

KLONDIKE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2015

Board of Trustees:

Kenny Ferguson, President
Steven Archer, Vice-President
Kelley O'Brien, Secretary
Mike Barkowsky
Quinton Kearney
Clay Thixton
Kirk Tidwell

Superintendent:

Steve McLaren

Business Manager:

Teresa Roberts

**Klondike Independent School District
Annual Financial Report
For the Year Ended August 31, 2015**

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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 (check one) approved disapproved for the year ended August 31, 2015, at a meeting of the board of the trustees of such school district on the 14th day of December 2015.



Signature of Board Vice-President



Signature of Board President

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

Financial Section

STEPHENS, STEPHENS, & TELCHIK, P.C.

Certified Public Accountants

MEMBER AICPA
MEMBER TSCPA

P.O. Box 500 - 212 So. Houston Ave.
LAMESA, TEXAS 79331-0500
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S.E. STEPHENS, CPA
RAY A. STEPHENS, CPA
KEVIN TELCHIK, CPA

December 3, 2015

Independent Auditor's Report

Board of Trustees
Klondike Independent School District
Lamesa, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund of Klondike Independent School District (the District), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining

fund information of the Klondike Independent School District, as of August 31, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Klondike Independent School District's 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.

This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of Klondike Independent 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 to describe the scope of our testing internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.


Stephens, Stephens, & Telchik, P.C.
Lamesa, Texas

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
LAMESA, TEXAS**

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 fiscal year ended August 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position increased by \$1,091,855 or 8.42% between 2014 and 2015.
- During the year, the District's expenses were \$1,320,832 less than the \$16,223,847 in Total Program and General Revenues of the District. This amount is more of an increase to net position than last year when the District's expenses were \$1,111,013 less than the \$14,822,869 in Total Program and General Revenue of the District.
- The total cost of the District's programs was \$1,191,158 more than the \$13,711,857 from last year. This increase in expenditures is primarily due to increased operating expenses and an increase in WADA expense.
- The total general revenues of the District increased by \$1,405,684 or 9.7% from 2014 to 2015. This increase was primarily due to an increase in tax revenue and state aid.
- The general fund reported a fund balance this year of \$6,937,012. This amount is an increase of \$570,835 from the prior year fund balance of \$6,366,177. The District has opted to assign \$250,000 of this fund balance for future capital expenditures, \$250,000 for future construction, and \$1,500,000 for future recapture payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statement comprises three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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.

Proprietary fund statements offer *short* and *long-term* financial information about the activities the government operates, like the workers compensation fund.

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.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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 they have 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, you need to consider additional nonfinancial factors such as changes in the District's tax base, and the District's average daily attendance. In addition, the condition of the District's facilities should be considered.

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, food services, transportation, maintenance, 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.
- 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 three 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. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- *Proprietary funds* - The internal service fund is the only proprietary fund the District maintains. This fund reports activities that provide services for the District's workers compensation self-funded program.

- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net position. We exclude these activities from the district's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was increased between fiscal years 2014 and 2015 - increasing by \$1,091,855 or 8.42% to \$ 14,052,661 at August 31, 2015. (See Table 1)

The District implemented GASB Statement 34 in the fiscal year ended August 31, 2002. The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

**Table 1
Klondike Independent School District's Net Position**

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 7,551,251	\$ 6,668,839
Property Taxes Receivable (Net)	197,840	143,369
Due from Other Governments & Other Receivables	1,957	89,443
Accrued Interest	1,821	1,557
Total Current Assets	<u>\$ 7,752,869</u>	<u>\$ 6,903,208</u>
Noncurrent Assets:		
Capital Assets	\$ 17,532,812	\$ 17,273,353
Less Accumulated Depreciation	<u>(3,733,440)</u>	<u>(3,197,882)</u>
Total Noncurrent Assets	<u>\$ 13,799,372</u>	<u>\$ 14,075,471</u>
Total Assets	<u>\$ 21,552,241</u>	<u>\$ 20,978,679</u>
Deferred Outflows of Resources:		
Deferred Outflow-TRS	<u>\$ 66,488</u>	<u>-</u>
Current Liabilities:		
Accounts Payable and Accrued Expense	\$ 14,202	\$ 36,492
Accrued Wages Payable	67,846	63,021
Due to Other Governments	474,896	245,225
Accrued Interest Payable	-	67,374
Bond Payable & Other Liabilities	<u>880,558</u>	<u>860,558</u>
Total Current Liabilities	<u>\$ 1,437,502</u>	<u>\$ 1,272,670</u>
Noncurrent Liabilities:		
Workers Compensation Claims Liability	\$ 30,691	\$ 30,691
Bond Payable	5,480,000	6,325,000

Net Pension Liability (District)	202,098	-
Unamortized Bond Premium	353,954	389,512
Total Noncurrent Liabilities	<u>\$ 6,066,743</u>	<u>\$ 6,745,203</u>
Total Liabilities	<u>\$ 7,504,245</u>	<u>\$ 8,017,873</u>

Deferred Inflows of Resources:
Deferred Inflow-TRS

Net Assets:

Invested in Capital Assets, Net of Related Debt	\$ 7,113,402	\$ 6,995,860
Restricted for Debt Service	21,912	10,390
Unrestricted	<u>6,917,347</u>	<u>5,954,556</u>
Total Net Position	<u>\$ 14,052,661</u>	<u>\$ 12,960,806</u>

The part of net position which was unrestricted and available to be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements was \$6,917,347 at August 31, 2015. Unrestricted net assets may be used to fund District Programs in the next fiscal year. However, this does not mean that the District has significant surplus resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are less than currently available resources. The balance has increased compared to the prior years.

