

**KLONDIKE INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED AUGUST 31, 2020**

**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***

**Klondike Independent School District  
Annual Financial Report  
For the Year Ended August 31, 2020**

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## ***Introductory Section***

**CERTIFICATE OF BOARD**

Klondike Independent School District      Dawson      058-905  
Name of School District      CountyCo.-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, 2020, at a meeting of the board of the trustees of such school district on the 21st day of January 2021.

  
\_\_\_\_\_  
Signature of Board Vice-President

  
\_\_\_\_\_  
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)

***Financial Section***

# 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

January 6, 2021

## Independent Auditor's Report

### UNMODIFIED OPINION ON THE BASIC FINANCIAL STATEMENTS

Board of 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 the Klondike Independent School District (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### Auditor's Responsibility

Our responsibility is to express 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 and appropriate 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 financial position of the governmental activities, each major fund, and the aggregate remaining

fund information of Klondike Independent School District, as of August 31, 2020, and the respective changes in financial position, and where applicable, the cash flows, 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 52 and the pension and OPEB related information on pages 53-58, 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 the 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 accompanying required Texas Education Agency (TEA) schedule listed in the Table of Contents as Other Supplementary Information is presented for purposes of additional analysis and is 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 January 6, 2021, 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 to solely 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, P.C.***  
Lamesa, Texas



# **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, 2020. 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 \$5,590,052 or 30.21%. The District's statement of activities showed total revenues were \$23,098,362 and expenses totaled \$17,508,310.
- The District ended the year, August 31, 2020, with total net position of \$24,092,534 and unrestricted (Net Position) of \$12,199,093. The balance of cash and investments at August 31, 2020, was \$16,411,398.
- Total general fund expenditures were \$16,483,961 for the year ended August 31, 2020. This compares with general fund expenditures of \$12,213,631 for the year ended August 31, 2019. This increase was mainly due to increased maintenance, payroll, and contracted instructional service costs.
- The District's total revenues on the fund financial statements increased from \$15,125,482 in 2018-19 to \$22,772,473 in 2019-20. 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.

- Fiduciary 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, 2020 and 2019**

	August 31,	
	2020	2019
Cash, Temporary Investments, & Other	\$ 16,411,398	\$ 10,511,064
Capital Assets	<u>13,236,259</u>	<u>13,622,374</u>
<b>Total Assets</b>	<b><u>\$ 29,647,657</u></b>	<b><u>\$ 22,230,570</u></b>
Deferred Outflows of Resources	\$ 510,517	\$ 533,245
<b>Total Deferred Outflows</b>	<b><u>\$ 510,517</u></b>	<b><u>\$ 533,245</u></b>
Current Liabilities	\$ 1,598,232	\$ 818,460
Long-Term Liabilities	<u>3,853,177</u>	<u>4,907,340</u>
<b>Total Liabilities</b>	<b><u>\$ 5,451,409</u></b>	<b><u>\$ 5,725,800</u></b>
Deferred Inflows of Resources	\$ 614,231	\$ 438,401
<b>Total Deferred Inflows</b>	<b><u>\$ 614,231</u></b>	<b><u>\$ 438,401</u></b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 11,200,162	\$ 10,607,177
Restricted for Debt Service	693,279	402,593
Unrestricted (Deficit)	<u>12,199,093</u>	<u>7,492,712</u>
<b>Total Net Position</b>	<b><u>\$ 24,092,534</u></b>	<b><u>\$ 18,502,482</u></b>

## Changes in Net Position

The District's net position increased during the year ended August 31, 2020. The net position increased by \$5,590,052 (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 \$4,706,381 from \$7,492,712 in 2019 to \$12,199,093 in 2020.

**Table II**  
**Klondike Independent School District**  
**Changes in Net Position**  
**For the Year Ended August 31, 2020 and 2019**

	August 31,	
	2020	2019
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges For Services	\$ 102,562	\$ 98,165
Operating Grants and Contributions	576,742	414,243
<b>General Revenues &amp; Extraordinary Items:</b>		
M & O Debt Service Taxes	21,953,732	13,889,589
State Formula Aid	179,669	468,949
Investment Earnings	209,789	228,647
Extraordinary Item-Resource	-	414,068
Extraordinary Item-Use	-	(429,610)
Miscellaneous	75,868	150,284
<b>Total Revenues</b>	<b>\$ 23,098,362</b>	<b>\$ 15,234,335</b>
<b>Expenses:</b>		
Instruction and Instructional-Related Services	\$ 2,498,080	\$ 2,030,016
Instructional and School Leadership	171,329	153,439
Student Support Services	110,056	72,400
Student Transportation	219,981	204,865
Food Services	269,995	252,606
Extracurricular Activities	497,086	421,919
General Administration	413,205	399,875
Plant Maintenance and Operations	620,431	671,730
Security and Monitoring Services	25,095	1,423
Data Processing Services	270,132	264,390
Debt Service	7,365	34,440
Payments to Member Districts	45,784	45,784
Contracted Instructional Services	12,284,590	8,234,056
Other Intergovernmental Charges	75,181	70,973
<b>Total Expenses</b>	<b>\$ 17,508,310</b>	<b>\$ 12,857,916</b>
<b>Change in Net Position</b>	<b>\$ 5,590,052</b>	<b>\$ 1,590,451</b>

The District's total revenues increased from \$15,234,335 in fiscal year 2019 to \$23,098,362 in fiscal year 2020, an increase of \$7,864,027. The total expenses of the District increased by \$4,650,394, from \$12,857,916 to \$17,508,310.

