

KLONDIKE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED August 31, 2025

KLONDIKE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2025

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KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Klondike Independent School District
Name of School District

Dawson
County

058-905
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ___ approved ___ disapproved (check one) for the year ended August 31, 2025 at a meeting of the Board of Trustees of such school district on the 15th day of January, 2026.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary):

FINANCIAL SECTION

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Randel J. Terry, CPA
Ryan R. King, CPA

Independent Auditors' Report on Financial Statements

Board of Trustees
Klondike Independent School District
2911 County Road H
Lamesa, Texas 79331

Members of the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

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, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, 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 the Klondike Independent School District as of August 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Klondike Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Klondike Independent School District's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 Information

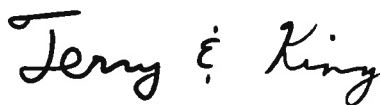
Management is responsible for the other information included in the annual report. The other information comprises the Schools FIRST Questionnaire but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2026, on our consideration of the Klondike Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Klondike Independent School 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 Klondike Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
January 13, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Klondike Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$40,890,910 at August 31, 2025.
- During the year, the District's expenses were \$2,724,504 less than the \$41,995,055 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased \$6,249,683 or 19%, and no new programs were added this year. Of this increase, the expense for contracted instructional services between schools increased \$5,780,829.
- The general fund reported a fund balance this year of \$17,709,408.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the District's Annual Financial Report

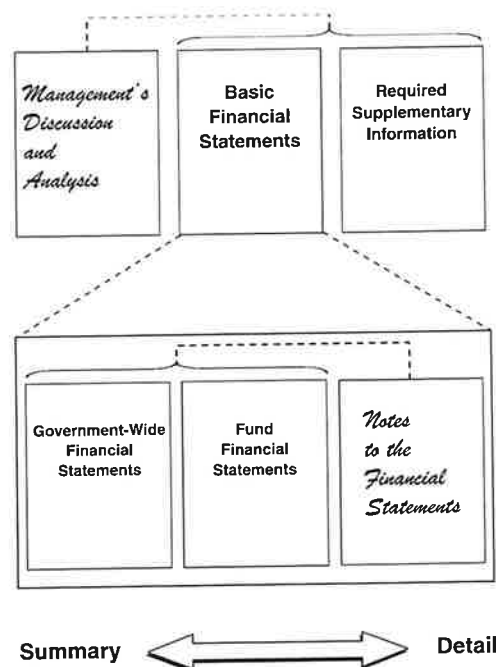


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	• Statement of net assets	• Balance sheet	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

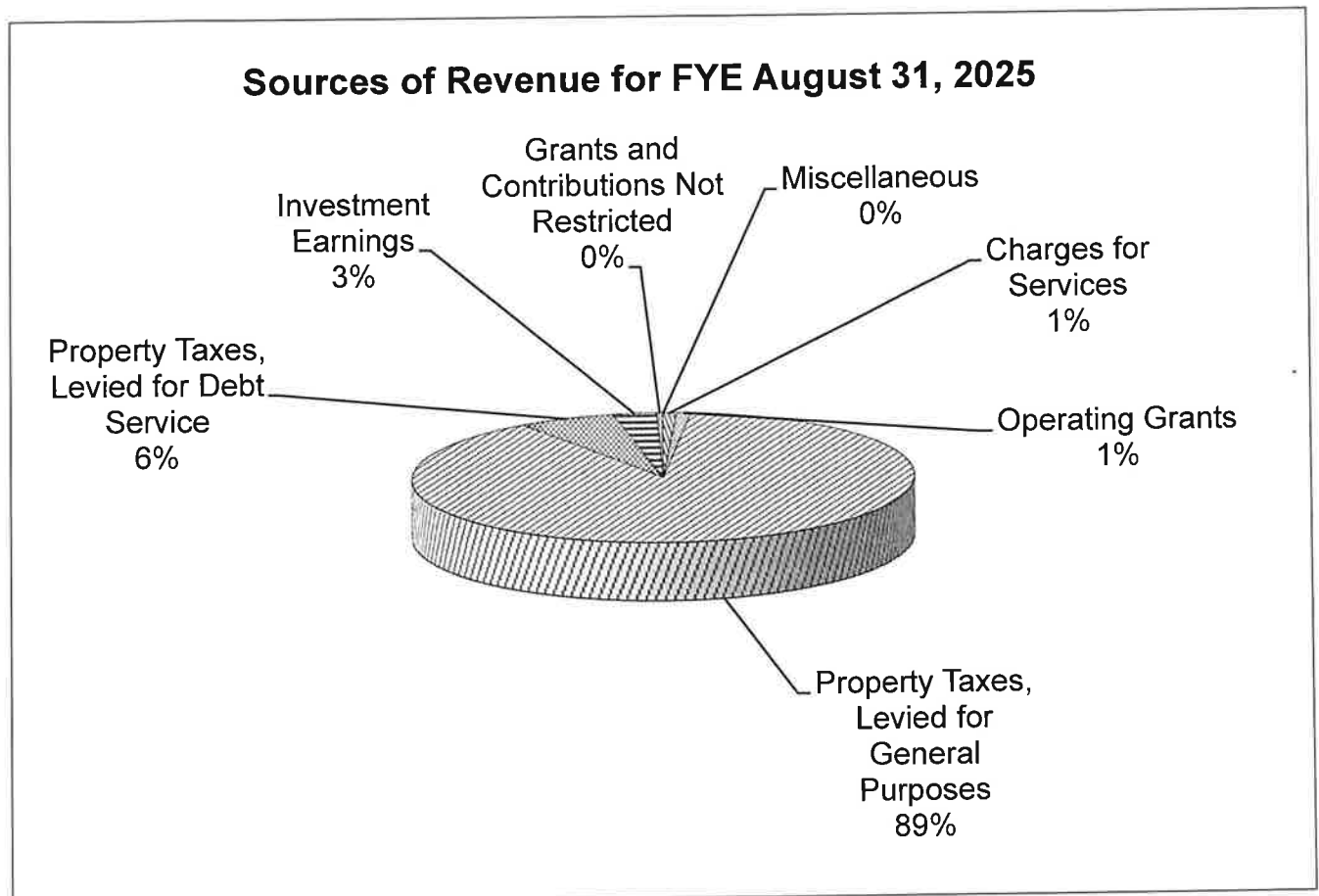
Net position. The District's combined net position was \$40,890,910 at August 31, 2025. (See Table A-1).