Changes in Net Position

The District's total revenues were approximately 16.22 million. A significant percentage of this revenue comes from taxes (91%). Approximately 6% of the revenue comes from Federal Programs, state-aid formula grants, and other state program revenues. The remaining revenue (3%) came from investment earnings, miscellaneous local revenue, user charges, and permanent school fund revenue.

The total cost of all programs and services was approximately 14.9 million, an increase of \$1.2 million from previous year. Wealth equalization payments totaled \$10,602,691 or 71% of total expenditures.

Table 2
Changes in Klondike Independent School District's Net Position
Governmental
Activities

	<u>2015</u>	<u>2014</u>
Program Revenues:		
Charges for Services	\$ 45,235	\$ 41,213
Operating Grants and Contributions	364,052	372,782
General Revenues:		
Property Taxes	14,786,030	13,635,170
State Aid - Formula	624,625	479,551
Investment Earnings	64,265	76,944
Other	<u>339,640</u>	<u>217,209</u>
Total Revenues	<u>\$ 16,223,847</u>	<u>\$ 14,822,869</u>
Expenditures:		
Instruction	\$ 1,815,728	\$ 1,724,644
Instructional Resources and Media Services	32,497	31,704
Curriculum Dev. and Instructional Staff Dev.	14,496	15,366
School Leadership	183,064	182,162
Guidance, Counseling and Evaluation Services	68,773	62,996
Health Services	404	644
Student Transportation	194,902	193,890
Food Services	235,265	215,532
Extracurricular Activities	332,530	282,747
General Administration	436,682	335,990

Plant Maintenance & Operations	537,482	485,363
Security and Monitoring Services	-	10,017
Data Processing Services	209,008	200,887
Debt Service - Interest on Long Term Debt	95,068	249,838
Debt Service - Bond Issuance Costs and Fees	1,200	1,100
Contracted Instructional Services	10,602,691	9,577,557
Payments to Fiscal Agent/Member Dist. - SSA	45,784	45,784
Other Intergovernmental Charges	97,441	95,635
Total Expenditures	<u>\$ 14,903,015</u>	<u>\$ 13,711,856</u>
Increase in Net Position	\$ 1,320,832	\$ 1,111,013
Net Position- Beginning	<u>12,960,805</u>	<u>11,957,672</u>
Prior Period Adjustment	(228,977)	(107,880)
Net Position- Ending	<u>\$ 14,052,660</u>	<u>\$ 12,960,805</u>

The cost (14.9 million) of all governmental activities this year showed an increase from the previous year. This increase was due to increased operating expenses and increased WADA costs. As shown in the Statement of Activities, the amount that our taxpayers paid for these activities through property taxes was 14.8 million. Some of the cost was paid by those who directly benefitted from the programs (\$45,235) and by grants and contributions totaling \$364,052.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$6,967,394 which is above last year's total of \$6,384,410.

- Revenues from governmental fund types totaled \$16,169,376, an increase of 9.6% from the preceding year. The increase in local revenues is mainly a result of an increase in property tax revenue and state aid.
- Federal program revenue decreased \$ 3,487. This decrease was primarily due to a decrease in federal program revenue distributed through other agencies.
- State aid increased \$135,052 during the current fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees amended the District's budget. Amendments were made for supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts that were estimated in August 2014). Finally, the Board approved several increases in appropriations to prevent budget overruns.

The District's General Fund Balance of \$6,937,012 differs from the General Fund's budgetary fund balance of \$6,663,827.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested approximately 17.4 million in a broad range of capital assets, including land, equipment, vehicles, and buildings. There were significant increases in capital asset changes during the fiscal year.

Major capital asset additions during the current fiscal year included the following:

- Vault Pit & Trophy Case in the amount of \$25,902.
- Used 2013 Bluebird Bus in the amount of \$65,000.
- IPADS, Laptops, and Computers in the amount of \$27,733.
- 70" TV's w/carts in the amount of \$90,042.

More detailed information about the District's capital assets is presented in the Notes to the Financial Statements.