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

- The District's total M & O property tax rate decreased from \$1.17 in 2019 to \$1.069 in 2020. The District's appraised valuation of taxable property increased from \$976,415,830 to \$1,919,842,128, an increase of \$943,426,298, or 96.62%. The total school property taxes assessed for school year 2020 were \$21,792,774. This is an increase of \$7,955,619 from the \$13,837,155 assessed in 2019.
- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 235.340 in 2019 to 239.753 in 2020. 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 \$14,442,731. This fund balance is reported in the various Governmental funds as follows:

#### **General Fund**

Unassigned \$13,704,429 – 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 \$693,279 – These funds are restricted by debt service covenants to fund the principal and interest payments of the 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, 2020.

### **Debt**

Financial statement footnote No. F discloses the debt activity of the District for the year ended August 31, 2020.

## **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 2021. Amounts available for appropriation in the General Fund budget are \$18.287 million, an increase of \$2.00 million from the 2020 budget of \$16.282 million. The District will use its revenues to finance programs currently in place. The District has added no programs to the 2021 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain relatively unchanged by the close of 2021. 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***

***Government Wide Statements***



KLONDIKE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2020

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 1,003,555
1120 Current Investments	15,000,000
1220 Property Taxes - Delinquent	485,349
1230 Allowance for Uncollectible Taxes	(145,605)
1240 Due from Other Governments	61,362
1250 Accrued Interest	3,904
1300 Inventories	2,833
Capital Assets:	
1510 Land	100,139
1520 Buildings, Net	12,350,862
1530 Furniture and Equipment, Net	785,258
1000 Total Assets	29,647,657
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	387,095
1706 Deferred Outflow Related to TRS OPEB	123,422
1700 Total Deferred Outflows of Resources	510,517
<b>LIABILITIES</b>	
2110 Accounts Payable	59,015
2160 Accrued Wages Payable	145,743
2180 Due to Other Governments	468,911
2200 Accrued Expenses	3,326
2300 Unearned Revenue	921,237
Noncurrent Liabilities:	
2501 Due Within One Year	1,004,100
2502 Due in More Than One Year	1,062,688
2540 Net Pension Liability (District's Share)	763,502
2545 Net OPEB Liability (District's Share)	1,022,887
2000 Total Liabilities	5,451,409
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	156,459
2606 Deferred Inflow Related to TRS OPEB	457,772
2600 Total Deferred Inflows of Resources	614,231
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	11,200,162
3850 Restricted for Debt Service	693,279
3900 Unrestricted	12,199,093
3000 Total Net Position	\$ 24,092,534

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, 2020

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 2,469,199	\$ -	\$ 370,823	\$ (2,098,376)
12 Instructional Resources and Media Services	28,881	-	2,146	(26,735)
13 Curriculum and Instructional Staff Development	9,339	-	6,475	(2,864)
23 School Leadership	161,990	-	12,769	(149,221)
31 Guidance, Counseling, and Evaluation Services	109,547	-	8,491	(101,056)
33 Health Services	509	-	-	(509)
34 Student (Pupil) Transportation	219,981	-	14,252	(205,729)
35 Food Services	269,995	1,638	83,425	(184,932)
36 Extracurricular Activities	497,086	19,247	8,114	(469,725)
41 General Administration	413,205	8,832	15,233	(389,140)
51 Facilities Maintenance and Operations	620,431	72,845	20,025	(527,561)
52 Security and Monitoring Services	25,095	-	16,243	(8,852)
53 Data Processing Services	270,132	-	18,746	(251,386)
72 Debt Service - Interest on Long-Term Debt	6,925	-	-	(6,925)
73 Debt Service - Bond Issuance Cost and Fees	440	-	-	(440)
91 Contracted Instructional Services Between Schools	12,284,590	-	-	(12,284,590)
93 Payments Related to Shared Services Arrangements	45,784	-	-	(45,784)
99 Other Intergovernmental Charges	75,181	-	-	(75,181)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 17,508,310</b>	<b>\$ 102,562</b>	<b>\$ 576,742</b>	<b>(16,829,006)</b>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		20,672,201
DT	Property Taxes, Levied for Debt Service		1,281,531
SF	State Aid - Formula Grants		179,669
IE	Investment Earnings		209,789
MI	Miscellaneous Local and Intermediate Revenue		75,868
TR	Total General Revenues		<u>22,419,058</u>
CN	Change in Net Position		5,590,052
NB	Net Position - Beginning		<u>18,502,482</u>
NE	Net Position - Ending		<u>\$ 24,092,534</u>

