on the fund financial statements increased from \$22,772,473 in 2019-20 to \$22,121,230 in 2020-21. This increase was primarily due to a increase in property tax revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how the services of the District were sold to departments within the District. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The section labeled TEA Required Schedule contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting, which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business type activities as defined in the GASB Statement No. 34.

Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes.

The District's two fund types – governmental, and fiduciary – use different accounting approaches.

- **Governmental funds** – Most of the District's basic services are included in governmental funds. These uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.

- Custodial Fund – The District is the trustee, or fiduciary, for money raised by student activities as well as for a private purpose trust fund for scholarships. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Table I
Klondike Independent School District
Net Position
August 31, 2021 and 2020

	August 31,	
	2021	2020
Cash, Temporary Investments, & Other	\$ 25,510,002	\$ 16,411,398
Capital Assets	14,936,851	13,236,259
Total Assets	<u>\$ 40,446,853</u>	<u>\$ 29,647,657</u>
Deferred Outflows of Resources	\$ 387,022	\$ 510,517
Total Deferred Outflows	<u>\$ 387,022</u>	<u>\$ 510,517</u>
Current Liabilities	\$ 2,160,602	\$ 1,598,232
Long-Term Liabilities	10,646,157	3,853,177
Total Liabilities	<u>\$ 12,806,759</u>	<u>\$ 5,451,409</u>
Deferred Inflows of Resources	\$ 802,379	\$ 614,231
Total Deferred Inflows	<u>\$ 802,379</u>	<u>\$ 614,231</u>
Net Position		
Net Investment in Capital Assets	\$ 5,817,783	\$ 11,200,162
Restricted for Debt Service	791,488	693,279
Restricted for Capital Projects	6,285,253	-
Unrestricted (Deficit)	14,330,213	12,199,093
Total Net Position	<u>\$ 27,224,737</u>	<u>\$ 24,092,534</u>

Changes in Net Position

The District's net position increased during the year ended August 31, 2021. The net position increased by \$3,132,203 (see Table II). Unrestricted – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$2,131,120 from \$12,199,093 in 2020 to \$14,330,213 in 2021.

**Table II
Klondike Independent School District
Changes in Net Position
For the Year Ended August 31, 2021 and 2020**

	August 31,	
	2021	2020
Revenues:		
Program Revenues:		
Charges For Services	\$ 93,638	\$ 102,562
Operating Grants and Contributions	503,716	576,742
General Revenues & Extraordinary Items:		
M & O Debt Service Taxes	22,211,413	21,953,732
State Formula Aid	210,515	179,669
Investment Earnings	122,250	209,789
Extraordinary Item-Resource	-	-
Extraordinary Item-Use	-	-
Miscellaneous	(432,865)	75,868
Total Revenues	\$ 22,708,667	\$ 23,098,362
Expenses:		
Instruction and Instructional-Related Services	\$ 2,526,689	\$ 2,498,080
Instructional and School Leadership	216,720	171,329
Student Support Services	102,555	110,056
Student Transportation	201,077	219,981
Food Services	281,099	269,995
Extracurricular Activities	447,645	497,086
General Administration	430,673	413,205
Plant Maintenance and Operations	795,346	620,431
Security and Monitoring Services	17,962	25,095
Data Processing Services	293,937	270,132
Debt Service	77,212	7,365
Payments to Member Districts	49,159	45,784
Contracted Instructional Services	14,058,054	12,284,59
Other Intergovernmental Charges	78,336	75,181
Total Expenses	\$ 19,576,464	\$ 17,508,310
Change in Net Position	\$ 3,132,203	\$ 5,590,052

The District's total revenues decreased from \$23,098,362 in fiscal year 2020 to \$22,708,667 in fiscal year 2021, an decrease of \$389,695. The total expenses of the District increased by \$2,068,154, from \$17,508,310 to \$19,576,464.

Other factors impacting the District's financial position include the following:

- The District's total M & O property tax rate decreased from \$1.069 in 2020 to \$.9630 in 2021. The District's appraised valuation of taxable property decreased from \$1,919,842,128 to \$1,882,565,395, an decrease of \$37,276,733, or 1.95 %. The total school property taxes assessed for school year 2021 were \$22,265,090. This is an increase of \$472,316 from the \$21,792,774 assessed in 2020.
- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 239.753 in 2020 to 241.393 in 2021. There was a decrease in state revenues due to additional amounts received from increased tax revenues.

Fund Balances

The District's total Governmental Funds fund balance was \$22,457,486. This fund balance is reported in the various Governmental funds as follows:

General Fund

Unassigned \$13,380,745 – This balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses.

Debt Service

Restricted for Retirement of Long-Term Debt \$791,488 – These funds are restricted by debt service covenants to fund the principal and interest payments of the bond issue.

Capital Projects

Restricted for Capital Construction – These funds are restricted by bond covenants to fund the construction by the current year 2021 bond issue.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses. The principal amendments were related to increases in awarded grants and amendments to grants. None of the amendments made were considered to be significant changes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Financial statement footnote No. D discloses the capital asset activity of the District for the year ended August 31, 2021.

Debt

Financial statement footnote No. F discloses the debt activity of the District for the year ended August 31, 2021.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District began preparations for the 2021 budget, looking not only to the coming 2021 year, but to the future and reviewing the past.

The District's elected appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. One of those factors is the local economy. The District's population growth increased modestly during 2019-2020. Interest rates increased moderately, making earning on the investments exceptional.

These indicators were taken into account when adopting the General Fund budget for 2022. Amounts available for appropriation in the General Fund budget are \$16.383 million, a decrease of \$1.90 million from the 2021 budget of \$18.289 million. The District will use its revenues to finance programs currently in place. The District has added no programs to the 2022 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain relatively unchanged by the close of 2022. More importantly, however, this will have been accomplished in spite of unfunded mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Klondike Independent School District, 2911 CR H, Lamesa, Texas 79331.