Long-Term Debt

On August 21, 2008, Klondike Independent School District issued \$8,000,000 Unlimited Tax School Building Bonds which were used to finance school renovations and technology upgrades. In March of 2012, the Board voted to issue \$4,265,000 in Unlimited Tax Refunding Bonds, Series 2012. The Board's plan was to use the bond proceeds to refund a portion of the District's 2008 Unlimited-Tax School Building Bonds for debt service savings. In addition, the taxpayers passed a bond election in May of 2012, authorizing the District to issue Unlimited Tax School Building Bonds, Series 2012 in the amount of \$3,715,000 for the purpose of constructing a new gym.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Oil values, which make up the majority of the District's revenue, are expected to decrease substantially for the coming year. This has affected our debt service tax rate, which has increased from \$.076631 in 2014-15 to \$.095295 in 2015-16.

The weighted daily average attendance (WADA) for 2015-16 is expected to increase, and along with the declining oil revenue, will generate more revenue from the State.

Looking ahead, the District is still working with TCEQ to create a safe water supply. The cost of this project is still unknown, but the District is working to come up with a safe, cost effective solution to good water for the District and students.

The District did adopt a balanced budget of \$13,466,864, with estimated revenues equaling appropriated expenditures.

Klondike ISD has a strong background in academic excellence. The District will strive to continue to provide outstanding education for its students.

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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

Basic Financial Statements

Government Wide Statements

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015**

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 441,251
1120 Current Investments	7,110,000
1220 Property Taxes Receivable (Delinquent)	282,629
1230 Allowance for Uncollectible Taxes	(84,789)
1240 Due from Other Governments	1,957
1250 Accrued Interest	1,821
Capital Assets:	
1510 Land	100,139
1520 Buildings, Net	13,011,811
1530 Furniture and Equipment, Net	687,422
1000 Total Assets	21,552,241
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	66,488
1700 Total Deferred Outflows of Resources	66,488
LIABILITIES	
2110 Accounts Payable	12,784
2160 Accrued Wages Payable	67,846
2180 Due to Other Governments	474,896
2200 Accrued Expenses	1,418
Noncurrent Liabilities	
2501 Due Within One Year	880,558
2502 Due in More Than One Year	5,864,645
2540 Net Pension Liability (District's Share)	202,098
2000 Total Liabilities	7,504,245
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	61,823
2600 Total Deferred Inflows of Resources	61,823
NET POSITION	
3200 Net Investment in Capital Assets	7,113,402
3850 Restricted for Debt Service	21,912
3900 Unrestricted	6,917,347
3000 Total Net Position	\$ 14,052,661

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015**

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,815,728	\$ -	\$ 160,318	\$ (1,655,410)
12 Instructional Resources and Media Services	32,497	-	1,420	(31,077)
13 Curriculum and Staff Development	14,496	-	6,629	(7,867)
23 School Leadership	183,064	-	9,570	(173,494)
31 Guidance, Counseling and Evaluation Services	68,773	-	3,514	(65,259)
33 Health Services	404	-	-	(404)
34 Student (Pupil) Transportation	194,902	-	6,792	(188,110)
35 Food Services	235,265	851	118,609	(115,805)
36 Extracurricular Activities	332,530	22,622	21,925	(287,983)
41 General Administration	436,682	10,702	12,498	(413,482)
51 Facilities Maintenance and Operations	537,482	11,060	11,142	(515,280)
53 Data Processing Services	209,008	-	11,635	(197,373)
72 Debt Service - Interest on Long Term Debt	95,068	-	-	(95,068)
73 Debt Service - Bond Issuance Cost and Fees	1,200	-	-	(1,200)
91 Contracted Instructional Services Between Schools	10,602,691	-	-	(10,602,691)
93 Payments related to Shared Services Arrangements	45,784	-	-	(45,784)
99 Other Intergovernmental Charges	97,441	-	-	(97,441)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 14,903,015	\$ 45,235	\$ 364,052	(14,493,728)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	13,750,446
DT	Property Taxes, Levied for Debt Service	1,035,584
SF	State Aid - Formula Grants	624,625
IE	Investment Earnings	64,265
MI	Miscellaneous Local and Intermediate Revenue	339,640
TR	Total General Revenues	15,814,560
CN	Change in Net Position	1,320,832
NB	Net Position - Beginning	12,960,806
PA	Prior Period Adjustment	(228,977)
NE	Net Position--Ending	\$ 14,052,661

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

Fund Financial Statements

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015**

EXHIBIT C-1

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 380,178	\$ 30,382	\$ 410,560
1120 Investments - Current	7,110,000	-	7,110,000
1220 Property Taxes - Delinquent	282,629	-	282,629
1230 Allowance for Uncollectible Taxes (Credit)	(84,789)	-	(84,789)
1240 Receivables from Other Governments	-	1,957	1,957
1250 Accrued Interest	1,821	-	1,821
1000 Total Assets	<u>\$ 7,689,839</u>	<u>\$ 32,339</u>	<u>\$ 7,722,178</u>
LIABILITIES			
2110 Accounts Payable	\$ 12,784	\$ -	\$ 12,784
2160 Accrued Wages Payable	66,060	1,786	67,846
2180 Due to Other Governments	474,896	-	474,896
2200 Accrued Expenditures	1,247	171	1,418
2000 Total Liabilities	<u>554,987</u>	<u>1,957</u>	<u>556,944</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	197,840	-	197,840
2600 Total Deferred Inflows of Resources	<u>197,840</u>	<u>-</u>	<u>197,840</u>
FUND BALANCES			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	21,912	21,912
Assigned Fund Balance:			
3550 Construction	250,000	-	250,000
3570 Capital Expenditures for Equipment	250,000	-	250,000
3590 Other Assigned Fund Balance	1,500,000	-	1,500,000
3600 Unassigned Fund Balance	4,937,012	8,470	4,945,482
3000 Total Fund Balances	<u>6,937,012</u>	<u>30,382</u>	<u>6,967,394</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,689,839</u>	<u>\$ 32,339</u>	<u>\$ 7,722,178</u>