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

## ***Fund Financial Statements***

KLONDIKE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2020

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 272,450	\$ 700,414	\$ 972,864
1120 Investments - Current	15,000,000	-	15,000,000
1220 Property Taxes - Delinquent	485,349	-	485,349
1230 Allowance for Uncollectible Taxes	(145,605)	-	(145,605)
1240 Due from Other Governments	3,234	58,128	61,362
1250 Accrued Interest	3,904	-	3,904
1260 Due from Other Funds	12,500	135	12,635
1300 Inventories	2,833	-	2,833
1000 Total Assets	<u>\$ 15,634,665</u>	<u>\$ 758,677</u>	<u>\$ 16,393,342</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 43,737	\$ 15,278	\$ 59,015
2160 Accrued Wages Payable	142,637	3,106	145,743
2170 Due to Other Funds	10,985	1,650	12,635
2180 Due to Other Governments	468,911	-	468,911
2200 Accrued Expenditures	2,985	341	3,326
2300 Unearned Revenue	921,237	-	921,237
2000 Total Liabilities	<u>1,590,492</u>	<u>20,375</u>	<u>1,610,867</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	339,744	-	339,744
2600 Total Deferred Inflows of Resources	<u>339,744</u>	<u>-</u>	<u>339,744</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	693,279	693,279
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	11,704,429	45,023	11,749,452
3000 Total Fund Balances	<u>13,704,429</u>	<u>738,302</u>	<u>14,442,731</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,634,665</u>	<u>\$ 758,677</u>	<u>\$ 16,393,342</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, 2020

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>14,442,731</b>
<b>1</b> 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 \$19,440,383 and the accumulated depreciation was (\$5,918,148). 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.		10,607,177
<b>2</b> 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 2020 capital outlays and debt principal payments is to increase net position.		1,174,751
<b>3</b> 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 \$387,905, a deferred resource inflow in the amount of \$156,459, and a net pension liability in the amount of \$763,502. This resulted in a decrease in net position.		(532,866)
<b>4</b> 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 \$123,422, a deferred resource inflow in the amount of \$457,772, and a net OPEB liability in the amount of \$1,022,887. This resulted in a decrease in net position.		(1,357,237)
<b>5</b> The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(581,766)
<b>6</b> 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 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.		339,744
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>24,092,534</u></b>

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 20,713,044	\$ 1,419,600	\$ 22,132,644
5800	State Program Revenues	319,118	71,845	390,963
5900	Federal Program Revenues	104,203	144,663	248,866
5020	Total Revenues	<u>21,136,365</u>	<u>1,636,108</u>	<u>22,772,473</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	1,919,898	195,543	2,115,441
0012	Instructional Resources and Media Services	24,967	-	24,967
0013	Curriculum and Instructional Staff Development	2,011	6,475	8,486
0023	School Leadership	136,593	477	137,070
0031	Guidance, Counseling, and Evaluation Services	93,104	3	93,107
0033	Health Services	509	-	509
0034	Student (Pupil) Transportation	187,097	-	187,097
0035	Food Services	229,197	-	229,197
0036	Extracurricular Activities	341,463	145,559	487,022
0041	General Administration	348,737	4,797	353,534
0051	Facilities Maintenance and Operations	536,776	-	536,776
0052	Security and Monitoring Services	6,661	15,997	22,658
0053	Data Processing Services	233,438	-	233,438
<b>Debt Service:</b>				
0071	Principal on Long-Term Debt	-	915,000	915,000
0072	Interest on Long-Term Debt	-	71,025	71,025
0073	Bond Issuance Cost and Fees	-	440	440
<b>Capital Outlay:</b>				
0081	Facilities Acquisition and Construction	17,955	-	17,955
<b>Intergovernmental:</b>				
0091	Contracted Instructional Services Between Schools	12,284,590	-	12,284,590
0093	Payments to Fiscal Agent/Member Districts of SSA	45,784	-	45,784
0099	Other Intergovernmental Charges	75,181	-	75,181
6030	Total Expenditures	<u>16,483,961</u>	<u>1,355,316</u>	<u>17,839,277</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,652,404</u>	<u>280,792</u>	<u>4,933,196</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	149,103	30,805	179,908
8911	Transfers Out (Use)	(149,103)	-	(149,103)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>30,805</u>	<u>30,805</u>
1200	Net Change in Fund Balances	4,652,404	311,597	4,964,001
0100	Fund Balance - September 1 (Beginning)	<u>9,052,025</u>	<u>426,705</u>	<u>9,478,730</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 13,704,429</u>	<u>\$ 738,302</u>	<u>\$ 14,442,731</u>

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

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, 2020

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>4,964,001</b>
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 2020 capital outlays and debt principal payments is to increase net position.		1,174,751
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.		(581,766)
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, 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.		156,561
GASB 68 required that certain lan 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 \$52,414. 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 \$51,408. Finally, the p[roportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change inb tnet position by \$115,227. The net result is a decrease in the change in net position.		(114,221)
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 vchange in ending net position to increase by \$16,316. 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 chanbge in net position totaling \$15,351. Finally, the proportionate share of the TRS OPEB ecxpense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$10,239. The net result is a decrease in the change in net position.		(9,274)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>5,590,052</b>

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, 2020

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 30,691
Total Assets	30,691
<b>LIABILITIES</b>	
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, 2020

	Governmental Activities -
	Internal Service Fund
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 5,814
Total Operating Revenues	5,814
<b>OPERATING EXPENSES:</b>	
Payroll Costs	5,814
Total Operating Expenses	5,814

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, 2020

	Governmental Activities -
	Internal Service Fund
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Assessments - Other Funds	\$ 5,814
Cash Payments for Insurance Claims	(5,814)
Net Cash Provided by Operating Activities	-
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	30,691
Cash and Cash Equivalents at End of Year	\$ 30,691
<b><u>Reconciliation of Operating Income (Loss) to Net Cash</u></b>	
<b><u>    Provided By (Used For) Operating Activities:</u></b>	
Operating Income (Loss)	\$ -