Basic Financial Statements

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Government Wide Statements

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KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 7,590,213
1120 Current Investments	16,750,000
1220 Property Taxes - Delinquent	1,230,317
1230 Allowance for Uncollectible Taxes	(369,095)
1240 Due from Other Governments	303,221
1250 Accrued Interest	3,736
1300 Inventories	1,610
Capital Assets:	100,139
1510 Land	12,051,570
1520 Buildings, Net	717,438
1530 Furniture and Equipment, Net	2,067,704
1580 Construction in Progress	<u>40,446,853</u>
1000 Total Assets	
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	276,938
1706 Deferred Outflow Related to TRS OPEB	<u>110,084</u>
1700 Total Deferred Outflows of Resources	<u>387,022</u>
LIABILITIES	
2110 Accounts Payable	112,429
2160 Accrued Wages Payable	165,060
2180 Due to Other Governments	979,605
2200 Accrued Expenses	4,799
2300 Unearned Revenue	898,709
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,078,176
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	8,071,583
2540 Net Pension Liability (District's Share)	680,361
2545 Net OPEB Liability (District's Share)	816,037
2000 Total Liabilities	<u>12,806,759</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	182,542
2606 Deferred Inflow Related to TRS OPEB	<u>619,837</u>
2600 Total Deferred Inflows of Resources	<u>802,379</u>
NET POSITION	
3200 Net Investment in Capital Assets	5,817,783
Restricted:	
3850 Restricted for Debt Service	791,488
3860 Restricted for Capital Projects	6,285,253
3900 Unrestricted	14,330,213
3000 Total Net Position	<u>\$ 27,224,737</u>

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11	\$ 2,485,685	\$ -	\$ 240,846	\$ (2,244,839)
12	29,701	-	1,530	(28,171)
13	11,303	-	7,415	(3,888)
21	55,816	-	-	(55,816)
23	160,904	-	8,423	(152,481)
31	101,154	-	16,045	(85,109)
33	1,401	-	-	(1,401)
34	201,077	-	8,760	(192,317)
35	281,099	17	86,570	(194,512)
36	447,645	12,443	87,276	(347,926)
41	430,673	7,993	16,356	(406,324)
51	795,346	73,185	16,197	(705,964)
52	17,962	-	619	(17,343)
53	293,937	-	13,679	(280,258)
73	77,212	-	-	(77,212)
91	14,058,054	-	-	(14,058,054)
93	49,159	-	-	(49,159)
99	78,336	-	-	(78,336)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 19,576,464</u>	<u>\$ 93,638</u>	<u>\$ 503,716</u>	<u>(18,979,110)</u>
Data				
Control	General Revenues:			
Codes	Taxes:			
MT	Property Taxes, Levied for General Purposes			21,096,570
DT	Property Taxes, Levied for Debt Service			1,114,843
SF	State Aid - Formula Grants			210,515
IE	Investment Earnings			122,250
MI	Miscellaneous Local and Intermediate Revenue			(432,865)
TR	Total General Revenues			<u>22,111,313</u>
CN	Change in Net Position			3,132,203
NB	Net Position - Beginning			<u>24,092,534</u>
NE	Net Position - Ending			<u>\$ 27,224,737</u>

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

Fund Financial Statements

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KLONDIKE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 418,783	\$ 6,359,080	\$ 781,659	\$ 7,559,522
1120 Investments - Current	16,750,000	-	-	16,750,000
1220 Property Taxes - Delinquent	1,159,432	-	70,885	1,230,317
1230 Allowance for Uncollectible Taxes	(347,830)	-	(21,265)	(369,095)
1240 Due from Other Governments	227,195	-	76,026	303,221
1250 Accrued Interest	3,736	-	-	3,736
1260 Due from Other Funds	85,178	-	135	85,313
1300 Inventories	1,610	-	-	1,610
1000 Total Assets	<u>\$ 18,298,104</u>	<u>\$ 6,359,080</u>	<u>\$ 907,440</u>	<u>\$ 25,564,624</u>
LIABILITIES				
2110 Accounts Payable	\$ 112,348	\$ -	\$ 81	\$ 112,429
2160 Accrued Wages Payable	150,895	-	14,165	165,060
2170 Due to Other Funds	11,485	73,827	-	85,312
2180 Due to Other Governments	979,405	-	200	979,605
2200 Accrued Expenditures	3,219	-	1,583	4,802
2300 Unearned Revenue	898,709	-	-	898,709
2000 Total Liabilities	<u>2,156,061</u>	<u>73,827</u>	<u>16,029</u>	<u>2,245,917</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	811,602	-	49,619	861,221
2600 Total Deferred Inflows of Resources	<u>811,602</u>	<u>-</u>	<u>49,619</u>	<u>861,221</u>
FUND BALANCES				
Restricted Fund Balance:				
3470 Capital Acquisition and Contractual Obligation	-	6,285,253	-	6,285,253
3480 Retirement of Long-Term Debt	-	-	791,488	791,488
Assigned Fund Balance:				
3550 Construction	250,000	-	-	250,000
3570 Capital Expenditures for Equipment	250,000	-	-	250,000
3590 Other Assigned Fund Balance	1,500,000	-	-	1,500,000
3600 Unassigned Fund Balance	13,330,441	-	50,304	13,380,745
3000 Total Fund Balances	<u>15,330,441</u>	<u>6,285,253</u>	<u>841,792</u>	<u>22,457,486</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 18,298,104</u>	<u>\$ 6,359,080</u>	<u>\$ 907,440</u>	<u>\$ 25,564,624</u>

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	22,457,486
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$19,736,173 and the accumulated depreciation was (\$6,499,914). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		11,200,162
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to decrease net position.		(4,807,745)
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$276,938, a deferred resource inflow in the amount of \$182,542, and a net pension liability in the amount of \$680,361. This resulted in a decrease in net position.		(585,965)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability, required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$110,084, a deferred resource inflow in the amount of \$619,837, and a net OPEB liability in the amount of \$816,037. This resulted in a decrease in net position.		(1,325,790)
5 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(574,634)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		861,223
19 Net Position of Governmental Activities	\$	27,224,737