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2015

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	6,967,394
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$17,273,353 and the accumulated depreciation was (\$3,197,882). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		6,433,027
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.		1,187,391
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$202,098, a Deferred Resource Inflow related to TRS in the amount of \$61,823 and a Deferred Resource Outflow related to TRS in the amount of \$66,488. This amounted to a decrease in Net Position in the amount of \$197,433.		(197,433)
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(535,558)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		197,840
19 Net Position of Governmental Activities	\$	14,052,661

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 14,144,976	\$ 1,056,211	\$ 15,201,187
5800	State Program Revenues	767,656	16,729	784,385
5900	Federal Program Revenues	112,488	71,316	183,804
5020	Total Revenues	<u>15,025,120</u>	<u>1,144,256</u>	<u>16,169,376</u>
EXPENDITURES:				
Current:				
0011	Instruction	1,694,621	77,477	1,772,098
0012	Instructional Resources and Media Services	29,463	-	29,463
0013	Curriculum and Instructional Staff Development	7,091	6,629	13,720
0023	School Leadership	164,942	1,912	166,854
0031	Guidance, Counseling and Evaluation Services	62,681	-	62,681
0033	Health Services	404	-	404
0034	Student (Pupil) Transportation	173,156	-	173,156
0035	Food Services	207,797	-	207,797
0036	Extracurricular Activities	271,087	18,645	289,732
0041	General Administration	382,128	3,244	385,372
0051	Facilities Maintenance and Operations	477,019	-	477,019
0053	Data Processing Services	189,783	-	189,783
Debt Service:				
0071	Principal on Long Term Debt	-	825,000	825,000
0072	Interest on Long Term Debt	-	198,000	198,000
0073	Bond Issuance Cost and Fees	-	1,200	1,200
Capital Outlay:				
0081	Facilities Acquisition and Construction	48,197	-	48,197
Intergovernmental:				
0091	Contracted Instructional Services Between Schools	10,602,691	-	10,602,691
0093	Payments to Fiscal Agent/Member Districts of SSA	45,784	-	45,784
0099	Other Intergovernmental Charges	97,441	-	97,441
6030	Total Expenditures	<u>14,454,285</u>	<u>1,132,107</u>	<u>15,586,392</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>570,835</u>	<u>12,149</u>	<u>582,984</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	85,490	-	85,490
8911	Transfers Out (Use)	(85,490)	-	(85,490)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	570,835	12,149	582,984
0100	Fund Balance - September 1 (Beginning)	<u>6,366,177</u>	<u>18,233</u>	<u>6,384,410</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 6,937,012</u>	<u>\$ 30,382</u>	<u>\$ 6,967,394</u>

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	582,984
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.		1,187,391
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(535,558)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		54,471
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$50,225. Contributions made before the measurement but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the District. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$18,681. The result of these amounts is to increase the change in net position by \$31,544.		31,544
Change in Net Position of Governmental Activities	\$	1,320,832

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2015

EXHIBIT D-1

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

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 5,259
Total Operating Revenues	5,259
OPERATING EXPENSES:	
Payroll Costs	5,259
Total Operating Expenses	5,259

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 5,259
Cash Payments for Insurance Claims	(5,259)
Net Cash Provided by Operating Activities	-
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	30,691
Cash and Cash Equivalents at End of Year	\$ 30,691
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	\$ -

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015**

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 4,061	\$ 19,889
Total Assets	<u>4,061</u>	<u>\$ 19,889</u>
LIABILITIES		
Due to Student Groups	-	\$ 19,889
Total Liabilities	<u>-</u>	<u>\$ 19,889</u>
NET POSITION		
Restricted for Scholarships	4,061	
Total Net Position	<u>\$ 4,061</u>	

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

A. Summary of Significant Accounting Policies

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

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

The District reports the following major governmental fund:

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

In addition, the District reports the following fund types:

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

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

Agency Funds - These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments,

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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

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

3. Encumbrance Accounting

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

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipts of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60 day period after the close of the school fiscal year.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

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

c. Capital Assets

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

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

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

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

Government-wide Statements

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

Fund Financial Statements

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

d. Receivable and Payable Balances

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

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

e. Interfund Activity

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

f. Equity Classifications

Government-wide Statements

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

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

Fund Statements

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

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

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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

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

g. Use of Estimates

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

h. Operating Revenues of Proprietary Funds

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

i. Data Control Codes

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

j. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. New Financial Accounting Standards- Change in Accounting Principle

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

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

The effect of these two statements on the District's 2015 annual financial statements was:

- To record uncollected property taxes deferred resource inflows:

Deferred Resource Inflows	\$197,840
"Unavailable revenues-property taxes"	

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

Cash Deposits:

At August 31, 2015, the amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$ 7,551,251. The District's cash deposits at August 31, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

As of the highest combined balance on January 26, 2015, the District's deposits were adequately secured by FDIC coverage and pledged securities.