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, 2020

	Private Purpose Trust Fund	Custodial Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,702	\$ -
Total Assets	<u>1,702</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Unrestricted Net Position	1,702	-
Total Net Position	<u>\$ 1,702</u>	<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, 2020**

	Private Purpose Trust Fund	Custodial Fund
<b>ADDITIONS:</b>		
Earnings from Temporary Deposits	\$ 40	\$ -
Total Additions	<u>40</u>	<u>-</u>
<b>DEDUCTIONS:</b>		
Scholarships Paid	1,000	-
Operating Transfer Out	-	30,805
Total Deductions	<u>1,000</u>	<u>30,805</u>
Change in Fiduciary Net Position	(960)	(30,805)
Total Net Position - September 1 (Beginning)	<u>2,662</u>	<u>30,805</u>
Total Net Position - August 31 (Ending)	<u>\$ 1,702</u>	<u>\$ -</u>

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

***Notes to the Financial Statements***

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**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 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.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**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.

**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 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,

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

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 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.



**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

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 (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

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 (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

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 (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

- 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 2020 annual financial statements was:

- To record uncollected property taxes deferred resource inflows:

Deferred Resource Inflows	\$339,744
"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.

**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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**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, 2020, the amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$ 16,003,555. The District's cash deposits at August 31, 2020, 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 16, 2020, 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 \$27,768,947.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$25,633,144 and occurred during the month of March, 2020.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

**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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

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.

The District's investments at August 31, 2019, are shown below.

<u>Investment</u>	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit -					
First United Bank	<u>\$ 15,000,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$15,000,000</u>	<u>\$ 15,000,000</u>
Total Investments	<u>\$15,000,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$15,000,000</u>	<u>\$ 15,000,000</u>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**D. Capital Assets**

Capital asset activity for the year ended August 31, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated</b>				
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>
<b>Capital Assets, Being Depreciated</b>				
Buildings and Improvements	\$16,878,333	\$ 47,020	\$ -0-	\$16,925,353
Furniture and Equipment	<u>2,562,050</u>	<u>148,631</u>	<u>-0-</u>	<u>2,710,681</u>
Total Capital Assets Being Depreciated	<u>\$19,440,383</u>	<u>\$ 195,651</u>	<u>\$ -0-</u>	<u>\$19,636,034</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	\$ 4,136,094	\$ 438,397	\$ -0-	\$ 4,574,491
Furniture and Equipment	<u>1,782,054</u>	<u>143,369</u>	<u>-0-</u>	<u>1,925,423</u>
Total Accumulated Depreciation	<u>\$ 5,918,148</u>	<u>\$ 581,766</u>	<u>\$ -0-</u>	<u>\$ 6,499,914</u>
Total Capital Assets Being Depreciated, Net	<u>\$13,522,235</u>	<u>\$ (386,115)</u>	<u>\$ -0-</u>	<u>\$ 13,136,120</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u><u>\$13,622,374</u></u>	<u><u>\$(386,115)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$13,236,259</u></u>

Depreciation was charged to functions as follows:

Instruction	\$206,233
Instructional Resources and Media Services	2,508
Curriculum Development and Instructional Staff Development	853
School Leadership	13,772
Guidance, Counseling and Evaluation Services	9,355
Student Transportation	95,748
Food Service	29,312
Cocurricular/Extracurricular	85,630
General Administration	42,048
Plant Maintenance and Operations	70,577
Security and Monitoring Services	2,276
Data Processing Services	<u>23,454</u>
Total	<u><u>\$ 581,766</u></u>

**E. Operating Transfers**

**1. Transfers To and From Other Funds**

Transfers to and from other funds for the year ended August 31, 2020 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Student Custodial	Campus Activity	\$ 30,805	GASB 84
General Fund	Food Service	<u>\$ 149,103</u>	Subsidize Food Service Operations
	Total	<u><u>\$ 179,908</u></u>	

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**F. Long-Term Debt**

The District issued Klondike Independent School District Unlimited Tax Refunding Bonds, Series 2012, in the amount of \$4,265,000 dated April 5, 2012, for the purpose of refunding all but \$740,000 of the District's Series 2008 unlimited-tax school building bonds. The purpose of the bonds is for debt savings. The Series 2012 Refunding Bonds are authorized by Texas Education Code, Sections 45.001 and 45.004. The bonds require annual interest and principal payments and bear interest at 2.0% to 3.0%. The bond issue resulted in the defeasance of the old debt. The debt refunding resulted in an economic gain to the District of \$369,163. This gain is the difference in the cash flow requirements necessary to service the old debt over its life and the cash flow requirements and other payments necessary to complete the advance refunding. 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.