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

EXHIBIT C-3

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 20,349,639	\$ -	\$ 1,176,678	\$ 21,526,317
5800 State Program Revenues	347,488	-	4,864	352,352
5900 Federal Program Revenues	112,867	-	129,694	242,561
	<u>20,809,994</u>	<u>-</u>	<u>1,311,236</u>	<u>22,121,230</u>
5020 Total Revenues				
EXPENDITURES:				
Current:				
0011 Instruction	2,153,858	-	117,388	2,271,246
0012 Instructional Resources and Media Services	26,828	-	-	26,828
0013 Curriculum and Instructional Staff Development	3,555	-	7,415	10,970
0021 Instructional Leadership	50,859	-	-	50,859
0023 Instructional Leadership	144,825	-	-	144,825
0023 School Leadership	84,004	-	6,888	90,892
0031 Guidance, Counseling, and Evaluation Services	1,401	-	-	1,401
0033 Health Services	120,954	-	-	120,954
0034 Student (Pupil) Transportation	249,171	-	-	249,171
0035 Food Services	303,986	-	86,328	390,314
0036 Extracurricular Activities	383,228	-	6,086	389,314
0041 General Administration	720,429	-	-	720,429
0051 Facilities Maintenance and Operations	16,290	-	-	16,290
0052 Security and Monitoring Services	265,624	-	-	265,624
0053 Data Processing Services				
Debt Service:				
0071 Principal on Long-Term Debt	-	-	940,000	940,000
0072 Interest on Long-Term Debt	-	-	43,200	43,200
0073 Bond Issuance Cost and Fees	-	143,850	441	144,291
Capital Outlay:				
0081 Facilities Acquisition and Construction	503,553	1,704,147	-	2,207,700
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	14,058,054	-	-	14,058,054
0093 Payments to Fiscal Agent/Member Districts of SSA	49,159	-	-	49,159
0099 Other Intergovernmental Charges	78,336	-	-	78,336
	<u>19,214,114</u>	<u>1,847,997</u>	<u>1,207,746</u>	<u>22,269,857</u>
6030 Total Expenditures				
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,595,880</u>	<u>(1,847,997)</u>	<u>103,490</u>	<u>(148,627)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	7,810,000	-	7,810,000
7912 Sale of Real and Personal Property	30,132	-	-	30,132
7915 Transfers In	164,073	-	-	164,073
7916 Premium or Discount on Issuance of Bonds	-	323,250	-	323,250
8911 Transfers Out (Use)	(164,073)	-	-	(164,073)
	<u>30,132</u>	<u>8,133,250</u>	<u>-</u>	<u>8,163,382</u>
7080 Total Other Financing Sources (Uses)				
1200 Net Change in Fund Balances	1,626,012	6,285,253	103,490	8,014,755
0100 Fund Balance - September 1 (Beginning)	13,704,429	-	738,302	14,442,731
	<u>15,330,441</u>	<u>6,285,253</u>	<u>841,792</u>	<u>22,457,486</u>
3000 Fund Balance - August 31 (Ending)				

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 8,014,755
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to decrease net position.	(4,807,745)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(574,634)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	521,479
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$56,770. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$52,414. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$57,455. The net result is a decrease in the change in net position.	(53,099)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$16,760. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$16,316. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$31,003. The net result is a increase in the change in net position.	31,447
Change in Net Position of Governmental Activities	\$ 3,132,203

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2021

	Governmental Activities -	
	Internal Service Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	30,691
Total Assets		30,691
LIABILITIES		
Noncurrent Liabilities:		
Other Long-Term Debt - Due in More than One Year		30,691
Total Noncurrent Liabilities		30,691
Total Liabilities		30,691

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 11,075
Total Operating Revenues	11,075
OPERATING EXPENSES:	
Payroll Costs	11,075
Total Operating Expenses	11,075

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT D-3

		Governmental Activities -
		Internal Service Fund
<hr/>		
<u>Cash Flows from Operating Activities:</u>	\$	11,075
Cash Received from Assessments - Other Funds		(11,075)
Cash Payments for Insurance Claims		-
Net Cash Provided by Operating Activities		-
Net Increase in Cash and Cash Equivalents		30,691
Cash and Cash Equivalents at Beginning of Year		-
Cash and Cash Equivalents at End of Year	\$	<u>30,691</u>
<hr/>		
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided By (Used For) Operating Activities:</u>	\$	-
Operating Income (Loss)		<u>-</u>

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

	Private Purpose Trust Fund
<hr/>	
ASSETS	
Investments - Current	\$ 1,212
Total Assets	<u>1,212</u>
NET POSITION	
Restricted for Other Purposes	<u>1,212</u>
Total Net Position	<u><u>\$ 1,212</u></u>

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Private Purpose Trust Fund
ADDITIONS:	
Earnings from Temporary Deposits	\$ 10
Total Additions	<u>10</u>
DEDUCTIONS:	
Scholarship Paid Out	<u>500</u>
Total Deductions	<u>500</u>
Change in Fiduciary Net Position	(490)
Total Net Position - September 1 (Beginning)	<u>1,702</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 1,212</u></u>

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

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Notes to the Financial Statements

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**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

A. Summary of Significant Accounting Policies

Klondike Independent School District (the "District") is a public education agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District.

The basic financial statements of Klondike Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are not component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental fund:

General Fund - This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

Special Revenue Funds - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Internal Service Funds - These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term obligation debt in the Debt Service Fund.

Private Purpose Trust Fund - The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is a scholarship fund, annual scholarships to be awarded to past students of the District in accordance with donor stipulations.

Custodial Funds - These custodial funds are used to account for activities of student groups. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the Board. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements - These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

3. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipts of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60 day period after the close of the school fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-40
Building Improvements	20-40
Vehicles	5-12
Office Equipment	5-10
Computer Equipment	5-7

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to September 1, 2001.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, any interfund receivables and payables are netted and presented as a single "Internal Balances" line of government-wide statement of net assets.

f. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, committed, assigned, or unassigned. See Note S for additional disclosures.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. **Nonspendable** - Not in spendable form, such as inventory, long-term receivables, etc.
2. **Restricted** - Amounts constrained to be used for a specific purpose by external parties, constitutional provisions, and enabling legislation.
3. **Committed** - Amounts that can be used only for the specific purposes determined by a formal action of the District's School Board (the District's highest level of decision-making

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

authority). Action to constrain resources should occur prior to year end, to report such constraints in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year end. A commitment can only be modified or removed by the same formal action.

4. **Assigned** - Amounts intended to be used by the government for specific purposes. Intent is expressed by the District's School Board or an official authorized by the District's School Board (the District's highest level of decision-making authority). Assignments may occur subsequent to fiscal year end. Assignments may be made by an authorized official or by formal action by the School Board.
5. **Unassigned** - Residual amount available for any purpose.