Table A-1
Klondike Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>August 31, 2025</u>	<u>August 31, 2024</u>	<u>Change</u>
Current assets:			
Cash and investments	26,452,155	16,889,648	57%
Due from other governments	9,269	692,778	-99%
Taxes Receivable, net	1,636,166	3,865,953	-58%
Other current assets	-	45	-100%
Total current assets:	28,097,590	21,448,424	31%
Noncurrent assets:			
Land	100,139	100,139	0%
Buildings & Improvements	30,815,258	30,872,836	0%
Less accumulated depreciation, buildings & improvements	(7,606,110)	(6,949,108)	9%
Vehicles	1,319,532	2,051,506	-36%
Less accumulated depreciation, vehicles	(881,983)	(1,587,324)	-44%
Furniture & Equipment	1,006,167	1,056,825	-5%
Less accumulated depreciation, furniture & equipment	(770,685)	(872,653)	-12%
Total noncurrent assets	23,982,318	24,672,221	-3%
Total Assets	52,079,908	46,120,645	13%
Deferred Outflows of Resources			
Deferred Outflows	754,663	919,203	-18%
Current liabilities:			
Accounts Payable	56,803	103,607	-45%
Accrued Interest Payable	2,338	7,358	-68%
Payroll Deductions & Withholdings	3,400	49,590	-93%
Accrued Wages Payable	208,126	199,735	4%
Due to Other Governments	4,501,676	-	100%
Accrued Expenses	4,797	4,613	4%
Due within one year	1,156,670	1,110,000	4%
Unearned Revenue	2,068	2,165	-4%
Total current liabilities	5,935,878	1,477,068	302%
Long-term liabilities:			
Due in more than one year	3,487,297	4,515,691	-23%
Net Pension Liability	937,395	1,126,881	-17%
Net OPEB Liability	673,259	529,855	27%
Premium on bond issuance	9,844	14,540	-32%
Total long-term liabilities	5,107,795	6,186,967	-17%
Total Liabilities	11,043,673	7,664,035	44%
Deferred Inflows of Resources			
Deferred Inflows	899,988	1,064,673	-15%
Net Position:			
Net Investment in Capital Assets	19,487,474	19,077,221	2%
Restricted for Debt Service	4,043,050	2,268,437	78%
Unrestricted	17,360,386	16,965,482	2%
Total Net Position	40,890,910	38,311,140	7%

Changes in net position. The District's total revenues were \$41,995,055. A significant portion, 95 percent, of the District's revenue comes from taxes. (See Figure A-3.) 1 percent comes from grants and contributions, 1 percent relates to charges for services, and 3 percent comes from investment earnings.

The total cost of all programs and services was \$39,270,551; 89 percent of these costs are for instruction and contracted instructional services between schools.



Governmental Activities

- In the prior year, the District's M&O property tax rate was \$0.7575 per \$100 value and a debt service tax rate of \$0.0522 per \$100 value. In the current year, the District's M&O tax rate was \$0.7552 and the debt service tax rate was \$0.0522 per \$100 value. Maintenance & Operation tax revenues collected increased 21% from \$32,732,296 in FYE 2024 to \$39,720,412 in FYE August 31, 2025. Debt service taxes collected were \$2,247,964 in FYE 2024 and \$2,744,997 in FYE 2025. The total tax levy increased from \$36,022,305 in the prior period to \$40,452,643 in the current period.

Table A-2
Changes in Klondike Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>2025</u>	<u>2024</u>	
Program Revenues:			
Charges for Services	356,728	126,973	181%
Grants and Contributions	397,869	714,048	-44%
General Revenues:			
Property Taxes, Levied for General Purposes	37,292,089	33,462,465	11%
Property Taxes, Levied for Debt Service	2,603,240	2,247,964	16%
Grants and Contributions not restricted	169,669	114,036	49%
Investment Earnings	1,179,776	1,407,994	-16%
Other	(4,316)	(481,510)	-99%
Total Revenues	<u>41,995,055</u>	<u>37,591,970</u>	<u>12%</u>
Instruction	2,972,193	2,866,486	4%
Instructional Resources and Media Services	31,788	46,502	-32%
Curriculum Development and Instructional Staff Development	16,353	13,449	22%
Instructional Leadership	76,791	75,100	2%
School Leadership	208,903	190,828	9%
Guidance, Counseling and Evaluation Services	167,741	152,037	10%
Health Services	602	2,291	-74%
Student (Pupil) Transportation	127,973	147,613	-13%
Food Services	380,002	388,094	-2%
Curricular/Extracurricular Activities	795,942	791,099	1%
General Administration	669,969	545,997	23%
Plant Maintenance & Operation	1,170,620	1,024,994	14%
Security and Monitoring	210,948	300,525	-30%
Data Processing Services	282,316	320,628	-12%
Community Service	4,120	-	100%
Interest on Long-Term Debt	51,934	(136,635)	-138%
Debt Service Fees	300	300	0%
Contracted Instructional Services between Schools	31,872,111	26,091,282	22%
Payments to Shared Service Arrangements	76,180	75,079	1%
Other Intergovernmental Charges	153,765	125,199	23%
Total Expenses	<u>39,270,551</u>	<u>33,020,868</u>	<u>19%</u>
Increase (Decrease) in Net Position	2,724,504	4,571,102	-40%
Net Position - Beginning	38,311,140	33,740,038	14%
Prior Period Adjustment	(144,734)	-	-100%
Net Position - Ending	<u>40,890,910</u>	<u>38,311,140</u>	<u>7%</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$39,270,551.
- The amount that our taxpayers paid for these activities through property taxes was \$39,895,329.
- Some of the cost was paid by those who directly benefited from the programs \$356,728, or
- By grants and contributions \$567,538.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	<u>2025</u>	<u>2024</u>	<u>% Change 2024-2025</u>	<u>2025</u>	<u>2024</u>	<u>% Change 2024-2025</u>
Instruction	2,972,193	2,866,486	4%	2,746,388	2,637,173	4%
School administration	669,969	545,997	23%	659,921	511,744	29%
Plant Maintenance & Operations	1,170,620	1,024,994	14%	1,071,369	932,737	15%
Extracurricular Activities	795,942	791,099	1%	594,771	622,068	(4%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$44,458,173 an increase of \$7,545,231 (20%) from the preceding year. Local Revenues increased \$7,640,070 (21%), state revenues decreased \$75,698 (13%), and federal revenues decreased \$19,141 (11%).