In addition, the District also issued Klondike Independent School District Unlimited Tax School Building Bonds, Series 2012, in the amount of \$3,715,000 dated August 9, 2012, for the purpose of building a new school gymnasium. The Series 2012 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, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
Unlimited Tax Refunding Bonds, Series 2012	\$ -0-	\$ -0-	-0-	\$ -0-	\$ -0-
Unlimited Tax School Building Bonds, Series 2012	<u>2,825,000</u>	<u>-</u>	<u>915,000</u>	<u>1,910,000</u>	<u>940,000</u>
Total Bonds Payable	<u>\$2,825,000</u>	<u>\$ -0-</u>	<u>\$ 915,000</u>	<u>\$1,910,000</u>	<u>\$ 940,000</u>
<b>Other Liabilities:</b>					
Unamortized Bond Premium	\$ 190,197	\$ -0-	\$ 64,100	\$ 126,097	\$ 64,100
Net Pension Liability-TRS	777,727	37,183	51,408	763,502	-0-
Net OPEP Liability-TRS	1,083,725	-	60,838	1,022,887	-0-
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>\$2,082,340</u>	<u>\$ 37,183</u>	<u>\$ 176,346</u>	<u>\$1,943,177</u>	<u>\$ 64,100</u>
Total Governmental Activities Long-Term Liabilities	<u>\$4,907,340</u>	<u>\$ 37,183</u>	<u>\$ 1,091,346</u>	<u>\$3,853,177</u>	<u>\$1,004,100</u>



**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**2. Debt Service Requirements**

Debt service requirements on Bonds Payable debt at August 31, 2020, are as follows:

<u>Year Ending August 31</u>	<u>Bonds Payable</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 940,000	\$ 43,200	\$ 983,200
2022	970,000	14,550	984,550
Totals	<u>\$1,910,000</u>	<u>\$ 57,750</u>	<u>\$1,967,750</u>

**G. Commitments Under Capitalized Leases**

The District had no commitments under capitalized leases at August 31, 2020.

**H. Health Care Coverage**

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$325 per month for all TRS eligible employees. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the licensed insurer is renewable September 1, 2015, and terms of coverage and premium costs are included in the contractual provisions.

**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.

**2. Litigation**

No reportable litigation was pending against the District at August 31, 2020.

**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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

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 or 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 \$45,784.

**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 3<sup>rd</sup> 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 8-31-20 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, 2020, 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	\$20,098,877
Property Taxes	Debt Service	1,262,985
Penalties, Interest and Other Tax Related Income	General	83,585
Penalties, Interest and Other Tax Related Income	Debt Service	5,891
Rent Income	General	72,845
Foundations, Gifts, & Bequests	General	470
Investment Income	General	202,893
Investment Income	Debt Service	6,896
Athletic Activities	General	10,415
Other Miscellaneous Revenues from Local Sources	General	242,115
Campus Activity	General	143,358
Food Sales	General	1,638
<b>Total</b>		<b><u>\$22,131,968</u></b>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**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.

**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 \$468,911 for Chapter 41 Recapture.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**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	\$ 8,705	Title I
Texas Education Agency	Special Revenue	1,474	Title I Migrant
Texas Education Agency	Special Revenue	3,742	Title II
Texas Education Agency	Special Revenue	96	Title VI
Texas Education Agency	General Fund	3,238	Lunchroom Reimb.
Texas Education Agency	Special Revenue	38,117	ESSER
Texas Education Agency	Special Revenue	5,990	Title IV
	Total	<u>\$ 61,362</u>	

**Q. Maintenance of Effort**

The following disclosure pertains to group health insurance, as required by HB 3343 of the 77th Texas Legislature (Section 1.03 which adds Insurance Code Article 3.50-9 Section 2):

1. Total District Premiums paid for health care for 2019-2020	\$ 181,710
2. Non-Medical Expenditures: Life Insurance	<u>-0-</u>
3. 2019-2020 Maintenance of Effort	<u>\$ 181,710</u>

**R. 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>
Retirement of Long-Term Debt	State Law	\$ 693,279
Total Restricted Fund Balance		<u>\$ 693,279</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>
Debt Service	State Law	\$ 693,279
Total Restricted Net Assets		<u>\$ 693,279</u>

**S. 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, 2020, the amount of fund balance assigned in the Governmental Funds included:

<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>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**T. Unavailable Revenue - Property Taxes**

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

	<b>General Fund</b>	<b>Total</b>
Net Tax Revenue	\$ 339,744	\$ 339,744
Total Deferred Revenue	\$ 339,744	\$339,744

**U. 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](http://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 fiscal years 2020, 2019, and 2018. The amounts contributed by the state on behalf of the District to the system for Medicare Part D for the years ending August 31, 2020, 2019, and 2018 were \$10,164, \$7,400, and \$6,185 respectively. For the years ended August 31, 2020, 2019, and 2018, the State's contributions (in thousands) to TRS-Care were \$324,974, \$305,363, and \$296,098, respectively, the active member contributions (in thousands) were \$243,532, \$227,338, and \$221,325, respectively, and the school district's contributions were \$15,698, \$14,782, and \$14,337, for 2020, 2019, and 2018, respectively, which equaled the required contributions each year.

**V. Deferred Outflows/ Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/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,

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

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.

**W. Risk Management**

**Unemployment Compensation Pool**

During the year ended August 31, 2020, 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, 2020, 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, 2019, 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 2019, 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.

During the year ended August 31, 2020, Klondike ISD participated in the TASB Risk Management Fund's (the Fund's) Property Program with coverage in (1) Auto Liability (2) Auto Physical Damage (3) General Liability (4) Legal Liability (5) Property (6) Privacy & Information Security. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability, and Property Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2020, the Fund anticipates

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

Klondike ISD has no additional liability beyond the contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan 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, 2018, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**X. Subsequent Events**

The District has evaluated events occurring after August 31, 2020, and through January 18, 2021, 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.

