

**CLARK
SCHOOL DISTRICT NO. 12-2
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2020**

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**CLARK SCHOOL DISTRICT NO. 12-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020**

School Board

Todd Fjelland

Robert Steffen

Nathan Luvaas

Greg Marx

Shannon Huber

Business Manager

Mary Nelson

Superintendent

Luanne Warren

CLARK SCHOOL DISTRICT 12-2
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INDEPENDENT AUDITOR'S REPORT

School Board
Clark School District No. 12-2
Clark County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark School District No. 12-2, South Dakota (School District), as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Clark School District's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District'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.

Basis for Qualified Opinions

Management has elected not to record their long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net assets in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of not recording their long-term financial obligations and commitments related to OPEB as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Clark School District No. 12-2 as of June 30, 2020, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Clark School District No. 12-2 as of June 30, 2020, 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 (MD&A), the Schedule of the Proportionate Share of the Net Pension Asset, the Schedule of the School District Contributions, and the Budgetary Comparison Schedules, as listed 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 the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is 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 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 School District's internal control over financial reporting and compliance.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants

February 22, 2021

**CLARK SCHOOL DISTRICT NO. 12-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

This section of the Clark School District No. 12-2's financial report presents our discussion and analysis of the School's financial performance during the fiscal year ending on June 30, 2020. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$181,374.10 less than the governmental and business-type program expenditures.
- The school added some new items including, 2019 Suburban, 3 stall garage at elementary, sewer upgrades and added bleachers at track complex.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - a. The governmental fund statements tell how general government services are financed in the short-term as well as what remains for future spending.
 - b. Proprietary fund statements offer short-term and long-term financial information about the activities that the school operates like a business. The only proprietary fund operated by the school is the School's Food Service Fund.
 - c. Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Figure A-1

Required components of Clark School's Annual Financial Report

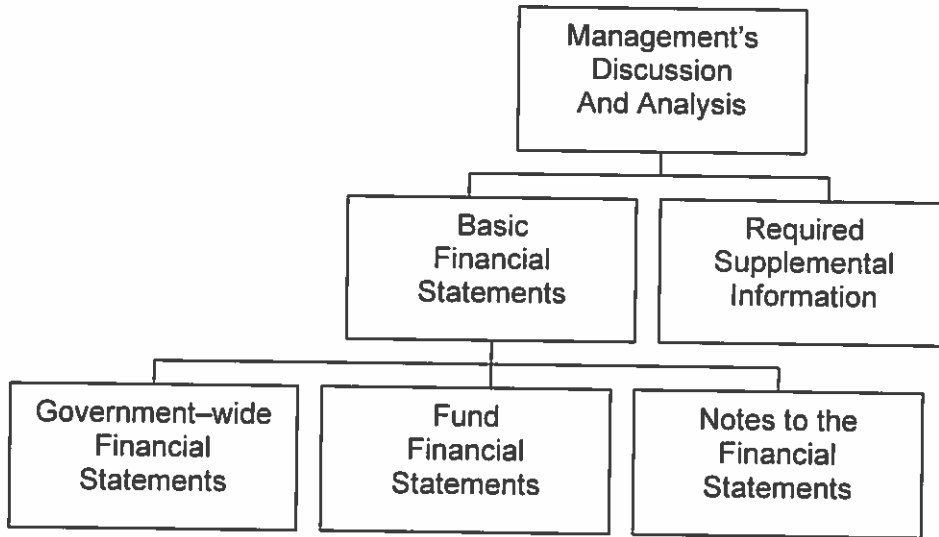


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure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

Figure A-2

Major Features of Clark School District's Government-wide and Fund Financial Statements

| Major Features of Clark School's Government-wide and Fund Financial Statements | | | | |
|--|--|---|--|--|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire School government (except fiduciary funds and the fiduciary component units) | The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs. | Activities the School operates similar to private businesses, the food service operation. | Instances in which the School is the trustee or agent for someone else's resources. |
| Required Financial Statements | *Statement of Net Position *Statement of Activities | *Balance Sheet *Statement of Revenues, Expenditures and Balances | *Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows | *Statement of Net Position *Statement of Changes in Net Position |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |

| | | | | |
|--|--|--|--|---|
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can |
| Type of Inflow/Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

Government-wide Statements

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

The two government-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- An increase or decrease in the School's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing services to all students. The district has the Food Service Fund and the Other Enterprise Fund (consisting of the after-school program and drivers education program) which are all business-type activities of the District.