Expenditures for governmental fund types totaled \$38,317,532, an increase of \$4,082,048 (11%) from the preceding year. This increase was primarily due to an increase of \$5,780,829 in expenditures for contracted instructional services between school. Additionally, capital outlay expenditures decreased \$2,133,356.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. With these adjustments, actual expenditures were \$383,207 below final budget amounts. The most significant positive variance resulted from staffing. Staffing is budgeted for full employment throughout the full year. Budget amounts for vacant positions throughout the year are not eligible to budget revisions.

On the other hand, resources available were \$287,184 more than the final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested \$33,241,096 in a broad range of capital assets, including, land, equipment, buildings, and vehicles. (See Table A-4.) This represents a net decrease of \$840,210 including additions and deletions to fixed assets during the current fiscal year.

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 100,139	\$ -	\$ -	\$ 100,139
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>100,139</u>	<u>-</u>	<u>-</u>	<u>100,139</u>
Other capital assets				
Buildings and improvements	30,872,836	338,321	(395,899)	30,815,258
Furniture and equipment	<u>3,108,331</u>	<u>215,384</u>	<u>(998,016)</u>	<u>2,325,699</u>
Total other capital assets at historical cost	<u>33,981,167</u>	<u>553,705</u>	<u>(1,393,915)</u>	<u>33,140,957</u>
Less accumulated depreciation for				
Buildings and improvements	(6,949,108)	(931,607)	274,605	(7,606,110)
Furniture and equipment	<u>(2,459,977)</u>	<u>(182,934)</u>	<u>990,243</u>	<u>(1,652,668)</u>
Total accumulated depreciation and amortization	<u>(9,409,085)</u>	<u>(1,114,541)</u>	<u>1,264,848</u>	<u>(9,258,778)</u>
Other capital assets, net	<u>24,572,082</u>	<u>(560,836)</u>	<u>(129,067)</u>	<u>23,882,179</u>
Capital assets, net	<u>\$ 24,672,221</u>	<u>\$ (560,836)</u>	<u>\$ (129,067)</u>	<u>\$ 23,982,318</u>

The District's fiscal year 2026 capital budget reflects spending limited amounts on capital assets. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Debt Administration and Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2025 are as follows:

<u>Government Activities</u>	Balance 09/01/24	Additions	Deletions	Balance 08/31/25
General Obligation Bonds	\$ 5,595,000	\$ -	\$1,110,000	\$ 4,485,000
Bond Premiums	14,540	-	4,696	9,844
Compensated Absences	144,734	14,233	-	158,967
Net Pension Liability	1,126,881	-	189,486	937,395
Net OPEB Liability	<u>529,855</u>	<u>143,404</u>	<u>-</u>	<u>673,259</u>
Total	<u>\$ 7,411,010</u>	<u>\$ 157,637</u>	<u>\$1,304,182</u>	<u>\$ 6,264,465</u>

More detailed information about the District's long-term obligations is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2026 budget preparation is slightly higher.
- General operating fund spending per student will remain virtually the same.
- The District's 2026 refined average daily attendance is expected to remain approximately the same.

These indicators were taken into account when adopting the general fund budget for 2026. Property taxes will increase.

Expenditures are budgeted to increase slightly. The District has added no major new programs or initiatives to the 2026 budget.

If these estimates are realized, the District's budgetary general fund fund balance is expected to increase slightly by the close of 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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 Services Department.

BASIC FINANCIAL STATEMENTS

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

STATEMENT OF NET POSITION
August 31, 2025

1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 4,731,920
1120	Current Investments	21,720,235
1225	Taxes Receivable, Net	1,636,166
1240	Due from Other Governments	9,269
	Capital Assets:	
1510	Land	100,139
1520	Buildings & Improvements, net	23,209,148
1525	Furniture & Equipment, net	673,031
1000	<u>Total Assets</u>	<u>\$ 52,079,908</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1710	Deferred Outflows - Pension	\$ 307,389
1711	Deferred Outflows - OPEB	447,274
	<u>Total Deferred Outflows of Resources</u>	<u>\$ 754,663</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 56,803
2140	Accrued Bond Interest	2,338
2150	Other Withholdings	3,400
2160	Accrued Wages Payable	208,126
2180	Due to Other Governments	4,501,676
2200	Accrued Expenses	4,797
2300	Unearned Revenue	2,068
	Noncurrent Liabilities	
2501	Due within one year	1,156,670
2502	Due in more than one year	3,487,297
2516	Premium on bond issuance	9,844
2540	Net Pension Liability	937,395
2545	Net OPEB Liability	673,259
2000	<u>Total Liabilities</u>	<u>11,043,673</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflows - Pension	132,352
2606	Deferred Inflows - OPEB	767,636
	<u>Total Deferred Inflows of Resources</u>	<u>899,988</u>
	NET POSITION:	
3200	Net investment in capital assets	19,487,474
	Restricted:	
3850	Debt Service	4,043,050
3900	Unrestricted	17,360,386
3000	<u>TOTAL NET POSITION</u>	<u>\$ 40,890,910</u>

The accompanying notes are an integral part of this statement.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Data Control	Codes	Functions/Programs	1	3	4	5	Net (Expense) Revenue and Changes in Net Position
			Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
		Government Activities:					
	11	Instruction and Instruction-Related Services	\$ 2,972,193	\$ 71,077	\$ 154,728	\$ -	\$ (2,746,388)
	12	Instructional Resources and Media Services	31,788	-	1,022	-	(30,766)
	13	Curriculum Development and Instructional Staff Development	16,353	-	-	-	(16,353)
	21	Instructional Leadership	76,791	-	1,935	-	(74,856)
	23	School Leadership	208,903	-	4,756	-	(204,147)
	31	Guidance, Counseling, & Evaluation Services	167,741	-	4,624	-	(163,117)
	33	Health Services	602	-	-	-	(602)
	34	Student (Pupil) Transportation	127,973	-	5,603	-	(122,370)
	35	Food Services	380,002	890	77,496	-	(301,616)
	36	Extracurricular Activities	795,942	195,724	5,447	-	(594,771)
	41	General Administration	669,969	662	9,386	-	(659,921)
	51	Plant Maintenance and Operations	1,170,620	88,375	10,876	-	(1,071,369)
	52	Security and Monitoring Services	210,948	-	112,320	-	(98,628)
	53	Data Processing	282,316	-	8,283	-	(274,033)
	61	Community Services	4,120	-	-	-	(4,120)
	72	Interest on Long-Term Debt	51,934	-	1,393	-	(50,541)
	73	Other Debt Service Fees	300	-	-	-	(300)
	91	Contracted Instructional Services Between Schools	31,872,111	-	-	-	(31,872,111)
	93	Payments to Shared Service Arrangements	76,180	-	-	-	(76,180)
	99	Other Intergovernmental Charges	153,765	-	-	-	(153,765)
	TG	<u>Total Government Activities</u>	<u>39,270,551</u>	<u>356,728</u>	<u>397,869</u>	<u>-</u>	<u>(38,515,954)</u>
	TP	Total Primary Government	<u>39,270,551</u>	<u>356,728</u>	<u>397,869</u>	<u>-</u>	<u>(38,515,954)</u>
		General Revenues:					
	MT	Property Taxes, Levied for General Purposes					37,292,089
	DT	Property Taxes, Levied for Debt Service					2,603,240
	IE	Investment Earnings					1,179,776
	GC	Grants and Contributions Not Restricted to Specific Programs					169,669
	MI	Miscellaneous					122,819
	S1	Loss on Disposition of Assets					(127,135)
	TR	Total General Revenue					<u>41,240,458</u>
	CN	Change in Net Position					2,724,504
	NB	Net Position -- Beginning					38,311,140
	PA	Prior Period Adjustment					<u>(144,734)</u>
	NE	Net Position -- Ending					<u>\$ 40,890,910</u>

