

KLONDIKE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2022

Board of Trustees:

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

Superintendent:

Steve McLaren

Business Manager:

Janee Berry

Financial Section

STEPHENS, STEPHENS, & TELCHIK, P.C.

Certified Public Accountants

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MEMBER AICPA
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S.E. STEPHENS, CPA
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UNMODIFIED OPINIONS BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION, SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

Board of School Trustees
Klondike Independent School District
Lamesa, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and for the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Klondike Independent School District, as of August 31, 2022, and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis on pages 5 through 10, the budgetary comparison information on page 47, and the pension and OPEB schedules and related notes on pages 48 through 52, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the required TEA schedules are fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Stephens, Stephens, Telchik PC
Certified Public Accountants

Lamesa, Texas
January 20, 2023

Fund Financial Statements

KLONDIKE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

EXHIBIT C-1

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 768,480	\$ 641,843	\$ 586,804	\$ 1,997,127
1120 Investments - Current	12,500,000	-	-	12,500,000
1220 Property Taxes - Delinquent	1,168,854	-	70,461	1,239,315
1230 Allowance for Uncollectible Taxes	(350,656)	-	(21,138)	(371,794)
1240 Due from Other Governments	44,396	-	33,124	77,520
1250 Accrued Interest	8,209	-	-	8,209
1260 Due from Other Funds	26,340	-	-	26,340
1300 Inventories	75	-	-	75
1000 Total Assets	<u>\$ 14,165,698</u>	<u>\$ 641,843</u>	<u>\$ 669,251</u>	<u>\$ 15,476,792</u>
LIABILITIES				
2110 Accounts Payable	\$ 56,247	-	-	\$ 56,247
2150 Payroll Deductions and Withholdings Payable	346	-	-	346
2160 Accrued Wages Payable	123,215	-	27,572	150,787
2170 Due to Other Funds	26,340	-	-	26,340
2180 Due to Other Governments	142,939	-	47	142,986
2200 Accrued Expenditures	2,609	-	3,147	5,756
2000 Total Liabilities	<u>351,696</u>	<u>-</u>	<u>30,766</u>	<u>382,462</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	818,198	-	49,323	867,521
2600 Total Deferred Inflows of Resources	<u>818,198</u>	<u>-</u>	<u>49,323</u>	<u>867,521</u>
FUND BALANCES				
Restricted Fund Balance:				
3470 Capital Acquisition and Contractual Obligation	-	641,843	-	641,843
3480 Retirement of Long-Term Debt	-	-	546,550	546,550
Assigned Fund Balance:				
3550 Construction	3,300,000	-	-	3,300,000
3570 Capital Expenditures for Equipment	300,000	-	-	300,000
3590 Other Assigned Fund Balance - Campus Security	200,000	-	-	200,000
3600 Unassigned Fund Balance	9,195,804	-	42,612	9,238,416
3000 Total Fund Balances	<u>12,995,804</u>	<u>641,843</u>	<u>589,162</u>	<u>14,226,809</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 14,165,698</u>	<u>\$ 641,843</u>	<u>\$ 669,251</u>	<u>\$ 15,476,792</u>

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 16,048,466	\$ -	\$ 974,467	\$ 17,022,933
5800 State Program Revenues	341,754	-	20,018	361,772
5900 Federal Program Revenues	220,730	-	485,946	706,676
5020 Total Revenues	<u>16,610,950</u>	<u>-</u>	<u>1,480,431</u>	<u>18,091,381</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,155,252	-	279,595	2,434,847
0012 Instructional Resources and Media Services	30,880	-	1,701	32,581
0013 Curriculum and Instructional Staff Development	1,653	-	5,895	7,548
0021 Instructional Leadership	67,338	-	-	67,338
0023 School Leadership	174,356	-	3,403	177,759
0031 Guidance, Counseling, and Evaluation Services	23,285	-	122,380	145,665
0033 Health Services	1,466	-	-	1,466
0034 Student (Pupil) Transportation	121,698	-	1,701	123,399
0035 Food Services	260,721	-	1,286	262,007
0036 Extracurricular Activities	725,260	-	112,459	837,719
0041 General Administration	362,853	-	69,185	432,038
0051 Facilities Maintenance and Operations	617,457	-	15,313	632,770
0052 Security and Monitoring Services	3,573	-	-	3,573
0053 Data Processing Services	250,422	-	6,806	257,228
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	970,000	970,000
0072 Interest on Long-Term Liabilities	-	-	142,618	142,618
0073 Bond Issuance Cost and Fees	-	-	719	719
Capital Outlay:				
0081 Facilities Acquisition and Construction	87,201	7,843,410	-	7,930,611
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	11,728,408	-	-	11,728,408
0093 Payments to Fiscal Agent/Member Districts of SSA	56,294	-	-	56,294
0099 Other Intergovernmental Charges	81,531	-	-	81,531
6030 Total Expenditures	<u>16,749,648</u>	<u>7,843,410</u>	<u>1,733,061</u>	<u>26,326,119</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(138,698)</u>	<u>(7,843,410)</u>	<u>(252,630)</u>	<u>(8,234,738)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	4,061	-	-	4,061
7915 Transfers In	82,770	2,200,000	-	2,282,770
8911 Transfers Out (Use)	(2,282,770)	-	-	(2,282,770)
7080 Total Other Financing Sources (Uses)	<u>(2,195,939)</u>	<u>2,200,000</u>	<u>-</u>	<u>4,061</u>
1200 Net Change in Fund Balances	<u>(2,334,637)</u>	<u>(5,643,410)</u>	<u>(252,630)</u>	<u>(8,230,677)</u>
0100 Fund Balance - September 1 (Beginning)	<u>15,330,441</u>	<u>6,285,253</u>	<u>841,792</u>	<u>22,457,486</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 12,995,804</u>	<u>\$ 641,843</u>	<u>\$ 589,162</u>	<u>\$ 14,226,809</u>

