

**KLONDIKE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023**

FILE COPY

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CERTIFIED PUBLIC ACCOUNTANTS
LAMESA, TEXAS**

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Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Klondike Independent School District
Lamesa, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Klondike Independent School District as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2023, 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 52, and the pension and OPEB schedules and related notes on pages 53 through 557, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the required Texas Education Agency (TEA) schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024, 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
February 22, 2024

KLONDIKE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,009,019	\$ 1,184,173	\$ 2,193,192
1120 Investments - Current	15,202,092	-	15,202,092
1220 Property Taxes - Delinquent	4,239,173	240,659	4,479,832
1230 Allowance for Uncollectible Taxes	(1,271,752)	(72,198)	(1,343,950)
1240 Due from Other Governments	26,306	5,755	32,061
1260 Due from Other Funds	26,340	-	26,340
1300 Inventories	73	-	73
1000 Total Assets	<u>\$ 19,231,251</u>	<u>\$ 1,358,389</u>	<u>\$ 20,589,640</u>
LIABILITIES			
2110 Accounts Payable	\$ 28,372	\$ -	\$ 28,372
2150 Payroll Deductions and Withholdings Payable	87	-	87
2160 Accrued Wages Payable	192,476	5,034	197,510
2170 Due to Other Funds	26,340	-	26,340
2180 Due to Other Governments	1,032,759	1,017	1,033,776
2200 Accrued Expenditures	4,098	586	4,684
2000 Total Liabilities	<u>1,284,132</u>	<u>6,637</u>	<u>1,290,769</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	2,967,421	168,461	3,135,882
2600 Total Deferred Inflows of Resources	<u>2,967,421</u>	<u>168,461</u>	<u>3,135,882</u>
FUND BALANCES			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	1,146,310	1,146,310
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	200,000	-	200,000
3600 Unassigned Fund Balance	11,179,698	36,981	11,216,679
3000 Total Fund Balances	<u>14,979,698</u>	<u>1,183,291</u>	<u>16,162,989</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 19,231,251</u>	<u>\$ 1,358,389</u>	<u>\$ 20,589,640</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, 2023

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 32,329,261	\$ 1,986,275	\$ 34,315,536
5800 State Program Revenues	391,070	17,577	408,647
5900 Federal Program Revenues	140,361	244,648	385,009
5020 Total Revenues	<u>32,860,692</u>	<u>2,248,500</u>	<u>35,109,192</u>
EXPENDITURES:			
Current:			
0011 Instruction	2,150,959	147,843	2,298,802
0012 Instructional Resources and Media Services	33,061	-	33,061
0013 Curriculum and Instructional Staff Development	12,037	6,028	18,065
0021 Instructional Leadership	66,369	-	66,369
0023 School Leadership	163,378	-	163,378
0031 Guidance, Counseling, and Evaluation Services	83,061	54,741	137,802
0033 Health Services	951	-	951
0034 Student (Pupil) Transportation	130,170	-	130,170
0035 Food Services	290,440	-	290,440
0036 Extracurricular Activities	545,288	109,180	654,468
0041 General Administration	464,338	45,951	510,289
0051 Facilities Maintenance and Operations	899,654	92,500	992,154
0052 Security and Monitoring Services	187,106	9,003	196,109
0053 Data Processing Services	254,503	-	254,503
Debt Service:			
0071 Principal on Long-Term Liabilities	-	1,105,000	1,105,000
0072 Interest on Long-Term Liabilities	-	83,825	83,825
0073 Bond Issuance Cost and Fees	-	300	300
Capital Outlay:			
0081 Facilities Acquisition and Construction	296,883	639,783	936,666
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	25,143,029	-	25,143,029
0093 Payments to Fiscal Agent/Member Districts of SSA	69,973	-	69,973
0099 Other Intergovernmental Charges	102,170	-	102,170
6030 Total Expenditures	<u>30,893,370</u>	<u>2,294,154</u>	<u>33,187,524</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,967,322</u>	<u>(45,654)</u>	<u>1,921,668</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	14,512	-	14,512
7915 Transfers In	186,637	-	186,637
8911 Transfers Out (Use)	(184,577)	(2,060)	(186,637)
7080 Total Other Financing Sources (Uses)	<u>16,572</u>	<u>(2,060)</u>	<u>14,512</u>
1200 Net Change in Fund Balances	1,983,894	(47,714)	1,936,180
0100 Fund Balance - September 1 (Beginning)	<u>12,995,804</u>	<u>1,231,005</u>	<u>14,226,809</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 14,979,698</u>	<u>\$ 1,183,291</u>	<u>\$ 16,162,989</u>