The accompanying notes are an integral part of this statement.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS:				
1110	Cash and Cash Equivalents	\$ 756,826	\$ 3,943,275	\$ 31,819	\$ 4,731,920
1120	Current Investments	21,720,235	-		21,720,235
1225	Taxes Receivable, Net	1,534,105	102,061	-	1,636,166
1240	Due from Other Governments	3,848	237	5,184	9,269
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
1000	<u>TOTAL ASSETS</u>	<u>\$ 24,015,014</u>	<u>\$ 4,045,573</u>	<u>\$ 37,003</u>	<u>\$ 28,097,590</u>
	LIABILITIES:				
	Current Liabilities:				
2110	Accounts Payable	\$ 56,803	\$ -	\$ -	\$ 56,803
2150	Other Withholdings	\$ 3,400			3,400
2160	Accrued Wages Payable	203,482	-	4,644	208,126
2200	Accrued Expenditures	4,257	-	540	4,797
2180	Due to Other Governments	4,501,676			4,501,676
2300	Unearned Revenue	1,883	185	-	2,068
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
2000	<u>Total Liabilities</u>	<u>4,771,501</u>	<u>185</u>	<u>5,184</u>	<u>4,776,870</u>
	DEFERRED INFLOWS OF RESOURCES:				
2601	Unavailable Revenue - Property Taxes	1,534,105	102,061	-	1,636,166
	<u>Total Deferred Inflows of Resources</u>	<u>1,534,105</u>	<u>102,061</u>	<u>-</u>	<u>1,636,166</u>
	FUND BALANCES:				
	Restricted Fund Balances:				
3480	Debt Service	-	3,943,327	-	3,943,327
	Assigned Fund Balances:				
3550	Construction	3,300,000	-	-	3,300,000
3570	Capital Expenditures for Equipment	300,000	-	-	300,000
3590	Other Assigned Fund Balances	200,000	-	31,819	231,819
3600	Unassigned	13,909,408	-	-	13,909,408
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
3000	<u>Total Fund Balance</u>	<u>17,709,408</u>	<u>3,943,327</u>	<u>31,819</u>	<u>21,684,554</u>
4000	<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 24,015,014</u>	<u>\$ 4,045,573</u>	<u>\$ 37,003</u>	<u>\$ 28,097,590</u>

The accompanying notes are an integral part of this statement.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
August 31, 2025

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 21,684,554
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,982,318
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.	1,636,166
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,646,305)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	(9,844)
5 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 \$307,389, a deferred resource inflow in the amount of \$132,352, and a net pension liability in the amount of \$937,395. This resulted in a decrease in net position.	(762,358)
6 Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$447,274, a deferred resource inflow in the amount of \$767,636, and a net OPEB liability in the amount of \$673,259. This resulted in a decrease in net position	<u>(993,621)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 40,890,910</u>

The accompanying notes are an integral part of this statement.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:				
5700	Local and Intermediate Sources	\$ 40,699,260	\$ 2,845,447	\$ 264,731	\$ 43,809,438
5800	State Program Revenues	371,850	1,393	123,444	496,687
5900	Federal Program Revenues	70,663	-	81,385	152,048
5020	<u>Total Revenues</u>	<u>41,141,773</u>	<u>2,846,840</u>	<u>469,560</u>	<u>44,458,173</u>
	EXPENDITURES:				
	Current:				
0011	Instruction and Instruction-Related Services	2,445,696	-	162,233	2,607,929
0012	Instructional Resources and Media Services	32,800	-	-	32,800
0013	Curriculum Development and Instructional Staff Development	16,353	-	-	16,353
0021	Instructional Leadership	65,898	-	-	65,898
0023	School Leadership	178,901	-	-	178,901
0031	Guidance, Counseling, & Evaluation Services	144,331	-	-	144,331
0033	Health Services	602	-	-	602
0034	Student (Pupil) Transportation	111,400	-	-	111,400
0035	Food Services	322,632	-	-	322,632
0036	Cocurricular/Extracurricular Activities	623,292	-	131,926	755,218
0041	General Administration	560,968	-	4,229	565,197
0051	Plant Maintenance and Operations	1,044,815	-	-	1,044,815
0052	Security and Monitoring Services	104,330	-	110,106	214,436
0053	Data Processing Services	290,668	-	-	290,668
0061	Community Services	4,115	-	-	4,115
0071	Principal on Long-Term Debt	-	1,110,000	-	1,110,000
0072	Interest on Long-Term Debt	-	61,650	-	61,650
0073	Bond Issuance Costs and Fees	-	300	-	300
0081	Capital Outlay	268,675	-	69,646	338,321
0091	Contracted Instructional Services Between Schools	31,872,111	-	-	31,872,111
0093	Payments to Shared Service Arrangements	76,180	-	-	76,180
0099	Other Intergovernmental Charges	153,765	-	-	153,765
6030	<u>Total Expenditures</u>	<u>38,317,532</u>	<u>1,171,950</u>	<u>478,140</u>	<u>39,967,622</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,824,241	1,674,890	(8,580)	4,490,551
	Other Financing Sources and (Uses):				
7912	Sale of Real & Personal Property	1,932	-	-	1,932
	Total Other Financing Sources and (Uses)	1,932	-	-	1,932
1200	Net Change in Fund Balances	2,826,173	1,674,890	(8,580)	4,492,483
0100	Fund Balances -- Beginning	14,883,235	2,268,437	40,399	17,192,071
3000	<u>Fund Balances -- Ending</u>	<u>\$ 17,709,408</u>	<u>\$ 3,943,327</u>	<u>\$ 31,819</u>	<u>\$ 21,684,554</u>