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

Required Supplementary Information

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2022

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	\$ 15,942,180	\$ 15,932,180	\$ 16,048,466	\$ 116,286
5800 State Program Revenues	325,972	325,972	341,754	15,782
5900 Federal Program Revenues	114,994	114,994	220,730	105,736
5020 Total Revenues	16,383,146	16,373,146	16,610,950	237,804
EXPENDITURES:				
Current:				
0011 Instruction	2,061,302	2,238,895	2,155,252	83,643
0012 Instructional Resources and Media Services	29,250	34,250	30,880	3,370
0013 Curriculum and Instructional Staff Development	5,700	5,700	1,653	4,047
0021 Instructional Leadership	-	68,924	67,338	1,586
0023 School Leadership	133,769	174,769	174,356	413
0031 Guidance, Counseling, and Evaluation Services	64,023	27,099	23,285	3,814
0033 Health Services	1,500	1,500	1,466	34
0034 Student (Pupil) Transportation	148,290	153,290	121,698	31,592
0035 Food Services	266,896	282,496	260,721	21,775
0036 Extracurricular Activities	684,041	817,041	725,260	91,781
0041 General Administration	390,169	366,169	362,853	3,316
0051 Facilities Maintenance and Operations	769,879	649,879	617,457	32,422
0052 Security and Monitoring Services	31,835	5,835	3,573	2,262
0053 Data Processing Services	225,307	251,578	250,422	1,156
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	120,000	87,201	32,799
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	11,572,393	11,922,393	11,728,408	193,985
0093 Payments to Fiscal Agent/Member Districts of SSA	56,294	56,294	56,294	-
0099 Other Intergovernmental Charges	82,000	82,000	81,531	469
6030 Total Expenditures	16,522,648	17,258,112	16,749,648	508,464
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,502)	(884,966)	(138,698)	746,268
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	4,061	4,061
7915 Transfers In	171,141	171,141	82,770	(88,371)
8911 Transfers Out (Use)	171,141	(2,371,141)	(2,282,770)	88,371
7080 Total Other Financing Sources (Uses)	342,282	(2,200,000)	(2,195,939)	4,061
1200 Net Change in Fund Balances	202,780	(3,084,966)	(2,334,637)	750,329
0100 Fund Balance - September 1 (Beginning)	15,330,441	15,330,441	15,330,441	-
3000 Fund Balance - August 31 (Ending)	\$ 15,533,221	\$ 12,245,475	\$ 12,995,804	\$ 750,329

Other Supplementary Information

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, 2022

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	\$ 855,227	\$ 855,227	\$ 858,501	\$ 3,274
5800 State Program Revenues	-	-	666	666
5020 Total Revenues	855,227	855,227	859,167	3,940
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	970,000	970,000	970,000	-
0072 Interest on Long-Term Liabilities	142,618	142,618	142,618	-
0073 Bond Issuance Cost and Fees	800	800	719	81
6030 Total Expenditures	1,113,418	1,113,418	1,113,337	81
1200 Net Change in Fund Balances	(258,191)	(258,191)	(254,170)	4,021
0100 Fund Balance - September 1 (Beginning)	-	803,080	803,080	-
3000 Fund Balance - August 31 (Ending)	\$ (258,191)	\$ 544,889	\$ 548,910	\$ 4,021

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

STEPHENS, STEPHENS, & TELCHIK, P.C.

Certified Public Accountants

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

Independent Auditor's Report

Board of School Trustees
Klondike Independent School District
Lamesa, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Klondike Independent School District (the District) as of and for the year ended August 31, 2022, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Klondike Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Stephens, Stephens, & Telchik PC
Certified Public Accountants

Lamesa, Texas

January 20, 2023

KLONDIKE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE FINDINGS AND QUESITONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

Current Year Findings –

None

Corrective Action Plan–

N/A

Status of Prior Year Findings –

N/A

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
 FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	85393
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	376651

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	9152
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	10617