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

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT G-1

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	\$ 29,094,797	\$ 30,943,347	\$ 32,329,261	\$ 1,385,914
5800	State Program Revenues	298,236	297,986	391,070	93,084
5900	Federal Program Revenues	114,994	112,994	140,361	27,367
5020	Total Revenues	29,508,027	31,354,327	32,860,692	1,506,365
EXPENDITURES:					
Current:					
0011	Instruction	1,893,972	2,203,607	2,150,959	52,648
0012	Instructional Resources and Media Services	28,717	50,717	33,061	17,656
0013	Curriculum and Instructional Staff Development	5,700	22,700	12,037	10,663
0021	Instructional Leadership	56,139	67,439	66,369	1,070
0023	School Leadership	140,157	173,157	163,378	9,779
0031	Guidance, Counseling, and Evaluation Services	3,650	93,650	83,061	10,589
0033	Health Services	1,500	5,500	951	4,549
0034	Student (Pupil) Transportation	139,592	149,592	130,170	19,422
0035	Food Services	260,925	299,925	290,440	9,485
0036	Extracurricular Activities	537,636	565,636	545,288	20,348
0041	General Administration	379,272	479,272	464,338	14,934
0051	Facilities Maintenance and Operations	668,335	913,335	899,654	13,681
0052	Security and Monitoring Services	1,000	201,000	187,106	13,894
0053	Data Processing Services	242,277	265,277	254,503	10,774
Capital Outlay:					
0081	Facilities Acquisition and Construction	270,000	370,000	296,883	73,117
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	23,772,255	24,787,255	25,143,029	(355,774)
0093	Payments to Fiscal Agent/Member Districts of SSA	69,335	71,335	69,973	1,362
0099	Other Intergovernmental Charges	82,000	103,000	102,170	830
6030	Total Expenditures	28,552,462	30,822,397	30,893,370	(70,973)
1100	Excess of Revenues Over Expenditures	955,565	531,930	1,967,322	1,435,392
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	14,512	14,512
7915	Transfers In	165,470	175,470	186,637	11,167
8911	Transfers Out (Use)	(165,470)	(190,470)	(184,577)	5,893
7080	Total Other Financing Sources (Uses)	-	(15,000)	16,572	31,572
1200	Net Change in Fund Balances	955,565	516,930	1,983,894	1,466,964
0100	Fund Balance - September 1 (Beginning)	12,995,804	12,995,804	12,995,804	-
3000	Fund Balance - August 31 (Ending)	\$ 13,951,369	\$ 13,512,734	\$ 14,979,698	\$ 1,466,964

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, 2023

EXHIBIT J-3

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	\$ 1,609,392	\$ 1,609,392	\$ 1,786,515	\$ 177,123
5800 State Program Revenues	-	-	11	11
5020 Total Revenues	1,609,392	1,609,392	1,786,526	177,134
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	1,105,000	1,105,000	1,105,000	-
0072 Interest on Long-Term Liabilities	83,825	83,825	83,825	-
0073 Bond Issuance Cost and Fees	800	800	300	500
6030 Total Expenditures	1,189,625	1,189,625	1,189,125	500
1200 Net Change in Fund Balances	419,767	419,767	597,401	177,634
0100 Fund Balance - September 1 (Beginning)	548,909	548,909	548,909	-
3000 Fund Balance - August 31 (Ending)	\$ 968,676	\$ 968,676	\$ 1,146,310	\$ 177,634

KLONDIKE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ Various
2015	1.040000	0.076631	1,348,527,411
2016	1.040000	0.095295	1,083,370,323
2017	1.040000	0.163733	643,836,695
2018	1.040000	0.130282	797,459,105
2019	1.170000	0.125000	976,415,830
2020	1.068350	0.006680	1,919,842,128
2021	0.963000	0.052200	1,882,565,395
2022	0.963000	0.052200	1,710,817,031
2023 (School year under audit)	0.942900	0.052200	3,156,504,070
1000 TOTALS			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
\$ 44,278	\$ -	\$ 832	\$ 86	\$ (9)	\$ 43,351
48,197	-	660	49	-	47,488
23,630	-	325	30	-	23,275
12,980	-	194	31	-	12,755
12,943	-	288	36	-	12,619
37,373	-	2,100	225	(231)	34,817
73,449	-	4,295	269	(202)	68,683
584,671	-	298,569	16,184	(181)	269,737
401,794	-	164,191	8,897	53,780	282,486
-	31,442,535	31,554,813	1,747,184	5,544,083	3,684,621
<u>\$ 1,239,315</u>	<u>\$ 31,442,535</u>	<u>\$ 32,026,267</u>	<u>\$ 1,772,991</u>	<u>\$ 5,597,240</u>	<u>\$ 4,479,832</u>

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

Board of 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, 2023, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2024.

Internal Control Over Financial Reporting

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

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

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

February 22, 2024

KLONDIKE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATE FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Klondike Independent School District.
2. No significant deficiency or material weakness was disclosed during the audit of the financial statements that are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. Instances of noncompliance required to be reported in accordance with *Governmental Auditing Standards* were not material to the financial statements of Klondike Independent School District.

FINDINGS-FINANCIAL STATEMENT AUDIT

Noncompliance

2023-1 Over expenditure of budget line

Condition: Over expenditure of a function within the approved budget.

Criteria- As reflected on Exhibit G-1, the expenditure for Function 91- Contracted Instructional Services Between Schools was in excess of the budgeted amount.

Effect- Due to additional recapture amounts found to be owed by the District after the year end closing and during the audit process, the District expended funds that were not appropriated.

Recommendation: Budget amendments should be made before year end to assure that all expenditures are appropriated for.

STATUS OF PRIOR YEAR'S FINDINGS/COMPLIANCE

There were no prior year findings.

CORRECTIVE ACTION PLAN

The person responsible for corrective action is Steve McLaren, Superintendent. Budget amendments will be made in the future to prevent expending funds that have not been appropriated for.