Fund Financial Statements

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

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the 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 the 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 School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information such as cash flows.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position increased as follows:

Table A-1

CLARK SCHOOL DISTRICT NO. 12-2
STATEMENT OF NET POSITION

| | <u>Governmental Activities</u> | | <u>Primary Government Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|------------------------|--|----------------------|------------------------|------------------------|
| | <u>FY2019</u> | <u>FY2020</u> | <u>FY2019</u> | <u>FY2020</u> | <u>FY2019</u> | <u>FY2020</u> |
| | Current and Other Assets | \$ 5,465,456.80 | \$ 5,462,753.16 | \$ 127,057.72 | \$ 122,945.75 | \$ 5,592,514.52 |
| Capital Assets (net of depreciation) | 5,684,648.57 | 5,756,561.17 | 42,723.76 | 37,256.67 | 5,727,372.33 | 5,793,817.84 |
| Total Assets | 11,150,105.37 | 11,219,314.33 | 169,781.48 | 160,202.42 | 11,319,886.85 | 11,379,516.75 |
| Pension Related Deferred Outflow s | 881,992.05 | 591,561.18 | | | 881,992.05 | 591,561.18 |
| Long-Term Debt Outstanding | 434,399.43 | 258,793.34 | | | 434,399.43 | 258,793.34 |
| Other Liabilities | 324,157.32 | 333,967.24 | 25,495.77 | 10,876.62 | 349,653.09 | 344,843.86 |
| Total Liabilities | 758,556.75 | 592,760.58 | 25,495.77 | 10,876.62 | 784,052.52 | 603,637.20 |
| Deferred Inflows of Resources | | | | | | |
| Taxes Levied for a Future Period | 1,576,454.29 | 1,675,804.41 | | | 1,576,454.29 | 1,675,804.41 |
| Pension Related Deferred Inflow s | 201,514.74 | 233,153.07 | | | 201,514.74 | 233,153.07 |
| Total Deferred Inflows | 1,777,969.03 | 1,908,957.48 | | | 1,777,969.03 | 1,908,957.48 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 5,263,449.14 | 5,507,367.83 | 42,723.76 | 37,256.67 | 5,306,172.90 | 5,544,624.50 |
| Restricted | 3,075,832.83 | 2,502,784.22 | | | 3,075,832.83 | 2,502,784.22 |
| Unrestricted | 1,156,289.67 | 1,299,005.40 | 101,561.95 | 112,069.13 | 1,257,851.62 | 1,411,074.53 |
| Total Net Position | \$ 9,495,571.64 | \$ 9,309,157.45 | \$ 144,285.71 | \$ 149,325.80 | \$ 9,639,857.35 | \$ 9,458,483.25 |
| Beginning Net Position | \$ 9,416,501.07 | \$ 9,495,571.64 | \$ 147,000.09 | \$ 144,285.71 | \$ 9,563,501.16 | \$ 9,639,857.35 |
| Increase (Decrease) in Net Position | \$ 79,070.57 | \$ (186,414.19) | \$ (2,714.38) | \$ 5,040.09 | \$ 76,356.19 | \$ (181,374.10) |
| Percentage of Increase (Decrease) in Net Position | 0.84% | -1.96% | -1.85% | 3.49% | 0.80% | -1.88% |

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of Capital Outlay Certificates, Capital Leases and Early Retirement have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

Changes in Net Position

The district decreased the Governmental Activities Net Position for the fiscal year end June 30, 2020 by \$186,414.19.