The District does not currently have a minimum fund balance policy in effect. The Board of Trustees will utilize funds in the following spending order in circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications: Restricted, Committed, Assigned, and Unassigned.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Operating Revenues of Proprietary Funds

Operating revenues for proprietary funds are those that result from providing services.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

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. New Financial Accounting Standards- Change in Accounting Principle

During the fiscal year ended August 31, 2013, the District implemented two statements of the Governmental Accounting Standards Board (GASB) No. 63 (*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*) and No. 65 (*Items Previously Reported as Assets and Liabilities*). These two statements:

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

- Classified items that are a consumption of net assets applicable to a future reporting period as deferred resource outflows;
- Classified items that are an acquisition of net assets applicable to a future reporting period as deferred resource inflows;
- Renames all "Statements of Net Assets" "Statements of Net Positions";
- Required all bond issuance costs to be recorded as expenses in the year the bonds were issued;
- Reclassified the effect of accounting changes adopted to conform to the provisions of Statement No. 63 retroactively in statements of net position and balance sheets, if practical, for all prior periods presented. In the period, Statement No. 63 is the first applied, the financial statements should disclose the nature of any reclassification.
- Required reasons for not reclassifying statements of net position and balance sheet information for prior periods presented to be explained.

The effect of these two statements on the District's 2021 annual financial statements was:

- To record uncollected property taxes deferred resource inflows:

Deferred Resource Inflows	\$861,222
"Unavailable revenues-property taxes"	

i. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

m. Other Accounting Policies

1. The District records purchases of supplies as expenditures. If a material amount of supplies are on hand at the end of the year, their total cost is recorded as inventory and a portion of fund balance is reported as nonspendable for the same amount accordingly. At August 31, 2021, the amount of supplies on hand was not material.
2. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. No payments are made to an employee for unused sick leave or vacation upon separation from employment. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.
3. The District administers endowed scholarship funds. The net position of these funds is restricted to payments of future scholarships and are reported as private-purpose trust funds on the District's financial statements.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At August 31, 2021, the amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$ 24,340,213. The District's cash deposits at August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

As of the highest combined balance on March 14, 2021, the District's deposits were adequately secured by FDIC coverage and pledged securities.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: First United Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$39,217,998.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$36,799,579 and occurred during the month of March, 2021.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$500,000.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent.

Foreign Currency Risk - The District has no policy regarding foreign currency risk since it has no investments or deposits denominated in a foreign currency.

District Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District has adopted a policy which limits its investments to certificates of deposits which are secured by FDIC coverage and securities pledged as collateral in the District's name.

Custodial Credit Risk for Investments - To limit the risk that in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the pledged securities covering the District's investments are in the District's name and held by the District or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investments in a single issuer, the District limits investments to certificates of deposit through a financial institution.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires its investment officer to diversify the District's investment portfolio to include both maturities of one year and less than one year.

Foreign Currency Risk for Investments - The District has no policy regarding foreign currency risk since it has no investments or deposits denominated in a foreign currency.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

The District's investments at August 31, 2021, are shown below.

Investment	Category			Reported Amount	Fair Value
	1	2	3		
Certificates of Deposit - First United Bank	\$ 16,750,000	\$ -0-	\$ -0-	\$16,750,000	\$ 16,750,000
Total Investments	<u>\$16,750,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$16,750,000</u>	<u>\$ 16,750,000</u>

D. Capital Assets

Capital asset activity for the year ended August 31, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 100,139	\$ -0-	\$ -0-	\$ 100,139
Total Capital Assets Not Being Depreciated	<u>\$ 100,139</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 100,139</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	\$16,925,353	\$ 139,995	\$ -0-	\$17,065,348
Construction in Progress	- 0-	2,067,704	-0-	2,067,704
Furniture and Equipment	2,710,681	67,527	-0-	2,778,208
Total Capital Assets Being Depreciated	<u>\$19,636,034</u>	<u>\$ 2,275,226</u>	<u>\$ -0-</u>	<u>\$21,911,260</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 4,574,491	\$ 439,287	\$ -0-	\$ 5,013,778
Furniture and Equipment	1,925,423	135,347	-0-	2,060,770
Total Accumulated Depreciation	<u>\$ 6,499,914</u>	<u>\$ 574,634</u>	<u>\$ -0-</u>	<u>\$ 7,074,548</u>
Total Capital Assets Being Depreciated, Net	<u>\$13,136,120</u>	<u>\$1,700,592</u>	<u>\$ -0-</u>	<u>\$14,836,712</u>
Governmental Activities				
Capital Assets, Net	<u>\$13,236,259</u>	<u>\$1,700,592</u>	<u>\$ -0-</u>	<u>\$14,936,851</u>

Depreciation was charged to functions as follows:

Instruction	\$201,927
Instructional Resources and Media Services	2,515
Curriculum Development and Instructional Staff Development	333
Instructional Leadership	4,768
School Leadership	13,578
Guidance, Counseling and Evaluation Services	7,875
Student Transportation	78,076
Food Service	29,458
Cocurricular/Extracurricular	84,352
General Administration	37,577
Plant Maintenance and Operations	87,745
Security and Monitoring Services	1,527
Data Processing Services	24,903
Total	<u>\$ 574,634</u>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

E. Operating Transfers

1. Transfers To and From Other Funds

Transfers to and from other funds for the year ended August 31, 2021 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Food Service	<u>\$ 164,073</u>	Subsidize Food Service Operations
	Total	<u>\$ 164,073</u>	

F. Long-Term Debt

In 2021, the District issued Klondike Independent School District Unlimited Tax School Building Bonds, Series 2021, in the amount of \$7,810,000 dated March 9, 2021, for the purpose of building a field house, concession stand, bathrooms, and additional classrooms. In addition the purpose of the bond also included replacing HVAC units and renovating classrooms. The Series 2021 School Building Bonds are authorized by Texas Education Code, Sections 45.001 and 45.003. The bonds require annual interest and principal payments and bear interest at 3.0%. During each year the bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures.