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

- a. Depository: First United Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$20,030,192.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$18,254,391 and occurred during the month of January, 2015.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

District Policies and Legal and Contractual Provisions Governing Deposits

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

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

District Policies and Legal and Contractual Provisions Governing Investments

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

The District's cash deposits held at financial institutions are categorized to give an indication of the level of risk assumed by the District at year-end. These custodial risk categories are as follows:

- Category 1 - Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits and investments are classified as Category 1.

Additional policies and contractual provisions governing deposits and investments for Klondike Independent School District are specified below:

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

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

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

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

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

The District's investments at August 31, 2015, are shown below.

<u>Investment</u>	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit - First United Bank	<u>\$ 7,110,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,110,000</u>	<u>\$ 7,110,000</u>
Total Investments	<u>\$ 7,110,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,110,000</u>	<u>\$ 7,110,000</u>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

D. Capital Assets

Capital asset activity for the year ended August 31, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 100,139	\$ -0-	\$ -0-	\$ 100,139
Total Capital Assets Not Being Depreciated	<u>\$ 100,139</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 100,139</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	\$15,469,161	\$ 50,024	\$ -0-	\$15,519,185
Furniture and Equipment	1,704,053	209,435	-	1,913,488
Total Capital Assets Being Depreciated	<u>\$17,173,214</u>	<u>\$ 259,459</u>	<u>\$ -0-</u>	<u>\$17,432,673</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 2,130,866	\$ 376,508	\$ -0-	\$ 2,507,374
Furniture and Equipment	1,067,016	159,050	-0-	1,226,066
Total Accumulated Depreciation	<u>\$ 3,197,882</u>	<u>\$ 535,558</u>	<u>\$ -0-</u>	<u>\$ 3,733,440</u>
Total Capital Assets Being Depreciated, Net	<u>\$13,975,332</u>	<u>\$ (276,099)</u>	<u>\$ -0-</u>	<u>\$ 13,699,233</u>
Governmental Activities				
Capital Assets, Net	<u>\$14,075,471</u>	<u>\$ (276,099)</u>	<u>\$ -0-</u>	<u>\$13,799,372</u>

Depreciation was charged to functions as follows:

Instruction	\$185,485
Instructional Resources and Media Services	3,225
Curriculum Development and Instructional Staff Development	776
School Leadership	18,054
Guidance, Counseling and Evaluation Services	6,861
Student Transportation	87,751
Food Service	29,773
Cocurricular/Extracurricular	61,161
General Administration	53,995
Plant Maintenance and Operations	67,704
Data Processing Services	20,773
Total	<u>\$535,558</u>

E. Interfund Balances and Activities

1. Transfers To and From Other Funds

Transfers to and from other funds for the year ended August 31, 2015 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Food Service	\$85,490	Subsidize Food Service Operations
	Total	<u>\$ 85,490</u>	

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

F. Long-Term Debt

The District issued Klondike Independent School District Unlimited Tax Refunding Bonds, Series 2012, in the amount of \$4,265,000 dated April 5, 2012, for the purpose of refunding all but \$740,000 of the District's Series 2008 unlimited-tax school building bonds. The purpose of the bonds is for debt savings. The Series 2012 Refunding Bonds are authorized by Texas Education Code, Sections 45.001 and 45.004. The bonds require annual interest and principal payments and bear interest at 2.0% to 3.0%. The bond issue resulted in the defeasance of the old debt. The debt refunding resulted in an economic gain to the District of \$369,163. This gain is the difference in the cash flow requirements necessary to service the old debt over its life and the cash flow requirements and other payments necessary to complete the advance refunding. During each year the bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures. In addition, the District also issued Klondike Independent School District Unlimited Tax School Building Bonds, Series 2012, in the amount of \$3,715,000 dated August 9, 2012, for the purpose of building a new school gymnasium. The Series 2012 School Building Bonds are authorized by Texas Education Code, Sections 45.001 and 45.003. The bonds require annual interest and principal payments and bear interest at 3.0%. During each year the bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures.