**Y. 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.

**Z. 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 is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. 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 2019 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2019.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**Z. Defined Benefit Pension Plan (continued)**

<u>Net Pension Liability</u>	<u>2019</u>
Total Pension Liability	\$ 209,961,325,288
Less: Plan Fiduciary Net Position	<u>(157,978,199,075)</u>
Net Pension Liability	<u>\$ 51,983,126,213</u>
Net Position as percentage of Total Pension Liability	75.24%

**Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual 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.

In May 2019, the 86<sup>th</sup> 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 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of the 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 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2019 and 2020 would remain the same. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.



**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**Z. Defined Benefit Pension Plan (continued)**

	<b><u>Contribution Rates</u></b>	
	<b><u>2019</u></b>	<b><u>2020</u></b>
Member	7.70%	7.70%
Non- Employer Contributing Entity (State)	6.80%	7.50%
Employers	6.80%	7.50%
Klondike ISD 2020 Employer Contributions		\$ 52,414
Klondike ISD 2020 Member Contributions		\$161,170
2019 Measurement NECE On-Behalf Contributions		\$104,204

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

As the non-employer contributing entity for public education, 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.
- When the employer district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non Federal Old-Age, Survivors and Disability Insurance (OASDI) surcharge that was in effect in fiscal year 2019.

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.
- When a school district or charter school does not contribute to the OASDI Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instruction or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

**Actuarial Assumptions**

Roll Forward-The actuarial valuation was performed as of August 31, 2018. Update procedures were used

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**Z. Defined Benefit Pension Plan (continued)**

to roll forward the total pension liability to August 31, 2019.

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, 2018 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. The post-retirement mortality rates were based on the 2019 TRS of Texas Healthy Pensioner Mortality Tables.

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
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	2.63%-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)	2116
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 sets 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.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**Z. Defined Benefit Pension Plan (continued)**

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 arithmetic real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2019 are summarized below:

Asset Class	Target Allocation FY 2019**	New Target Allocation **	Long Term Expected Geometric Real Rate of Returns***
<b>Global Equity</b>			
U.S.	18%	18%	6.40%
Non-U.S. Developed	13%	13%	6.30%
Emerging Markets	9%	9%	7.30%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14%	8.40%
<b>Stable Value</b>			
U.S. Treasuries****	11.0%	16%	3.10%
Absolute Return	0%	0%	0%
Stable Value Hedge Funds	4%	5%	4.50%
<b>Real Return</b>			
Global Inflation			
Linked Bonds****	3%		
Real Estate	14%	15%	8.50%
Energy and Natural Resource	5%	6%	7.30%
Commodities	0%	0%	0%
<b>Risk Parity</b>			
Risk Parity	5%	8%	5.8%/6.5% ****
Asset Leverage Cash	1%	2%	2.50%
Asset Leverage Cash	-	-6%	2.70%
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>7.23%</u>

\* - FY 2019 Target Allocations are based on the Strategic Asset Allocation dated 10/1/2018

\*\* - New target allocations are based on the Strategic Asset Allocation dated 10/1/2019

\*\*\* - 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

\*\*\*\* - New Target Allocation groups Government Bonds within the stable value allocations. This includes global sovereign nominal and inflation-linked bonds

\*\*\*\*\* - 5.8%(6.5%) return expectation corresponds to Risk Parity with 10% (12%) target volatility

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**Z. Defined Benefit Pension Plan (continued)**

1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	<b>1% Decrease in Discount Rate (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase in Discount Rate (8.25%)</b>
Klondike ISD's proportionate share of the net position liability:	\$ 1,173,613	\$ 763,502	\$ 431,232

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

At August 31, 2020, Klondike Independent School District reported a net pension liability of \$763,502 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	\$ 763,502
State's Proportionate Share that is Associated with the District	<u>1,547,684</u>
Total	<u>\$2,311,186</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019. 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was .0014687494% which was a increase of .0000557908% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, Klondike Independent School District recognized pension expense of \$409,754 and revenue of \$243,119 for support provided by the State.

**Changes since the Prior Actuarial Valuation**

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability decreased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- The single discount rates as of August 31, 2018 was blended rate of 6.907% and that has changed to the long-term expected rate of return of 7.25% as of August 31, 2019.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**Z. Defined Benefit Pension Plan (continued)**

- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.
- The Texas Legislature approved funding for a 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly payment or \$2,000, whichever is less.

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

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

At August 31, 2020, 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:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between Expected and Actual Economic Experience	\$ 3,207	\$ 26,510
Changes in Actuarial Assumptions	236,876	97,888
Difference between Projected and Actual Investment Earnings	7,666	-
Changes in Proportion and Difference between the Employer's Contributions and the Proportionate Share of Contributions	86,932	32,061
Contributions Paid to TRS Subsequent to Measurement Date	<u>52,414</u>	<u>-</u>
Total as of Fiscal Year End	<b><u>\$ 387,095</u></b>	<b><u>\$ 156,459</u></b>

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:

<b><u>Year Ended August 31</u></b>	<b><u>Pension Expense Amount</u></b>
2021	\$ 54,079
2022	43,428
2023	35,741
2024	36,334
2025	14,472
Thereafter	(5,832)

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**AA. Interfund Receivables and Payables**

Interfund balances at August 31, 2019 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	\$ 10,850	
Trust and Agency	1,650	
Student Activity Funds	135	
	<u>\$ 12,635</u>	
Payroll Clearing		
General Fund		\$10,850
Trust and Agency		
General Fund		1,650
Student Activity Funds		
General Fund		135
		<u>\$12,635</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 2020, which is year 2 of the agreement, the M&O tax rate is \$1.06835 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 \$921,237.