1. Long-Term Obligation Activity

Long-term liability activity for the year ended August 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
Unlimited Tax School Building Bonds, Series 2021	\$ - 0-	\$ 7,810,000	\$ - 0-	\$ 7,810,000	\$ - 0-
Unlimited Tax School Building Bonds, Series 2012	<u>1,910,000</u>	<u>-</u>	<u>940,000</u>	<u>970,000</u>	<u>970,000</u>
Total Bonds Payable	<u>\$ 1,910,000</u>	<u>\$ 7,810,000</u>	<u>\$ 940,000</u>	<u>\$ 8,780,000</u>	<u>\$ 970,000</u>
Other Liabilities:					
Unamortized Bond Premium	\$ 126,097	\$ 323,250	\$ 110,279	\$ 339,068	\$ 108,176
Net Pension Liability-TRS	763,502	-	83,141	680,361	-
Net OPEP Liability-TRS	1,022,887	-	206,850	816,037	-
Workers Comp Claim Liability	<u>30,691</u>	<u>- 0-</u>	<u>- 0-</u>	<u>30,691</u>	<u>- 0-</u>
Total Other Liabilities	<u>\$ 1,943,177</u>	<u>\$ 323,250</u>	<u>\$ 400,270</u>	<u>\$ 1,866,157</u>	<u>\$ 108,176</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,853,177</u>	<u>\$ 8,133,250</u>	<u>\$ 1,340,270</u>	<u>\$ 10,646,157</u>	<u>\$ 1,078,176</u>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

2. Debt Service Requirements

Debt service requirements on Bonds Payable debt at August 31, 2021, are as follows:

Bonds Payable			
Year Ending August 31	Principal	Interest	Total Requirements
2022	\$ 970,000	\$ 142,618	\$ 1,112,618
2023	1,105,000	83,825	1,188,825
2024	1,110,000	72,750	1,182,750
2025	1,110,000	61,650	1,171,650
2026-2029	<u>4,485,000</u>	<u>129,250</u>	<u>4,614,250</u>
Totals	\$ <u>8,780,000</u>	\$ <u>490,093</u>	\$ <u>9,270,093</u>

G. Commitments Under Capitalized Leases

The District had no commitments under capitalized leases at August 31, 2021.

H. Health Care Coverage

During the year ended August 31, 2021, the District participated in the TRS-Active Care Program administered by the Teacher Retirement System. The District contributed \$225 of the employee-only premium per month, and employees, at their options, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Additionally, payments made on behalf of the District by the State for Medicare Part D fringe benefits and salaries amounted to \$9,438, \$9,130, and \$7,400 for the years ended August 31, 2021, 2020, and 2019 respectively.

I. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing and respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

2. Litigation

No reportable litigation was pending against the District at August 31, 2021.

J. Shared Services Arrangements

The District participates in a shared services arrangement for Special Education under the IDEA-B Formula of Title VII of the Elementary and Secondary Education Act with Borden County Independent School District and Dawson Independent School District. Borden County Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint interest in fixed asset purchased by the fiscal agent, Borden County Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit of burden to Klondike Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Total expenditures for the current year attributable to the District's participation in the IDEA-Part B Special Education Coop was \$49,159.

K. Workers' Compensation Fund

The District maintains a self-funded Workers' Compensation program through the West Texas Educational Insurance Association. Claims administration was provided by Claims Administrative Services, Inc., for the period beginning September 1, 2017, and ending August 31, 2022. The District is in the 4th year of a five year contract with Claims Administrative Services, Inc., for the District's participation in the West Texas Educational Insurance Association.

The District paid a fixed cost of \$5,814 during FYE 8-31-21 for excess insurance, claims administration, and safety and loss control. The District's ultimate liability is the sum of loss funds for each policy year since being accepted into the West Texas Educational Insurance.

The accrued liability for Workers' Compensation self-insurance of \$30,691 includes incurred but not reported claims. This liability reported in the Workers' Compensation Internal Service Fund at August 31, 2021, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

L. Local and Intermediate Revenues

During the year, local and intermediate revenues consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Revenue Amount</u>
Property Taxes	General	\$19,992,515
Property Taxes	Debt Service	1,087,869
Penalties, Interest and Other Tax Related Income	General	74,668
Penalties, Interest and Other Tax Related Income	Debt Service	4,793
Rent Income	General	73,185
Insurance Recovery	General	18,350

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Foundations, Gifts, & Bequests	General	2,084
Investment Income	General	121,726
Investment Income	Debt Service	122,260
Athletic Activities	General	4,450
Other Miscellaneous Revenues from Local Sources	General	62,662
Campus Activity	General	82,283
Total		<u><u>\$21,646,845</u></u>

M. Budgetary Control

The official budget was prepared for adoption for the General Fund and the Food Service Fund, which is included within the Governmental Funds and the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Education. All budget appropriations lapse at year-end. The budgets for the General Fund and Food Service Special Revenue Fund must be filed with the Texas Education Agency on a designated date through the Public Education Information Management System (PEIMS).

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

N. Vacation and Sick Leave

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

O. Due to Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. The District receives entitlements from the State through the School Foundation Program. As of August 31, 2020, the District owed the Texas Education Agency \$979,405 for Chapter 41 Recapture and \$200 for existing debt allotment.

P. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. The District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state, and local governments as of August 31, 2020, are:

<u>Government</u>	<u>Fund</u>	<u>Amount</u>	<u>Description</u>
Texas Education Agency	Special Revenue	\$ 16,663	Title I
Texas Education Agency	Special Revenue	2,178	Title I Migrant
Texas Education Agency	Special Revenue	494	Title II
Texas Education Agency	Special Revenue	22,606	Title VI
Texas Education Agency	General Fund	10,839	Lunchroom Reimb.
Texas Education Agency	Special Revenue	12,212	ESSER
Texas Education Agency	Special Revenue	10,000	Title IV
Texas Education Agency	Special Revenue	81	Textbook
Texas Education Agency	General/Debt	<u>228,148</u>	Property Taxes
Dawson CAD			
	Total	<u>\$ 303,221</u>	

Q. Restriction of Fund Balance and Restriction of Net Position

The following table shows the Fund Balance Restricted as shown on the Governmental Funds Balance Sheet.

<u>Activity</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Acquisition	State Law	\$ 6,285,253
Retirement of Long-Term Debt	State Law	\$ 791,488
Total Restricted Fund Balance		<u>\$ 7,076,741</u>

The following table shows Net Position Restricted as shown in the Statement of Net Position:

<u>Activity</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Projects	State Law	\$ 6,285,253
Debt Service	State Law	\$ 791,488
Total Restricted Net Assets		<u>\$ 6,285,253</u>

R. Assignment of Fund Balance

The District has chosen to assign a portion of fund balance for future capital expenditures, future construction, and future recapture payments. As of August 31, 2021, the amount of fund balance assigned in the Governmental Funds included:

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NOTES TO THE FINANCIAL STATEMENTS
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<u>Activity</u>	<u>Amount</u>
Capital Equipment	\$ 250,000
Construction	250,000
Recapture	1,500,000
Total Assigned Fund Balance	<u>\$2,000,000</u>

S. Unavailable Revenue - Property Taxes

Unavailable revenue for property taxes in the governmental funds at year end consisted of the following:

	General Fund	Debt Service	Total
Net Tax Revenue	\$ 811,602	\$ 49,619	\$ 861,221
Total Unavailable Revenue	\$ 811,602	\$ 49,619	\$ 861,221

T. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit post employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55%. For the years ended August 31, 2021, 2020, and 2019, the State's contributions (in thousands) to TRS-Care were \$334,028, \$324,974, and \$305,363, respectively, the active member contributions (in thousands) were \$250,413, \$243,532, and \$227,338, respectively, and the school district's contributions were \$16,188, \$15,698, and \$14,782, for 2021, 2020, and 2019, respectively, which equaled the required contributions each year.

U. Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has two items which qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in the category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

V. Risk Management

Unemployment Compensation Pool

During the year ended August 31, 2021, Klondike ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2021, the Fund anticipates that Klondike ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and/or Property Programs

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

W. Subsequent Events

The District has evaluated events occurring after August 31, 2021, and through February 15, 2022, that date on which financial statements were available to be issued, for additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. There are no subsequent events that have not been previously mentioned.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

X. Deferred Compensation Plan

The District provides a deferred compensation plan for its employees in the form of both a 403(b) and/or a 457(b) type plan. The District matches employee contributions into the plan selected dollar for dollar up to 3% of eligible compensation. The employer contributions are subject to a 3 year cliff vesting schedule. Prior service with Klondike ISD counts toward years of service for vesting purposes. The deferred compensation plan is administered through Valic Financial.

Y. Defined Benefit Pension Plan

Plan Description

Klondike Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund 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 educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin TX 78701-2698; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2020.

<u>Net Pension Liability</u>	<u>2020</u>
Total Pension Liability	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	<u>(165,416,245,243)</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>
Net Position as percentage of Total Pension Liability	75.54%

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Y. Defined Benefit Pension Plan (continued)

calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaried are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the State, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Contributions

Contributions requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in the 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 2020 through 2025.

Contribution Rates

	<u>2020</u>	<u>2021</u>
Member	7.70%	7.70%
Non- Employer Contributing Entity (State)	7.50%	7.50%
Employers	7.50%	7.50%

Klondike ISD 2021 Employer Contributions	\$ 56,770
Klondike ISD 2021 Member Contributions	\$ 166,197
2020 Measurement NECE On-Behalf Contributions	\$ 131,246

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

Y. Defined Benefit Pension Plan (continued)

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public 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 part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-education and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools, and regional education service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.

Actuarial Assumptions

Roll Forward-The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumption were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has the sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale (U-MP).

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

Y. Defined Benefit Pension Plan (continued)

The following table discloses the assumptions that were applied to the measurement period:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rates as of August 2018	2.33%-Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA index."
Last year ending August 31 in projection period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that the contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. 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.

The long-term rate of return on pension plan investments is 7.25%. 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 System's target asset allocation as of August 31, 2020 are summarized below:

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

Asset Class	Target Allocation %*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return (Including Credit Sensitive Investments)		1.80%	
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources, and Infrastructure	6.00%	6.00%	0.42%
Commodities		0.80%	
Risk Party			
Risk Party	8.00%	3.00%	0.30%
Asset Allocation Leverage Cash			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Expected Return	<u><u>100.00%</u></u>		<u><u>7.33%</u></u>

* - Target allocations are based on the FY 2020 policy model

** - Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020)

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

Y. Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Klondike ISD's proportionate share of the net position liability:	\$ 1,049,104	\$ 680,361	\$ 380,765

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At August 31, 2021, Klondike Independent School District reported a net pension liability of \$680,361 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Klondike Independent School District. The amount recognized by Klondike Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Klondike Independent School District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 680,361
State's Proportionate Share that is Associated with the District	<u>1,703,642</u>
Total	<u>\$ 2,384,003</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was .0012703261% which was a decrease of .0001984233% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, Klondike Independent School District recognized pension expense of \$314,779 and revenue of \$204,910 for support provided by the State.

Changes since the Prior Actuarial Valuation

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

Y. Defined Benefit Pension Plan (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At August 31, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Economic Experience	\$ 1,242	\$ 18,987
Changes in Actuarial Assumptions	157,868	67,124
Difference between Projected and Actual Investment Earnings	13,773	-
Changes in Proportion and Difference between the Employer's Contributions and the Proportionate Share of Contributions	47,285	96,431
Contributions Paid to TRS Subsequent to Measurement Date	56,770	-
Total as of Fiscal Year End	<u>\$ 276,938</u>	<u>\$ 182,542</u>

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

<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2022	\$ 27,701
2023	16,661
2024	17,471
2025	(836)
2026	(19,133)
Thereafter	(4,238)

Z. Nonmonetary Transactions

The District received food commodities from the Federal Government. The cost basis is determined by the U.S. Dept of Agriculture and recorded on the District's books at that cost (GAAP Basis). There are no related gains or losses associated with this transaction.

The District received personal protective equipment (PPE) from the Federal Government. The cost basis is determined by the Texas Education Agency and recorded on the District's books at that cost (GAAP Basis). There are no related gains or losses associated with this transaction.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

AA. Interfund Receivables and Payables

Interfund balances at August 31, 2021 consisted of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
Payroll Clearing	\$ 11,350	
Capital Projects	73,827	
Campus Activity Funds	<u>135</u>	
	<u>\$ 85,312</u>	
Payroll Clearing		\$11,350
General Fund		
Capital Projects		73,827
General Fund		
Campus Activity Funds		<u>135</u>
General Fund		<u>\$85,312</u>

BB. Chapter 313 Tax Abatement Agreement

Core Solar SPV IX LLC

Klondike ISD entered into an agreement with Core Solar SPV IX, LLC on April 13, 2018. The agreement was for Core Solar SPV IX, LLC to invest capital of \$180,000,000 on a long-term basis for a valuation limitation of \$20,000,000. For fiscal year 2021, which is year 3 of the agreement, the M&O tax rate is \$.963 per \$100, and the property is valued at \$0 without considering the limitation and \$0 with the limitation. When calculated, the district forgoes collecting \$0 in tax revenue; however, that will be offset by the increase in state funding through the FSP funding formula and a possible Revenue Protection Payment. In addition to the tax abatement, Core Solar SPV IX, LLC has committed to pay supplemental payments to the district in the amount of \$100 per 2016-2017 ADA or \$50,000, whichever is greater.