1. Long-Term Obligation Activity

Long-term liability activity for the year ended August 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
Unlimited Tax School Building Bonds, Series 2008	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Unlimited Tax Refunding Bonds, Series 2012	3,435,000	-	825,000	2,610,000	845,000
Unlimited Tax School Building Bonds, Series 2012	<u>3,715,000</u>	<u>-</u>	<u>-</u>	<u>3,715,000</u>	<u>-</u>
Total Bonds Payable	<u>\$7,150,000</u>	<u>\$ -0-</u>	<u>\$ 825,000</u>	<u>\$6,325,000</u>	<u>\$ 845,000</u>
Other Liabilities:					
Unamortized Bond Premium	\$ 510,697	\$ -0-	\$ 64,100	\$ 446,597	\$ 64,100
Accounting Loss - 2012 Bond Refunding	(85,627)	-	(28,542)	(57,085)	(28,542)
Net Pension Liability-TRS	-0-	202,298	-	202,298	-
Workers Compensation Claims Liability	<u>30,691</u>	<u>-</u>	<u>-</u>	<u>30,691</u>	<u>-</u>
Total Other Liabilities	<u>\$ 455,761</u>	<u>\$ 202,298</u>	<u>\$ 35,558</u>	<u>\$ 622,501</u>	<u>\$ 35,558</u>
Total Governmental Activities Long-Term Liabilities	<u>\$7,605,761</u>	<u>\$ 202,298</u>	<u>\$ 860,558</u>	<u>\$6,947,501</u>	<u>\$ 880,558</u>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

2. Debt Service Requirements

Debt service requirements on Bonds Payable debt at August 31, 2015, are as follows:

<u>Year Ending August 31</u>	<u>Bonds Payable</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2016	845,000	177,075	1,022,075
2017	870,000	151,350	1,021,350
2018	895,000	124,875	1,019,875
2019	890,000	98,100	988,100
2020	915,000	71,025	986,025
2021	940,000	43,200	983,200
2022	970,000	14,550	984,550
Totals	<u>\$6,325,000</u>	<u>\$ 680,175</u>	<u>\$7,005,175</u>

G. Commitments Under Capitalized Leases

The District had no commitments under leases at August 31, 2015.

H. Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the licensed insurer is renewable September 1, 2014, and terms of coverage and premium costs are included in the contractual provisions.

I. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2014.

J. Shared Services Arrangements

The District participates in a shared services arrangement for Special Education under the IDEA-B Formula of Title VII of the Elementary and Secondary Education Act with Borden County Independent School District and Dawson Independent School District. Borden County Independent School District is

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

the fiscal agent manager and is responsible for all financial activities of the shared services arrangement.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint interest in fixed asset purchased by the fiscal agent, Borden County Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Klondike Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Total expenditures for the current year attributable to the District's participation in the IDEA-Part B Special Education Coop was \$45,784.

K. Workers' Compensation Fund

The District maintains a self-funded Workers' Compensation program through the West Texas Educational Insurance Association. Claims administration was provided by Claims Administrative Services, Inc., for the period beginning September 1, 2013, and ending August 31, 2016. The District is in the 2nd year of a three year contract with Claims Administrative Services, Inc., for the District's participation in the West Texas Educational Insurance Association.

The District paid a fixed cost of \$6,239 during FYE 8-31-15 for excess insurance, claims administration, and safety and loss control. The District's loss fund maximum for FYE 8-31-15 under the current policy is \$13,356. The District's ultimate liability is the sum of loss funds for each policy year since being accepted into the West Texas Educational Insurance.

The accrued liability for Workers' Compensation self-insurance of \$30,691 includes incurred but not reported claims. This liability reported in the Workers' Compensation Internal Service Fund at August 31, 2015, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

L. Local and Intermediate Revenues

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

<u>Revenue Description</u>	<u>Fund</u>	<u>Revenue Amount</u>
Property Taxes	General	\$13,844,976
Property Taxes	Debt Service	1,021,334
Penalties, Interest and Other Tax Related Income	General	190,789
Penalties, Interest and Other Tax Related Income	Debt Service	14,283
Rent Income	General	11,060
Investment Income	General	68,720
Investment Income	Debt Service	105
Athletic Activities	General	11,920
Other Miscellaneous Revenues from Local Sources	General	16,659
Food Sales	General	851
Total		<u>\$15,180,697</u>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

M. Budgetary Control

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

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

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

N. Vacation and Sick Leave

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

O. Due to Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. The District receives entitlements from the State through the School Foundation Program. As of August 31, 2015, the District owed the Texas Education Agency \$ 123,891 for over allocated FSP Funds. In addition, the District owed the Texas Education Agency \$351,005 as of August 31, 2015 for additional Chapter 41 costs.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

P. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. The District receives entitlements from the State through the School Foundation and Per Capita Programs. In addition, the District also participates in wealth equalization agreements with other School Districts. Amounts due from federal, state, and local governments as of August 31, 2015, are:

<u>Government</u>	<u>Fund</u>	<u>Amount</u>	<u>Description</u>
Texas Education Agency	Special Revenue	1,678	Title I
Texas Education Agency	Special Revenue	279	Title I Migrant
	Total	<u>\$ 1,957</u>	

Q. Maintenance of Effort

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

1. Total District Premiums paid for health care for 2014-2015	\$ 101,490
2. Non-Medical Expenditures: Life Insurance	<u>-0-</u>
3. 2014-2015 Maintenance of Effort	<u>\$ 101,490</u>