GOVERNMENTAL ACTIVITIES

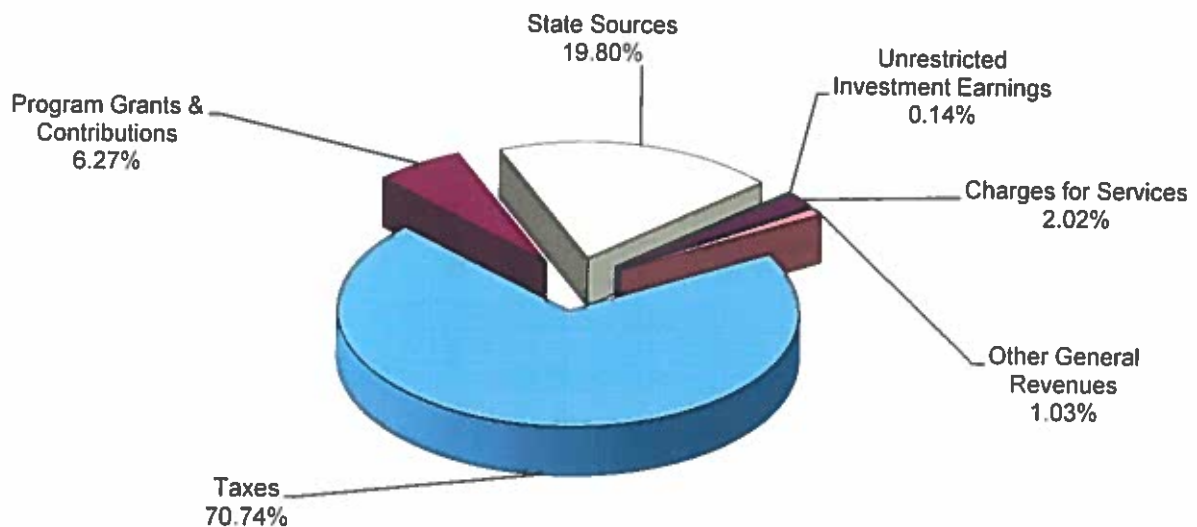
Table A-2 and the narrative above consider the operations of the government-wide activities.