CC. Unearned Revenue

Unearned revenue is associated with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenues consisted of State Foundation Overpayments of \$898,709.

DD. GASB 84

During the fiscal year 2020, the District elected early implementation of GASB Statement No. 84 (GASB 84) for Fiduciary Activities. With GASB 84, the District must record revenues and expenses in custodial funds and only include student activity organizations.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

EE. Defined Other Post-Employment Benefit Plan

Plan Description - The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position - Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report for TRS-Care provides the following information regarding the Other Post-Employment Benefit Plan fiduciary net position as of August 31, 2020:

Net OPEB Liability	2020
Total OPEB liability	\$ 40,010,833,815
Less: Plan fiduciary net position	(1,996,317,932)
Net OPEB Liability	\$ 38,014,515,883

Net position as a percentage of total OPEB liability	4.99%
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Benefits Provided - TRS-Care provides health insurance coverage to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

The General Appropriations ACT passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

EE. Defined Other Post-Employment Benefit Plan (Continued)

TRS-Care Plan Premium Rates January 1, 2020 – December 31, 2020
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	Medicare		Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$	200
Retiree and Spouse	529		689
Retiree or Surviving Spouse and Children	468		408
Retiree and Family	1,020		999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates and Amounts	2020	2021
Active Employee Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Klondike ISD 2021 Employer Contributions	\$	16,760
Klondike ISD 2021 Member Contributions	\$	14,030
Klondike ISD 2020 NECE On-behalf Contributions	\$	21,924

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

EE. Defined Other Post-Employment Benefit Plan (Continued)

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions - The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions. The actuarial valuation of the OPEB plan offered through the TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of the retirement, termination and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experiences study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2019 rolled forward to August 31, 2020
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected salary increases	3.05% to 9.05%
Election rate	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65, 25% of pre-65 retirees are assumed to discontinue coverage at the age of 65.
Ad hoc post-employment benefit changes	None

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

EE. Defined Other Post-Employment Benefit Plan (Continued)

The initial medical trend rates were 9% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate - A single discount rate of 2.33% was used to measure the total OPEB liability. There was decrease a change of .30% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of municipal bond rate is the Fidelity "20-year Municipal GOAA Index" as of August 31, 2020, using the fixed-income municipal bonds with 20 years to maturity that include only federally-tax exempt municipal bonds.

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the net OPEB liability.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

EE. Defined Other Post-Employment Benefit Plan (Continued)

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
NISD's Proportionate Share of the Net OPEB Liability	\$ 979,242	\$ 816,037	\$ 687,128

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that this is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
KISD's Proportionate share of Net OPEB Liability	\$666,597	\$816,037	\$1,015,069

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEBs - At August 31, 2021, the District reported a liability of \$816,037 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the Collective Net OPEB Liability	\$ 816,037
State's Proportionate Share that is Associated with the District	1,096,558
Total	\$ 1,912,595

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net OPEB liability was .0021466448% which was a decrease of .0000163112% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the District recognized OPEB expense of \$(22,301) and revenue of \$(7,614) for support provided by the State.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

EE. Defined Other Post-Employment Benefit Plan (Continued)

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability since the prior measurement period:

- This discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change decreased the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

There were no changes of benefit terms that affected measurement of the Total OPEB Liability since the prior measurement date.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 42,727	\$ 373,460
Changes in actuarial assumptions	50,332	224,088
Difference Between Projected and Actual Investment	265	-
Earnings	-	22,289
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	16,760	-
Contributions Paid to TRS Subsequent to the Measurement Date	-	-
Total as fiscal year end	\$ 110,084	\$ 619,837

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2021**

EE. Defined Other Post-Employment Benefit Plan (Continued)

The net amounts of the District's balances of deferred outflows and inflows of resources (Not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	(Benefit) OPEB Expense
2022	\$ (87,252)
2023	(87,288)
2024	(87,308)
2025	(87,302)
2026	(65,505)
Thereafter	(111,858)

Required Supplementary Information

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KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 17,592,650	\$ 19,117,650	\$ 20,349,639	\$ 1,231,989
5800 State Program Revenues	581,471	368,267	347,488	(20,779)
5900 Federal Program Revenues	114,994	114,994	112,867	(2,127)
5020 Total Revenues	<u>18,289,115</u>	<u>19,600,911</u>	<u>20,809,994</u>	<u>1,209,083</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,966,305	2,301,169	2,153,858	147,311
0012 Instructional Resources and Media Services	26,394	28,894	26,828	2,066
0013 Curriculum and Instructional Staff Development	5,700	5,700	3,555	2,145
0021 Instructional Leadership	-	52,000	50,859	1,141
0023 School Leadership	127,484	147,484	144,825	2,659
0031 Guidance, Counseling, and Evaluation Services	125,394	87,394	84,004	3,390
0033 Health Services	1,500	1,500	1,401	99
0034 Student (Pupil) Transportation	203,191	153,191	120,954	32,237
0035 Food Services	260,508	251,008	249,171	1,837
0036 Extracurricular Activities	398,020	338,020	303,986	34,034
0041 General Administration	398,727	390,727	383,228	7,499
0051 Facilities Maintenance and Operations	638,667	738,667	720,429	18,238
0052 Security and Monitoring Services	6,835	16,835	16,290	545
0053 Data Processing Services	235,259	269,259	265,624	3,635
Capital Outlay:				
0081 Facilities Acquisition and Construction	350,000	600,000	503,553	96,447
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	13,410,382	14,060,382	14,058,054	2,328
0093 Payments to Fiscal Agent/Member Districts of SSA	47,885	49,885	49,159	726
0099 Other Intergovernmental Charges	82,000	82,000	78,336	3,664
6030 Total Expenditures	<u>18,284,251</u>	<u>19,574,115</u>	<u>19,214,114</u>	<u>360,001</u>
1100 Excess of Revenues Over Expenditures	<u>4,864</u>	<u>26,796</u>	<u>1,595,880</u>	<u>1,569,084</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	30,132	30,132
7915 Transfers In	165,469	182,265	164,073	(18,192)
8911 Transfers Out (Use)	(165,469)	(182,265)	(164,073)	18,192
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>30,132</u>	<u>30,132</u>
1200 Net Change in Fund Balances	4,864	26,796	1,626,012	1,599,216
0100 Fund Balance - September 1 (Beginning)	13,704,429	13,704,429	13,704,429	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 13,709,293</u>	<u>\$ 13,731,225</u>	<u>\$ 15,330,441</u>	<u>\$ 1,599,216</u>