The accompanying notes are an integral part of this statement.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Net Change in Fund Balances -- Total Governmental Funds \$ 4,492,483

Amounts reported for governmental activities in the statement of activities
("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	553,705
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(1,114,541)
Certain property tax revenues are unearned in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period.	(2,229,787)
Proceeds from the sale of assets is presented as an other resource in the funds. In the statement of activities only the gain on the sale is reported.	(129,067)
Compensated absences are not recognized in the fund statements as a liability. The changes to this estimated liability are recorded in the government-wide statements as a payroll expense.	(14,233)
For the statement of net position, the amortization of bond premiums is recognized over the life of the bonds. This is the amount of the current amortization.	4,696
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness.	1,110,000
Bond interest payable is not reported in the funds. This is the change in bond interest payable during the current fiscal year.	5,021
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$87,512. 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 net position totaling \$86,480. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$50,530. The net result is a decrease in the change in net position.	(49,498)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$20,573. 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 net position totaling \$20,152. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$95,304. The result is an increase in the change in net position.	95,725

Change in Net Position of Governmental Activities -- Statement of Activities \$ 2,724,504

The accompanying notes are an integral part of this statement.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies

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 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 GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no 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 over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange transactions.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

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 of 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.

The District reports the following major governmental funds:

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.

Debt Service Fund: This is the District's fund for the collection of revenues from property taxes for the specific purpose of retiring loans and bonded indebtedness.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. 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.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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. Revenues from grants, entitlements, and donations are 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, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned 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.

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, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification represents amounts the District intends to use for a specific purpose, but does not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Fund balance can be assigned by the Superintendent or their designee.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

3. Accounting Standard Implementation

During the fiscal year August 31, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101 (Compensated Absences). According to the standard, liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for (a) leave that has not been used and (b) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

4. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair value of the pool shares (Level 1 inputs).

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

b. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st 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 when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of August 31, 2025, the amount deemed uncollectible by this estimate was \$1,637,956. 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. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

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

f. 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 benefiting 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, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

h. 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.

i. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) 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.

j. 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. Items reported as deferred outflows of resources are as follows:

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9
Year Ended August 31, 2025

A. Summary of Significant Accounting Policies (Continued)

Deferred charges related to TRS retirement	\$ 307,389
Deferred charges related to TRS OPEB	\$ 447,274

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred property tax revenues	\$ 1,636,166
Deferred charges related to TRS retirement	\$ 132,352
Deferred charges related to TRS OPEB	\$ 767,636

k. Data Control Codes

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

l. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10
Year Ended August 31, 2025

B. Stewardship, 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. Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Child Nutrition Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

3. Fair Value Measurements

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11
Year Ended August 31, 2025

B. Stewardship, Compliance and Accountability (continued)

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

C. Deposits and Investments

Under Texas state law, 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 the 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, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$26,452,155 and the bank balance was \$26,457,977. The District's cash deposits at August 31, 2025 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12
Year Ended August 31, 2025

C. Deposits and Investments (Continued)

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principle 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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

As of August 31, 2025, the District's funds were held at a local bank in accounts backed by the 13-week T-Bill.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13
Year Ended August 31, 2025

C. Deposits and Investments (Continued)

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14
Year Ended August 31, 2025

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	Reclassifications/ <u>Decreases</u>	Ending <u>Balance</u>
Capital assets not being depreciated				
Land	\$ 100,139	\$ -	\$ -	\$ 100,139
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>100,139</u>	<u>-</u>	<u>-</u>	<u>100,139</u>
Other capital assets				
Buildings and improvements	30,872,836	338,321	(395,899)	30,815,258
Furniture and equipment	<u>3,108,331</u>	<u>215,384</u>	<u>(998,016)</u>	<u>2,325,699</u>
Total other capital assets at historical cost	<u>33,981,167</u>	<u>553,705</u>	<u>(1,393,915)</u>	<u>33,140,957</u>
Less accumulated depreciation for				
Buildings and improvements	(6,949,108)	(931,607)	274,605	(7,606,110)
Furniture and equipment	<u>(2,459,977)</u>	<u>(182,934)</u>	<u>990,243</u>	<u>(1,652,668)</u>
Total accumulated depreciation and amortization	<u>(9,409,085)</u>	<u>(1,114,541)</u>	<u>1,264,848</u>	<u>(9,258,778)</u>
Other capital assets, net	<u>24,572,082</u>	<u>(560,836)</u>	<u>(129,067)</u>	<u>23,882,179</u>
Capital assets, net	<u>\$ 24,672,221</u>	<u>\$ (560,836)</u>	<u>\$ (129,067)</u>	<u>\$ 23,982,318</u>

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15
Year Ended August 31, 2025

D. Capital Assets (continued)

Depreciation and Amortization was charged to functions as follows:

11 Instruction	\$ 505,527
21 Instructional Leadership	\$ 13,130
23 School Leadership	35,651
31 Guidance, Counseling & Evaluation	28,762
34 Student (Pupil) Transportation	22,195
35 Food Service	64,304
36 Cocurricular/Extracurricular Activities	124,221
41 General Administration	112,509
51 Plant Maintenance & Operations	<u>208,242</u>
	<u>\$ 1,114,541</u>

E. Interfund Transfers

There were no interfund transfers during the fiscal year ending August 31, 2025.

F. Interfund Balances

There were no interfund balances at August 31, 2025.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16
Year Ended August 31, 2025

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

H. Long-Term Obligations

During each year while 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. Interest costs of \$56,630 were charged to expense in the current fiscal year.

1. Changes in long-term obligations for the year ended August 31, 2025, are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 5,595,000	\$ -	\$ 1,110,000	\$ 4,485,000	\$ 1,115,000
Bond Premiums	14,540	-	4,696	9,844	-
Compensated Absences*	144,734	14,233	-	158,967	41,670
Net Pension Liability	1,126,881	-	189,486	937,395	-
Net OPEB Liability	<u>529,855</u>	<u>143,404</u>	<u>-</u>	<u>673,259</u>	<u>-</u>
Total governmental activities	<u>\$ 7,411,010</u>	<u>\$ 157,637</u>	<u>\$ 1,304,182</u>	<u>\$ 6,264,465</u>	<u>\$ 1,156,670</u>

*The change in balances of compensated absences is reported as a net increase or decrease.