**Table A-2
CLARK SCHOOL DISTRICT NO. 12-2
Changes in Net Position**

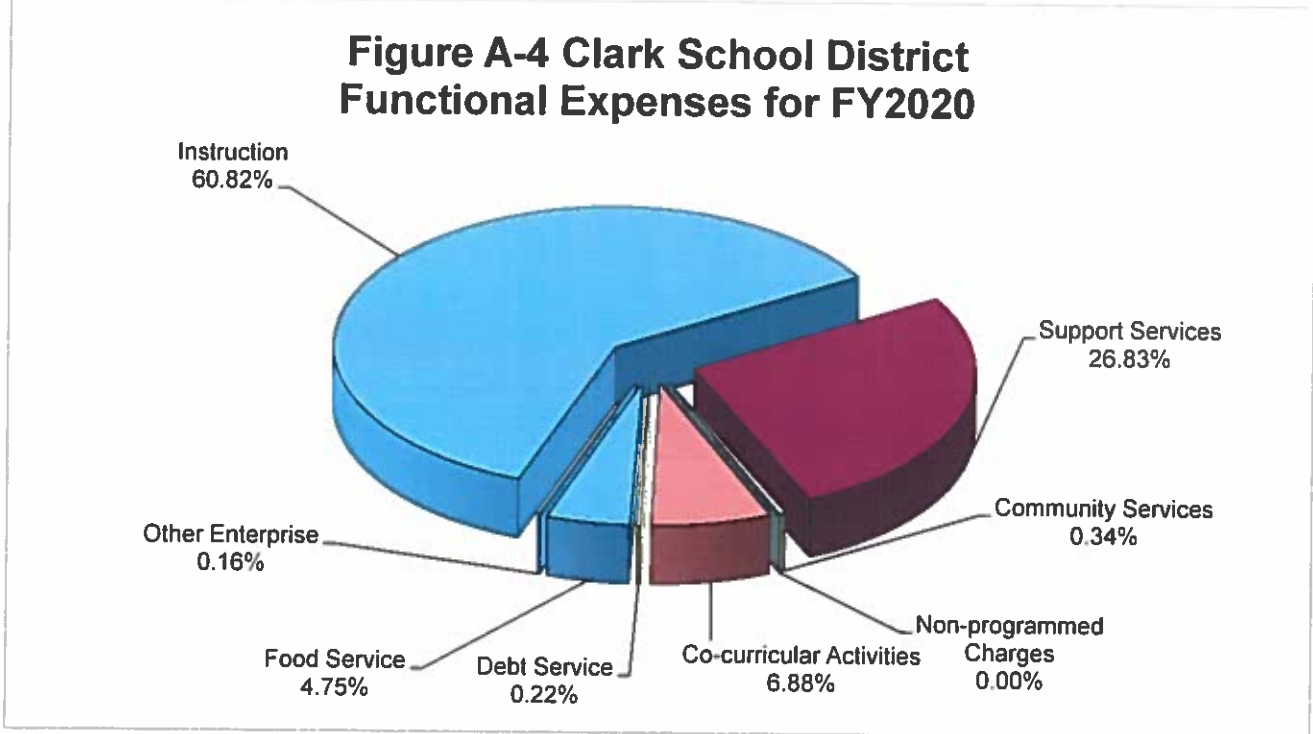
| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|------------------------|--------------------------|----------------------|------------------------|------------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 27,410.92 | \$ 19,078.22 | \$ 102,378.50 | \$ 87,064.78 | \$ 129,789.42 | \$ 106,143.00 |
| Operating Grants and Contributions | 113,329.46 | 144,912.48 | 170,183.38 | 184,387.52 | 283,512.84 | 329,300.00 |
| General Revenues | | | | | | |
| Taxes | 3,620,945.93 | 3,712,762.30 | | | 3,620,945.93 | 3,712,762.30 |
| Revenue State Sources | 903,482.64 | 1,039,018.92 | | | 903,482.64 | 1,039,018.92 |
| Other General Revenue | 41,714.30 | 54,323.13 | | | 41,714.30 | 54,323.13 |
| Unrestricted Investment Earnings | 9,404.11 | 7,114.38 | 185.48 | 83.46 | 9,589.59 | 7,197.84 |
| Total Revenues | 4,716,287.36 | 4,977,209.43 | 272,747.36 | 271,535.76 | 4,989,034.72 | 5,248,745.19 |
| Expenses | | | | | | |
| Instruction | \$ 2,812,977.47 | \$ 3,302,859.85 | \$ | \$ | \$ 2,812,977.47 | \$ 3,302,859.85 |
| Support Services | 1,409,225.63 | 1,456,923.79 | | | 1,409,225.63 | 1,456,923.79 |
| Community Services | 15,054.90 | 18,218.57 | | | 15,054.90 | 18,218.57 |
| Nonprogram Charges | 2.93 | 24.34 | | | 2.93 | 24.34 |
| Debt Services | 20,458.74 | 12,046.63 | | | 20,458.74 | 12,046.63 |
| Cocurricular Activities | 379,497.12 | 373,550.44 | | | 379,497.12 | 373,550.44 |
| Food Service | | | 268,498.88 | 257,843.37 | 268,498.88 | 257,843.37 |
| Other Enterprise | | | 6,962.86 | 8,652.30 | 6,962.86 | 8,652.30 |
| Total Expenses | 4,637,216.79 | 5,163,623.62 | 275,461.74 | 266,495.67 | 4,912,678.53 | 5,430,119.29 |
| Excess (Deficiency) Before Transfers | 79,070.57 | (186,414.19) | (2,714.38) | 5,040.09 | 76,356.19 | (181,374.10) |
| Beginning Net Position | 9,416,501.07 | 9,495,571.64 | 147,000.09 | 144,285.71 | 9,563,501.16 | 9,639,857.35 |
| NET POSITION - ENDING | \$ 9,495,571.64 | \$ 9,309,157.45 | \$ 144,285.71 | \$ 149,325.80 | \$ 9,639,857.35 | \$ 9,458,483.25 |

The District's total revenues totaled \$5,248,745.19 (See Table A-2). Roughly 70.74% of the district's revenue comes from property taxes, with approximately 18.11% coming from state aid. (See Figure A-3).

**Figure A-3 Clark School District
Sources of Revenues for FY2020**



The District's expenses totaled \$5,430,119.29 (See Table A-2) and covered a range of services, including instruction, support services, debt service, co-curricular activities and food services (See Figure A-4).



Business-type Activities

Revenues of the School's business-type activities decreased by approximately \$1,211.60 and the expenses decreased by about approximately \$8,966.07.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial analysis of the School's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The School now has two business-type funds – Food Service & Other Enterprise Fund (After School and Drivers Ed).