**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, 2020**

**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 plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**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 2019 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, 2019:

Net OPEB Liability	
Total OPEB liability	\$ 48,583,247,239
Less: Plan fiduciary net position	(1,292,022,349)
Net OPEB Liability	\$ 47,291,224,890
Net position as a percentage of total OPEB liability	2.66%

**Benefits Provided** - TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost 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. 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. There are no automatic post-employment benefit changes; including automatic COLAs.

The General Appropriations ACT passed by the 86<sup>th</sup> Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86<sup>th</sup> 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, 2020**

**FF. Defined Other Post-Employment Benefit Plan (Continued)**

<p><b>TRS-Care Plan Premium Rates January 1, 2019 – December 31, 2019</b></p>
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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. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act which is .75% of each active employee's pay for fiscal year 2019. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates and Amounts		
	2019	2020
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 2020 Employer Contributions	\$	16,316
Klondike ISD 2020 Member Contributions	\$	13,605
Klondike ISD 2019 NECE On-behalf Contributions	\$	20,397

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, 2020**

**FF. 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 \$73.6 million in fiscal year 2019.

**Actuarial Assumptions** - The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

**Additional Actuarial Methods and Assumptions:**

Valuation date	August 31, 2018 rolled forward to August 31, 2019
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
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 50% participation after age 65
Ad hoc post-employment benefit changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25-basis point addition

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**FF. Defined Other Post-Employment Benefit Plan (Continued)**

to the long-term trend rate assumption.

**Discount Rate** - A single discount rate of 2.63% was used to measure the total OPEB liability. There was decrease a change of 1.06% 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 applied to all periods of projected benefit payments to determine the total OPEB liability.

**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 (2.63%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
KISD's Proportionate Share of the Net OPEB Liability	\$ 1,234,954	\$ 1,022,887	\$ 856,989

**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	\$834,436	\$1,022,887	\$1,275,327

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs** - At August 31, 2020, the District reported a liability of \$1,022,887 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	\$	1,022,887
State's Proportionate Share that is Associated with the District		1,359,190
Total	\$	2,382,077

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**FF. Defined Other Post-Employment Benefit Plan (Continued)**

The Net OPEB Liability was measured as of August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net OPEB liability was .0021629560% which was a decrease of .0000074936% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the District recognized OPEB expense of 61,413 and revenue of \$35,823 for support provided by the State

**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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB Liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the Total OPEB Liability.
- The participation rate for pre-65 retirees was lowered from 70% or 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their covered at age 65. There was no lapse assumption in the prior valuation. These changes decreased the Total OPEB Liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased at the Total OPEB Liability.

There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**FF. Defined Other Post-Employment Benefit Plan (Continued)**

At August 31, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 50,181	\$ 167,385
Changes in actuarial assumptions	56,813	275,132
Difference Between Projected and Actual Investment Earnings	111	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	1	15,255
Contributions Paid to TRS Subsequent to the Measurement Date	16,316	-
Total as fiscal year end	<u>\$ 123,422</u>	<u>\$ 457,772</u>

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:	<u>OPEB (Benefit) Expense</u>	
2021	\$	(58,533)
2022		(58,534)
2023		(58,569)
2024		(58,590)
2025		(58,584)
Thereafter		(57,856)

***Required Supplementary Information***

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 15,932,695	\$ 16,632,695	\$ 20,713,044	\$ 4,080,349
5800 State Program Revenues	228,166	228,166	319,118	90,952
5900 Federal Program Revenues	122,000	122,000	104,203	(17,797)
5020 Total Revenues	16,282,861	16,982,861	21,136,365	4,153,504
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	1,843,716	1,954,716	1,919,898	34,818
0012 Instructional Resources and Media Services	25,552	27,552	24,967	2,585
0013 Curriculum and Instructional Staff Development	4,700	4,700	2,011	2,689
0023 School Leadership	125,340	145,340	136,593	8,747
0031 Guidance, Counseling, and Evaluation Services	68,510	98,510	93,104	5,406
0033 Health Services	500	2,500	509	1,991
0034 Student (Pupil) Transportation	217,281	217,281	187,097	30,184
0035 Food Services	258,249	270,249	229,197	41,052
0036 Extracurricular Activities	363,328	363,328	341,463	21,865
0041 General Administration	360,818	360,818	348,737	12,081
0051 Facilities Maintenance and Operations	624,737	624,737	536,776	87,961
0052 Security and Monitoring Services	1,667	8,667	6,661	2,006
0053 Data Processing Services	224,229	240,229	233,438	6,791
Capital Outlay:				
0081 Facilities Acquisition and Construction	50,000	50,000	17,955	32,045
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	11,988,450	12,488,450	12,284,590	203,860
0093 Payments to Fiscal Agent/Member Districts of SSA	45,784	45,784	45,784	-
0099 Other Intergovernmental Charges	80,000	80,000	75,181	4,819
6030 Total Expenditures	16,282,861	16,982,861	16,483,961	498,900
1100 Excess of Revenues Over Expenditures	-	-	4,652,404	4,652,404
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	162,586	172,586	149,103	(23,483)
8911 Transfers Out (Use)	(162,586)	(172,586)	(149,103)	23,483
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balances	-	-	4,652,404	4,652,404
0100 Fund Balance - September 1 (Beginning)	9,052,025	9,052,025	9,052,025	-
3000 Fund Balance - August 31 (Ending)	\$ 9,052,025	\$ 9,052,025	\$ 13,704,429	\$ 4,652,404