R. Restriction of Fund Balance and Restriction of Net Position

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

<u>Activity</u>	<u>Restricted by</u>	<u>Amount</u>
Retirement of Long-Term Debt	State Law	<u>\$ 21,912</u>
Total Restricted Fund Balance		<u>\$ 21,912</u>

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

<u>Activity</u>	<u>Restricted by</u>	<u>Amount</u>
Debt Service	State Law	<u>\$ 21,912</u>
Total Restricted Net Assets		<u>\$ 21,912</u>

S. Assignment of Fund Balance

The District has chosen to assign a portion of fund balance for future capital expenditures, future construction, and future recapture payments. As of August 31, 2015, the amount of fund balance assigned in the Governmental Funds included:

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

T. Unavailable Revenue - Property Taxes

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

	General Fund	Total
Net Tax Revenue	\$ 197,840	\$ 197,840
Total Deferred Revenue	\$ 197,840	\$ 197,840

U. School District Retiree Health Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013, and 2012. Payments made on behalf of the District by the State for Medicare, Part D fringe benefits and salaries amounted to \$8,197 for the year ended August 31, 2015. For the years ended August 31, 2015, 2014, and 2013, the State's contributions (in thousands) to TRS-Care were \$281,098, \$267,498, and \$139,096, respectively, the active member contributions (in thousands) were \$198,196, \$189,004, and \$180,825, respectively, and the school district's contributions were \$11,143 \$10,337, and \$10,168, respectively, which equaled the required contributions each year.

V. Deferred Inflows of Resources

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

W. Risk Management

Unemployment Compensation Pool

During the year ended August 31, 2015, 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, 2015, the Fund anticipates that Klondike ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014 the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Property/ Liability Program

During the year ended August 31, 2015, Klondike ISD participated in the TASB Risk Management Fund's (the Fund's) Property Program with coverage in (1) Auto Liability (2) Auto Physical Damage (3) General Liability (4) Legal Liability (5) Property. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. 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, 2015, the Fund anticipates 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, 2014, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

X. Subsequent Events

The District has evaluated events occurring after August 31, 2015, and through December 3, 2015, that date on which financial statements were available to be issued, for additional evidence about conditions

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. There are no subsequent events that have not been previously mentioned.

Y. Deferred Compensation Plan

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

Z. Prior Period Adjustment

During the fiscal year 2015, the District adopted GASB No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (228,977). The restated beginning net position is \$12,731,828.

AA. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

AA. Defined Benefit Pension Plan (Continued)

Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

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 in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non- Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Klondike ISD 2014 Employer Contributions		\$ 19,183
Klondike ISD 2014 Member Contributions		\$ 120,286
Klondike ISD 2014 NECE On-Behalf Contributions		\$ 109,753

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

AA. Defined Benefit Pension Plan (Continued)

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

In addition to the employer contributions listed above, 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.

Actuarial Assumptions

The total pension liability in August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Markey Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%
* Includes Inflation of 3%	

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

AA. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resource	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

AA. Defined Benefit Pension Plan (Continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Klondike ISD's proportionate share of the net position liability:	\$ 361,137	\$ 202,098	\$ 83,167

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

At August 31, 2014, Klondike Independent School District reported a net pension liability of \$202,098 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Klondike Independent School District. The amount recognized by Klondike Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Klondike Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 202,098
State's proportionate share that is associated with the District	<u>1,158,807</u>
Total	<u>\$1,360,905</u>

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0007566%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

There were not changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2015**

AA. Defined Benefit Pension Plan (Continued)

For the year ended August 31, 2014, Klondike Independent School District recognized pension expense of \$107,130 and revenue of \$ 107,130 for support provided by the state.

At August 31, 2014, Klondike Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 3,126	\$ -
Changes in actuarial assumptions	13,137	-
Difference between projected and actual investment earnings	-	61,770
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	-	53
Total	<u>\$ 16,263</u>	<u>\$ 61,823</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>
2015	\$ (12,708)
2016	(12,708)
2017	(12,708)
2018	(12,708)
2019	2,734
Thereafter	2,538

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts per August 31, 2014 measurement date	\$ 16,263	\$ 61,823
Contributions paid to TRS subsequent to the measurement date	\$ 50,225	-
Total	<u>\$ 66,488</u>	<u>\$ 61,823</u>