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2021

	Measurement Year Ended August 31,					
	2020	2019	2018	2017	2016	2014
District's Proportion of the Net Pension Liability (Asset)	0.0012703261%	0.0014687494%	0.0014129586%	0.0014534619%	0.0015479094%	0.0016955000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 680,361	\$ 763,502	\$ 777,727	\$ 464,739	\$ 584,932	\$ 599,337
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,703,642	1,547,684	1,712,745	1,100,830	1,380,762	1,369,394
Total	<u>\$ 2,384,003</u>	<u>\$ 2,311,186</u>	<u>\$ 2,490,472</u>	<u>\$ 1,565,569</u>	<u>\$ 1,965,694</u>	<u>\$ 1,968,731</u>
District's Covered Payroll	\$ 2,093,123	\$ 1,970,851	\$ 1,911,631	\$ 1,976,627	\$ 2,018,441	\$ 2,025,951
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	32.50%	38.74%	40.68%	23.51%	28.98%	29.58%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%
						83.25%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2021

	Fiscal Year Ended August 31,						
	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 56,770	\$ 52,414	\$ 51,408	\$ 47,577	\$ 47,636	\$ 49,162	\$ 50,225
Contribution in Relation to the Contractually Required Contribution	(56,770)	(52,414)	(51,408)	(47,577)	(47,636)	(49,162)	(50,225)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,158,407	\$ 2,093,123	\$ 1,970,851	\$ 1,911,631	\$ 1,976,627	\$ 2,018,441	\$ 2,025,951
Contributions as a percentage of Covered Payroll	2.63%	2.50%	2.61%	2.49%	2.41%	2.44%	2.48%

Note: Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2021

	Measurement Year Ended August 31,		
	2020	2019	2018
District's Proportion of the Net OPEB Liability (Asset)	0.0021466448%	0.0021629560%	0.0021704496%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 816,037	\$ 1,022,887	\$ 1,083,725
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	1,096,558	1,359,190	1,686,447
Total	<u>\$ 1,912,595</u>	<u>\$ 2,382,077</u>	<u>\$ 2,770,172</u>
District's Covered Payroll	\$ 2,093,123	\$ 1,970,851	\$ 1,911,631
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	38.99%	51.90%	56.69%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%
			0.91%

Note: Only four years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2021

	Fiscal Year Ended August 31,		
	2021	2020	2019
Contractually Required Contribution	\$ 16,760	\$ 16,316	\$ 15,351
Contribution in Relation to the Contractually Required Contribution	(16,760)	(16,316)	(14,973)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,158,407	\$ 2,093,123	\$ 1,970,851
Contributions as a percentage of Covered Payroll	0.78%	0.78%	0.78%

Note: Only four years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. NOTES TO SCHEDULES FOR THE TRS PENSION

Changes of Benefit Terms

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

Changes of Assumptions

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

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN

Changes of Benefit Terms

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

Changes of Assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- This discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change decreased the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Other Supplementary Information

KLONDIKE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.040000	0.851000	1,150,773,340
2014	1.040000	0.083700	1,243,825,381
2015	1.040000	0.076631	1,348,527,411
2016	1.040000	0.095295	1,083,370,323
2017	1.040000	0.163733	643,836,695
2018	1.040000	0.130282	797,459,105
2019	1.170000	0.125000	976,415,830
2020	1.068350	0.066800	1,919,842,128
2021 (School year under audit)	0.963000	0.052200	1,882,565,395
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 30,463	\$ -	\$ 247	\$ -	\$ (2,815)	\$ 27,401
10,277	-	93	8	-	10,176
12,973	-	213	17	-	12,743
48,837	-	170	12	-	48,655
24,816	-	308	28	-	24,480
14,281	-	448	71	-	13,762
19,359	-	4,570	572	-	14,217
80,543	-	28,844	3,082	(224)	48,393
243,800	-	218,435	13,663	87,945	99,647
-	22,265,090	20,236,857	1,097,390	-	930,843
<u>\$ 485,349</u>	<u>\$ 22,265,090</u>	<u>\$ 20,490,185</u>	<u>\$ 1,114,843</u>	<u>\$ 84,906</u>	<u>\$ 1,230,317</u>

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 984,000	\$ 984,000	\$ 1,093,186	\$ 109,186
5800 State Program Revenues	-	-	256	256
5020 Total Revenues	984,000	984,000	1,093,442	109,442
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	940,000	940,000	940,000	-
0072 Interest on Long-Term Debt	43,200	43,200	43,200	-
0073 Bond Issuance Cost and Fees	800	800	441	359
6030 Total Expenditures	984,000	984,000	983,641	359
1200 Net Change in Fund Balances	-	-	109,801	109,801
0100 Fund Balance - September 1 (Beginning)	693,279	693,279	693,279	-
3000 Fund Balance - August 31 (Ending)	\$ 693,279	\$ 693,279	\$ 803,080	\$ 109,801

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL
EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021**

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$125,279
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICS 24, 26, 28, 29, 30, 34)	\$158,737

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$9,786
AP8	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICS 25, 35)	\$10,512

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***Overall Compliance and Internal
Controls Section***

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STEPHENS, STEPHENS, & TELCHIK, P.C.

Certified Public Accountants

MEMBER AICPA
MEMBER TSCPA

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S.E. STEPHENS, CPA
RAY A. STEPHENS, CPA
KEVIN TELCHIK, CPA

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

Independent Auditor's Report

Board of School Trustees
Klondike Independent School District
Lamesa, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Klondike Independent School District (the District) as of and for the year ended August 31, 2021, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Klondike Independent School District's financial statements are free of 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*.

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.

Stephens, Stephens, & Telchik PC
Certified Public Accountants

Lamesa, Texas

February 15, 2022

KLONDIKE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE FINDINGS AND QUESITONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

Current Year Findings –

None

Corrective Action Plan--

N/A

Status of Prior Year Findings –

N/A

SCHOOLS FIRST QUESTIONNAIRE

Klondike Independent School District

Fiscal Year 2021

- | | | |
|-----|--|-----|
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement? | No |
| SF3 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.) | Yes |
| SF4 | Was the school district issued a warrant hold? (Yes even if cleared within 30 days.) | No |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end? | Yes |
| SF8 | Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget? | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end. | |