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount Of Original Issue</u>	<u>Amount Outstanding 8/31/2025</u>
Unlimited Tax School Building Bonds, Series 2021	3.00%	02-15-2029	\$ 7,810,000	\$ 4,485,000

2. Debt service requirements on general obligation bonds at August 31, 2025, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,115,000	\$ 50,525	\$ 1,165,525
2027	1,120,000	39,350	1,159,350
2028	1,125,000	28,125	1,153,125
2029	<u>1,125,000</u>	<u>11,250</u>	<u>1,136,250</u>
	<u>\$ 4,485,000</u>	<u>\$ 129,250</u>	<u>\$ 4,614,250</u>

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17
Year Ended August 31, 2025

I. Defined Benefit Pension Plan

1. Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, PO Box 149676, Austin, TX 78714-0185, or by calling 1-800-223-8778.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered 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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18
Year Ended August 31, 2025

I. Pension Plan (continued)

description in (1) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirements on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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

4. Contributions

Contribution 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 a 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.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19
Year Ended August 31, 2025

I. Pension Plan (continued)

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

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Current Fiscal Year Employer Contributions		\$ 87,512
Current Fiscal Year Member Contributions		\$ 219,139
2024 Measurement Year NECE On-behalf Contributions		\$ 163,115

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20
Year Ended August 31, 2025

I. Pension Plan (continued)

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2 percent in fiscal year 2025.
- 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2024	3.87%. The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in projection period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21
Year Ended August 31, 2025

I. Pension Plan (continued)

For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

6. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below

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Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22
Year Ended August 31, 2025

I. Pension Plan (continued)

Asset Class	Target Allocation%**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18%	4.4%	1.0%
Non-U.S. Developed	13%	4.2%	0.8%
Emerging Markets	9%	5.2%	0.7%
Private Equity	14%	6.7%	1.2%
Stable Value			
Government Bonds	16%	1.9%	0.4%
Stable Value Hedge Funds	5%	3.0%	0.2%
Absolute Return*	0%	4.0%	0.0%
Real Return			
Real Estate	15%	6.6%	1.2%
Energy, Natural Resources, and Infrastructure	6%	5.6%	0.4%
Commodities	0%	2.5%	0.0%
Risk Parity			
Risk Parity	8%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2%	1.0%	0.0%
Asset Allocation Leverage	(6%)	1.3%	(0.1%)
Total	<u>100%</u>		
Inflation Expectation			2.4%
Volatility Drag****			(0.7%)
Expected Return			7.9%

*Absolute Return includes Credit Sensitive Investments.

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

***Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
Year Ended August 31, 2025

I. Pension Plan (continued)

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the Net pension liability.

	1% Decrease in <u>Discount Rate (6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase in <u>Discount Rate (8.00%)</u>
District's proportionate Share of the net pension liability:	\$ 1,497,258	\$ 937,395	\$ 473,509

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

At August 31, 2025, the District reported a liability of \$937,395 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 937,395
State's proportionate share that is associated with the District	<u>\$ 1,768,074</u>
Total	<u>\$ 2,705,469</u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2023 thru August 31, 2024.

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.0015345957% which was a decrease of 0.0001059272% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
Year Ended August 31, 2025

I. Pension Plan (continued)

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended August 31, 2025, the District recognized pension expense of \$348,324 and revenue of \$211,314 for support provided by the State.

At August 31, 2025, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 51,668	\$ 7,319
Changes in actuarial assumptions	48,400	6,489
Difference between projected and actual investment earnings	5,698	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	114,111	\$ 118,544
Total as of August 31, 2024 measurement date	\$ 219,877	\$ 132,352
Contributions paid to TRS subsequent to the measurement date	87,512	\$ -
Total as of fiscal year-end	<u>\$ 307,389</u>	<u>\$ 132,352</u>

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2026	\$ 8,696
2027	112,922
2028	13,007
2029	(43,940)
2030	(3,160)
Thereafter	-

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans

1. 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 benefit Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at P.O. Box 149676 Austin, TX 78714-0185; or by calling (800) 223-8778.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and 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 the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

The premium rates for retirees are reflected in the following table.

2024 TRS-Care Monthly Premium Rates

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
*or surviving spouse		

4. 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 participating employers based on active employee compensation. The TRS Board 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 salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Active Employee	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%
Current Fiscal Year Employer Contributions	\$ 20,573	
Current Fiscal Year Member Contributions	\$ 17,265	
2024 Measurement Year NECE On-behalf Contributions	\$ 25,246	

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 27
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex.

Demographic Assumptions – The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

Mortality Assumptions - The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Election Rates – Normal Retirement – 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65. Pre-65 retirees – 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.

Health Care Trend Rates – The initial medical trend rates were 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 28
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

Actuarial Methods and Assumptions

Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs – From Birth To Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad hoc-post-employment benefit changes	None

6. Discount Rate

A single discount rate of 3.87% was used to measure the Total OPEB Liability. This was a decrease of 0.26 percent in the discount rate since the previous year. Since the plan is a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 29
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase in Discount Rate (4.87%)</u>
District's proportionate Share of the Net OPEB Liability:	\$ 799,863	\$ 673,259	\$ 570,961

8. Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate Share of the Net OPEB Liability:	\$ 548,269	\$ 673,259	\$ 836,132

9. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2025, the District reported a liability of \$673,259 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	\$ 673,259
State's proportionate share that is associated with the District	\$ 843,584
Total	<u>\$ 1,516,843</u>

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 30
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

The Net OPEB Liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.0022182034% which was a decrease of 0.0001751804% from its proportion measured as of August 31, 2023.

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 (TOL) since the prior measurement period:

- The single discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2025, the District recognized OPEB expense of \$(184,802) and revenue of \$(109,650) for support provided by the State.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 31
Year Ended August 31, 2025

J. Defined Other Post-Employment Benefit Plans (continued)

At August 31, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 129,041	\$ 335,993
Changes in actuarial assumptions	\$ 86,169	\$ 219,677
Difference between projected and actual investment earnings	\$ -	\$ 1,885
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>\$ 211,491</u>	<u>\$ 210,081</u>
Total as of August 31, 2024 measurement date	\$ 426,701	\$ 767,636
Contributions paid to TRS subsequent to the measurement date	<u>\$ 20,573</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 447,274</u>	<u>\$ 767,636</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2026	\$ (92,680)
2027	(62,187)
2028	(70,134)
2029	(55,926)
2030	(28,052)
Thereafter	(31,956)

K. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended August 31, 2025, 2024, and 2023 were \$18,635, \$15,517, and \$13,955, respectively.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 32
Year Ended August 31, 2025

L. Health Care Coverage

The District sponsors a fully insured health insurance plan to provide health care benefits to staff members and their dependents. The District paid premiums of \$350 per month for staff members participating in the plan. Staff members, at their option, authorized payroll deductions to pay premiums for their dependents. All premiums were paid to a licensed insurer.