**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, 2020**

	Measurement Year Ended August 31,					
	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0014687494%	0.0014129586%	0.0014534619%	0.0015479094%	0.0016955000%	0.0007566000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 763,502	\$ 777,727	\$ 464,739	\$ 584,932	\$ 599,337	\$ 202,098
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,547,684	1,712,745	1,100,830	1,380,762	1,369,394	1,158,807
Total	<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>	<u>\$ 1,360,905</u>
District's Covered Payroll	\$ 1,970,851	\$ 1,911,631	\$ 1,976,627	\$ 2,018,441	\$ 2,025,951	\$ 1,879,469
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	38.74%	40.68%	23.51%	28.98%	29.58%	10.75%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only six 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, 2020**

	Fiscal Year Ended August 31,					
	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 52,414	\$ 51,408	\$ 47,577	\$ 47,636	\$ 49,162	\$ 50,225
Contribution in Relation to the Contractually Required Contribution	(52,414)	(51,408)	(47,577)	(47,636)	(49,162)	(50,225)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 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	2.50%	2.61%	2.49%	2.41%	2.44%	2.48%

Note: Only six 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, 2020**

	Measurement Year Ended August 31,		
	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0021629560%	0.0021704496%	0.0021934940%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,022,887	\$ 1,083,725	\$ 953,868
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>1,359,190</u>	<u>1,686,447</u>	<u>1,599,967</u>
<b>Total</b>	<u>\$ 2,382,077</u>	<u>\$ 2,770,172</u>	<u>\$ 2,553,835</u>
District's Covered Payroll	\$ 1,970,851	\$ 1,911,631	\$ 1,976,627
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	51.90%	56.69%	48.26%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: Only three 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, 2020**

	Fiscal Year Ended August 31,		
	2020	2019	2018
Contractually Required Contribution	\$ 16,316	\$ 15,351	\$ 14,973
Contribution in Relation to the Contractually Required Contribution	<u>(16,316)</u>	<u>(15,351)</u>	<u>(14,973)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,093,123	\$ 1,970,851	\$ 1,911,636
Contributions as a percentage of Covered Payroll	0.78%	0.78%	0.78%

Note: Only three 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*

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability decreased since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term expected rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.
- The Texas Legislature approved funding for a 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly payment or \$2,000, whichever is less.

**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.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

*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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB Liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the Total OPEB Liability.
- The participation rate for pre-65 retirees was lowered for 70% or 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the Total OPEB Liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the Total OPEB Liability.

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

***Other Supplementary Information***

**KLONDIKE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2020**

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
2012	1.040000	0.131300	722,235,260
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 (School year under audit)	1.068350	0.066800	1,919,842,128
1000 TOTALS			

	(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$	25,815	\$ -	\$ 559	\$ 28	\$ 30	\$ 25,258
	5,308	-	91	12	-	5,205
	11,495	-	1,126	92	-	10,277
	15,222	-	2,249	-	-	12,973
	51,076	-	2,083	154	(2)	48,837
	26,259	-	1,321	122	-	24,816
	16,733	-	2,119	334	1	14,281
	26,611	-	6,445	807	-	19,359
	83,171	-	105,341	11,286	113,999	80,543
	-	21,792,774	20,280,278	1,268,696	-	243,800
<b>\$</b>	<b>261,690</b>	<b>\$ 21,792,774</b>	<b>\$ 20,401,612</b>	<b>\$ 1,281,531</b>	<b>\$ 114,028</b>	<b>\$ 485,349</b>

**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, 2020**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 986,825	\$ 986,825	\$ 1,275,772	\$ 288,947
5800 State Program Revenues	-	-	1,378	1,378
5020 Total Revenues	986,825	986,825	1,277,150	290,325
<b>EXPENDITURES:</b>				
<b>Debt Service:</b>				
0071 Principal on Long-Term Debt	986,825	915,000	915,000	-
0072 Interest on Long-Term Debt	-	71,025	71,025	-
0073 Bond Issuance Cost and Fees	-	800	440	360
6030 Total Expenditures	986,825	986,825	986,465	360
1200 Net Change in Fund Balances	-	-	290,685	290,685
0100 Fund Balance - September 1 (Beginning)	402,593	402,593	402,593	-
3000 Fund Balance - August 31 (Ending)	\$ 402,593	\$ 402,593	\$ 693,278	\$ 290,685



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

# STEPHENS, STEPHENS, & TELCHIK, P.C.

*Certified Public Accountants*

MEMBER AICPA  
MEMBER TSCPA

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LAMESA, TEXAS 79331-0500  
Phone: 806-872-3030  
Fax: 806-872-5735

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

January 6, 2021

***Independent Auditor's 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***

Board of Trustees  
Klondike Independent School District  
Lamesa, TX

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 the Klondike Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Klondike Independent School District's basic financial statements and have issued our report thereon dated January 6, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Klondike Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 Klondike Independent School 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 the 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 the Klondike Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

***Stephens, Stephens, & Telchik, P.C.***

Lamesa, Texas

**KLONDIKE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**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 2020

- 
- |     |  |     |
|-----|--|-----|
| 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.   |     |