Required Supplementary Information

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 13,713,021	\$ 14,137,821	\$ 14,144,976	\$ 7,155
5800	State Program Revenues	546,013	680,013	767,656	87,643
5900	Federal Program Revenues	103,500	103,500	112,488	8,988
5020	Total Revenues	14,362,534	14,921,334	15,025,120	103,786
EXPENDITURES:					
Current:					
0011	Instruction	1,687,807	1,714,807	1,694,621	20,186
0012	Instructional Resources and Media Services	33,482	33,482	29,463	4,019
0013	Curriculum and Instructional Staff Development	14,450	14,450	7,091	7,359
0023	School Leadership	159,079	167,579	164,942	2,637
0031	Guidance, Counseling and Evaluation Services	62,340	63,340	62,681	659
0033	Health Services	1,100	1,100	404	696
0034	Student (Pupil) Transportation	204,781	196,781	173,156	23,625
0035	Food Services	212,616	212,616	207,797	4,819
0036	Extracurricular Activities	240,663	298,663	271,087	27,576
0041	General Administration	400,745	400,745	382,128	18,617
0051	Facilities Maintenance and Operations	446,228	487,228	477,019	10,209
0052	Security and Monitoring Services	12,100	12,100	-	12,100
0053	Data Processing Services	205,788	210,788	189,783	21,005
Capital Outlay:					
0081	Facilities Acquisition and Construction	191,837	59,337	48,197	11,140
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	10,341,550	10,602,700	10,602,691	9
0093	Payments to Fiscal Agent/Member Districts of SSA	45,784	45,784	45,784	-
0099	Other Intergovernmental Charges	102,184	102,184	97,441	4,743
6030	Total Expenditures	14,362,534	14,623,684	14,454,285	169,399
1100	Excess of Revenues Over Expenditures	-	297,650	570,835	273,185
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	100,216	100,216	85,490	(14,726)
8911	Transfers Out (Use)	(100,216)	(100,216)	(85,490)	14,726
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	-	297,650	570,835	273,185
0100	Fund Balance - September 1 (Beginning)	6,366,177	6,366,177	6,366,177	-
3000	Fund Balance - August 31 (Ending)	\$ 6,366,177	\$ 6,663,827	\$ 6,937,012	\$ 273,185

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015**

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0007566%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 202,098
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,158,807
Total	\$ 1,360,905
District's Covered Employee Payroll	\$ 1,879,469
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	10.75%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	83.25%

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR FISCAL YEAR 2015**

	2015
Contractually Required Contribution	\$ 50,225
Contribution in Relation to the Contractually Required Contribution	(50,225)
Contribution Deficiency (Excess)	\$ -
District's Covered Employee Payroll	\$ 2,025,951
Contributions as a percentage of Covered Employee Payroll	2.48%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015**

Changes to benefit terms

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

Changes of assumptions

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

Other Supplementary Information

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015**

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.370000	0.000000	335,549,635
2008	1.040000	0.000000	377,802,390
2009	1.040000	0.223100	450,275,910
2010	1.040000	0.223200	471,432,630
2011	1.040000	0.208300	622,425,580
2012	1.040000	0.131300	722,235,260
2013	1.040000	0.085100	1,150,773,340
2014	1.040000	0.083700	1,243,825,381
2015 (School year under audit)	1.040000	0.076631	1,348,527,411
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 25,324	\$ -	\$ 35	\$ -	\$ (3,546)	\$ 21,743
2,743	-	52	-	-	2,691
1,805	-	45	-	-	1,760
2,609	-	34	16	-	2,559
3,918	-	543	227	-	3,148
5,766	-	666	188	-	4,912
9,638	-	1,570	316	(131)	7,621
30,339	-	8,528	995	146	20,962
122,671	-	43,606	4,350	(48,606)	26,109
-	14,913,648	13,693,032	1,029,492	-	191,124
<u>\$ 204,813</u>	<u>\$ 14,913,648</u>	<u>\$ 13,748,111</u>	<u>\$ 1,035,584</u>	<u>\$ (52,137)</u>	<u>\$ 282,629</u>

KLONDIKE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)		
	Original	Final				
REVENUES:						
5700	Total Local and Intermediate Sources		\$ 1,023,500	\$ 1,024,500	\$ 1,035,722	\$ 11,222
5020	Total Revenues		1,023,500	1,024,500	1,035,722	11,222
EXPENDITURES:						
Debt Service:						
0071	Principal on Long Term Debt		825,000	825,000	825,000	-
0072	Interest on Long Term Debt		198,000	198,000	198,000	-
0073	Bond Issuance Cost and Fees		500	1,500	1,200	300
6030	Total Expenditures		1,023,500	1,024,500	1,024,200	300
1200	Net Change in Fund Balances		-	-	11,522	11,522
0100	Fund Balance - September 1 (Beginning)		-	10,390	10,390	-
3000	Fund Balance - August 31 (Ending)		\$ -	\$ 10,390	\$ 21,912	\$ 11,522

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

STEPHENS, STEPHENS, & TELCHIK, P.C.

Certified Public Accountants

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MEMBER TSCPA

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

December 3, 2015

***Independent Auditor's 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
Lamesa, TX

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Klondike Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Klondike Independent School District's basic financial statements and have issued our report thereon dated December 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Klondike Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Klondike Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Klondike Independent School District's financial

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

Purpose of this Report

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


Stephens, Stephens, & Telchik, P.C.
Lamesa, Texas

SCHOOLS FIRST QUESTIONNAIRE

Klondike Independent School District

Fiscal Year 2015

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
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	N/A
SF11	Net Pension Assets (1920) at fiscal year-end.	-0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	202,098
SF13	Pension Expense (6147) at fiscal year-end.	18,681