M. Unemployment Compensation Pool

During the year ended August 31, 2025, 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, 2025, the Fund anticipates that Klondike ISD has no additional liability beyond the contractual obligation for payment of contributions.

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, 2024 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 33
Year Ended August 31, 2025

N. Workers' Compensation Pool

During the year ended August 31, 2025, Klondike ISD met its statutory workers' compensation obligations 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 Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2024, the Fund carries a discounted reserve of \$50,247,590 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2025, the Fund anticipates no additional liability to members beyond their 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 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, 2024 are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

O. Property, Liability, and Auto Insurance Programs

During the year ended August 31, 2025, Klondike ISD participated in the following TASB Risk Management Fund (the Fund) programs:

- Auto Liability & Physical Damage
- School Liability
- Privacy & Information Security
- Property

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.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 34
Year Ended August 31, 2025

O. Property, Liability, and Auto Insurance Programs

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, 2025, the Fund anticipates that 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, 2024, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

P. Litigation

No reportable litigation was pending or in progress against the District at August 31, 2025.

Q. Commitments and 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 collectability 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 the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 35
Year Ended August 31, 2025

R. Prior Period Adjustment – Compensated Absences

The implementation of GASBS No. 101 – Compensated Absences resulted in a prior period adjustment decreasing the beginning net position of the District by \$144,734.

According to the standard, liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for (a) leave that has not been used and (b) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The District is required to provide employees five days per year of state personal leave, with no limit on accumulation and no restrictions on transfer among districts. Additionally, per local policy, each employee earns five paid local leave days per school year. Local leave accumulates to a maximum of 30 leave days.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2025

				Variance with Final Budget Positive (Negative)
Data Control Codes		Budgeted Amounts		
		Original	Final	Actual
REVENUES:				
5700	Local and Intermediate Sources	\$ 37,685,404	\$ 40,435,404	\$ 40,699,260
5800	State Program Revenues	346,185	346,185	371,850
5900	Federal Program Revenues	94,000	73,000	70,663
5020	Total Revenues	38,125,589	40,854,589	41,141,773
EXPENDITURES:				
Current:				
Instruction & Instructional Related Services:				
0011	Instruction	2,561,215	2,561,215	2,445,696
0012	Instructional Resources and Media Services	38,966	38,966	32,800
0013	Curriculum Dev. & Instructional Staff Dev.	20,700	20,700	16,353
0021	Instructional Leadership	69,012	69,012	65,898
0023	School Leadership	182,152	182,152	178,901
0031	Guidance, Counseling & Evaluation Services	147,230	147,230	144,331
0033	Health Services	3,000	3,000	602
0034	Student (Pupil) Transportation	150,509	150,509	111,400
0035	Food Services	252,275	327,275	322,632
0036	Curricular/Extracurricular Activities	656,499	656,499	623,292
0041	General Administration	569,474	569,474	560,968
0051	Plant Maintenance and Operations	1,077,564	1,077,564	1,044,815
0052	Security and Monitoring Services	106,980	106,980	104,330
0053	Data Processing Services	298,978	298,978	290,668
0061	Community Services	5,000	5,000	4,115
0081	Capital Outlay	355,000	355,000	268,675
0091	Contracted Instructional Services Between Schools	31,316,535	31,891,535	31,872,111
0093	Payments to Shared Service Arrangements	77,480	77,480	76,180
0099	Other Intergovernmental Charges	162,170	162,170	153,765
6030	Total Expenditures	38,050,739	38,700,739	38,317,532
Other Financing Sources (Uses):				
7912	Sale of Real & Personal Property	-	-	1,932
	Total Other Financing Sources and (Uses)	-	-	1,932
1200	Net Change in Fund Balance	74,850	2,153,850	2,826,173
0100	Fund Balance - Beginning	14,883,235	14,883,235	14,883,235
3000	Fund Balance - Ending	\$ 14,958,085	\$ 17,037,085	\$ 17,709,408
				\$ 672,323

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
For the Year Ended August 31, 2025

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0015345957%	0.0016405229%	0.0018276510%	0.0013302967%	0.0012703261%	0.0014687494%	0.0014129586%	0.0014534619%	0.0015478094%	0.0016955000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 937,395	\$ 1,126,881	\$ 1,085,029	\$ 338,779	\$ 680,361	\$ 763,502	\$ 777,727	\$ 484,739	\$ 584,932	\$ 599,337
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,768,074	1,881,906	1,664,368	804,680	1,703,642	1,547,684	1,712,745	1,100,830	1,380,762	1,369,394
Total	\$ 2,705,469	\$ 3,008,787	\$ 2,749,397	\$ 1,143,459	\$ 2,384,003	\$ 2,311,186	\$ 2,490,472	\$ 1,585,569	\$ 1,965,694	\$ 1,968,731
District's Covered Employee Payroll	\$ 2,599,592	\$ 2,400,887	\$ 2,376,091	\$ 2,158,407	\$ 2,083,123	\$ 1,970,851	\$ 1,911,631	\$ 1,976,627	\$ 2,018,441	\$ 2,025,951
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	36.06%	46.94%	45.66%	15.70%	32.50%	38.74%	40.68%	23.51%	28.98%	29.58%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM
For the Year Ended August 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 87,512	\$ 86,480	\$ 84,326	\$ 85,284	\$ 56,770	\$ 52,414	\$ 51,408	\$ 47,577	\$ 47,636	\$ 49,162
Contribution in Relation to the Contractually Required Contribution	(87,512)	(86,480)	(84,326)	(85,284)	(56,770)	(52,414)	(51,408)	(47,577)	(47,636)	(49,162)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 2,656,232	\$ 2,599,592	\$ 2,400,687	\$ 2,376,091	\$ 2,158,407	\$ 2,093,123	\$ 1,970,851	\$ 1,911,631	\$ 1,976,627	\$ 2,018,441
Contributions as a percentage of Covered Employee Payroll	3.29%	3.33%	3.51%	3.59%	2.63%	2.50%	2.61%	2.48%	2.41%	2.44%

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
For the Year Ended August 31, 2025

	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0022182034%	0.0023933838%	0.0026729464%	0.0021453428%	0.0021466448%	0.0021629560%	0.0021704496%	0.0021934940%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 673,259	\$ 529,855	\$ 640,010	\$ 827,555	\$ 816,037	\$ 1,022,887	\$ 1,063,725	\$ 953,868
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	843,584	639,351	780,712	1,108,739	1,096,558	1,359,190	1,686,447	1,599,967
Total	\$ 1,516,843	\$ 1,169,206	\$ 1,420,722	\$ 1,936,294	\$ 1,912,595	\$ 2,382,077	\$ 2,770,172	\$ 2,553,835
District's Covered Payroll	\$ 2,599,592	\$ 2,400,687	\$ 2,376,091	\$ 2,158,407	\$ 2,093,123	\$ 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	25.90%	22.07%	26.94%	38.34%	38.99%	51.90%	56.69%	48.26%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only eight 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
Lamesa, Texas

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
For the Year Ended August 31, 2025

	Fiscal Year Ended August 31,							
	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 20,573	\$ 20,152	\$ 20,763	\$ 21,954	\$ 16,760	\$ 16,316	\$ 15,351	\$ 14,973
Contribution in Relation to the Contractually Required Contribution	(20,573)	(20,152)	(20,763)	(21,954)	(16,760)	(16,316)	(15,351)	(14,973)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,656,232	\$ 2,599,592	\$ 2,400,687	\$ 2,376,091	\$ 2,158,407	\$ 2,093,123	\$ 1,970,851	\$ 1,911,636
Contributions as a percentage of Covered Payroll	0.77%	0.78%	0.86%	0.92%	0.78%	0.78%	0.78%	0.78%

Note: Only eight 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."

OTHER SUPPLEMENTARY INFORMATION

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2025

Last Ten Years Ended	1	2	3	10	20	31	32	40	50
August 31	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance 09/01/24	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/25
2016 and Prior Years	Maintenance	Debt Service							
2017	Various	Various	--	\$ 111,255	\$ -	\$ 3,969	\$ 342	\$ -	\$ 106,944
2018	1.0400	0.1637	643,836,695	12,356	-	721	113	-	11,522
2019	1.0400	0.1303	797,459,105	12,259	-	894	112	-	11,253
2020	1.1700	0.1250	976,415,830	31,709	-	1,250	134	(9)	30,316
2021	1.0684	0.0067	1,919,842,128	62,694	-	3,311	207	(7)	234,317
2022	0.9630	0.0522	1,882,565,395	240,691	-	6,040	327	(5)	91,364
2023	0.9630	0.5220	1,710,817,031	97,892	-	20,945	1,159	(2,707,113)	420,492
2024	0.9429	0.0522	3,156,504,070	3,149,709	-	2,349,858	161,931	2,472,241	1,764,677
2024-School Year Under Audit	0.7575	0.0522	4,449,187,157	1,804,225	-	-	-	-	-
1000	0.7552	0.0522	5,010,235,695	-	40,452,643	37,327,237	2,580,336	-	545,070
8000	TOTALS			\$ 5,522,790	\$ 40,452,643	\$ 39,720,412	\$ 2,744,997	\$ (234,902)	\$ 3,275,122
	Total Taxes Refunded Under Section 26.1115(c), Tax Code								

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Column 3 -

Assessed/Appraised Value for School Tax Purposes:
This is the net appraised value, after deductions of all
exemptions, tax freeze amounts and reductions provided
by law and those granted by the district, based on
maintenance requirements.

Column 20 -

Current Year's Levy:
This amount is calculated by multiplying tax rate(s) times
the applicable Assessed/Appraised Value(s) in Column 3.

Columns 30 and 30a -

These are the total collections net of
adjustments described in Column 40,
according to each year of tax levy, and
do NOT include penalties and interest.

Column 40 -

Entire Year's Adjustments:
Total adjustments include corrections for
errors in taxes assessed, taxes lost due to
tax freeze and discounts allowed for early
payment of taxes.

Column 50 -

Ending Balance 8/31/25

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

EXHIBIT J-2

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2025

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources			
5800	State Program Revenues	\$ 2,593,798	\$ 2,845,447	\$ 251,649
		40,000	1,393	(38,607)
5020	Total Revenues	<u>2,633,798</u>	<u>2,846,840</u>	<u>213,042</u>
	EXPENDITURES:			
	Current:			
	Debt Service			
0071	Principal on Long-Term Debt	1,110,000	1,110,000	-
0072	Interest on Long-Term Debt	61,650	61,650	-
0073	Bond Issuance Costs and Fees	800	300	500
	Total Debt Service	<u>1,172,450</u>	<u>1,171,950</u>	<u>500</u>
6030	Total Expenditures	<u>1,172,450</u>	<u>1,171,950</u>	<u>500</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	-	-	-
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	1,461,348	1,674,890	213,542
0100	Fund Balance - Beginning	<u>2,268,437</u>	<u>2,268,437</u>	-
3000	Fund Balance - Ending	<u>\$ 3,729,785</u>	<u>\$ 3,943,327</u>	<u>\$ 213,542</u>

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

USE OF FUNDS REPORT --
SELECT STATE ALLOTMENT PROGRAMS
For the Year Ended August 31, 2025

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 81,081
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 337,301

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds bilingual education programs during the LEA's fiscal year.	\$ 6,936
AP8	List the actual direct program expenditures for state bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 13,238

Terry & King, CPAs, P.C.

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Lubbock, TX 79493-3550

Telephone - (806) 698-8858 - Fax - (866) 288-6490

Randel J. Terry, CPA
Ryan R. King, CPA

Independent Auditors' Report

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

Board of Trustees
Klondike Independent School District
2911 County Road H
Lamesa, Texas 79331

Members of the Board of Trustees:

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, 2025, 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 13, 2026.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



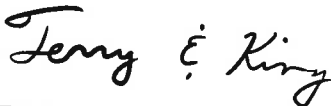
Report on Compliance and Other Matters

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King".

Terry & King, CPAs, P.C.
Lubbock, Texas
January 13, 2026

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes ___ X No

Significant deficiencies identified that
are not considered to be material
weaknesses?

___ Yes ___ X None Reported

Noncompliance material to financial
Statements noted?

___ Yes ___ X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2025

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2025

Not Applicable – None Required

KLONDIKE INDEPENDENT SCHOOL DISTRICT
Lamesa, Texas

SCHOOLS FIRST QUESTIONNAIRE
For the Year Ended August 31, 2025

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 at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	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 that were in effect at the school district's 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.	\$ -