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the budget as needed. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items needed for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

CAPITAL ASSET ADMINISTRATION

FY2020 showed a increase of capital assets of \$71,913 for governmental activities which is approximately 1.3% increase.

Table A-3
CLARK SCHOOL DISTRICT NO. 12-2
Capital Assets (net of depreciation)

| | Governmental Activities | | | Business-Type Activities | | |
|---|-------------------------|---------------------|-----------------------|--------------------------|------------------|-----------------------|
| | 2019 | 2020 | Increase/ Decrease | 2019 | 2020 | Increase/ Decrease |
| Capital Assets Not Being Depreciated: | | | | | | |
| Land | \$ 56,235 | \$ 56,235 | \$ | \$ | \$ | \$ |
| Capital Assets Being Depreciated: | | | | | | |
| Buildings | 8,616,242 | 8,651,342 | 35,100 | | | |
| Improvements other than Building | 1,733,182 | 2,076,660 | 343,478 | | | |
| Machinery and Equipment | 1,000,510 | 1,048,116 | 47,606 | 128,240 | 128,240 | |
| Library Books | 322,590 | 320,795 | (1,795) | | | |
| Total Capital Assets Being Depreciated | <u>11,672,524</u> | <u>12,096,913</u> | <u>424,389</u> | <u>128,240</u> | <u>128,240</u> | |
| Total Capital Assets | 11,728,759 | 12,153,148 | 424,389 | 128,240 | 128,240 | |
| Accumulated Depreciation | <u>(6,044,111)</u> | <u>(6,396,587)</u> | <u>(352,476)</u> | <u>(85,516)</u> | <u>(90,983)</u> | <u>(5,467)</u> |
| Total Capital Assets (net of depreciated) | <u>\$ 5,684,648</u> | <u>\$ 5,756,561</u> | <u>\$ 71,913</u> | <u>\$ 42,724</u> | <u>\$ 37,257</u> | <u>\$ (5,467)</u> |

LONG-TERM DEBT

At the end of the 2019-2020 school year Clark had \$258,793.34 in General Obligation, Capital Lease, and Early Retirement. This is a decrease of 40.4% as shown on Table A-4 below.

Table A-4
CLARK SCHOOL DISTRICT NO. 12-2
Outstanding Debt and Obligations

| | Governmental Activities | | Total Change | |
|-----------------------------|-------------------------|----------------------|------------------------|---------------|
| | 2019 | 2020 | Amount | Percentage |
| Capital Outlay Certificates | \$ 360,219.38 | \$ | \$ (360,219.38) | -100.0% |
| Capital (Financing) Leases | 60,980.05 | 145,378.64 | 84,398.59 | 138.4% |
| Promissory Note | | 103,814.70 | 103,814.70 | 100.0% |
| Early Retirement | 13,200.00 | 9,600.00 | (3,600.00) | -27.3% |
| Total Long-Term Liabilities | <u>\$ 434,399.43</u> | <u>\$ 258,793.34</u> | <u>\$ (175,606.09)</u> | <u>-40.4%</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The School's current economic position has shown little change. The school did experience a increase of \$91,816.37 in total property tax revenue or about 1.84% from the prior year. Clark School did see an increase of approximately 1.69% increase in state sources. The total amount which can be levied is limited by the State of South Dakota. The levy limits for the general fund are as follows: Ag~\$1.473, Owner Occupied~\$3.296, and Other non-ag~\$6.821

The new funding formula for the current year says our state aid need is \$2,960877, minus property tax revenue, our state aid for FY 21 should be \$920,930 The school lost \$162,390 due to revenue equalization. The school has experienced an increase in student enrollment this year. The school continues to review the budget to determine possible money saving opportunities.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the Clark School District #12-2's Business Office, 220 North Clinton St; Clark, SD 57225.

**CLARK SCHOOL DISTRICT 12-2
STATEMENT OF NET POSITION
JUNE 30, 2020**

| | <u>Primary Government</u> | | <u>Total</u> |
|---|------------------------------------|-------------------------------------|------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | |
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 2,997,528.82 | \$ 100,099.44 | \$ 3,097,628.26 |
| Investments-Certificates of Deposit | 500,000.00 | | 500,000.00 |
| Taxes Receivable | 1,697,036.66 | | 1,697,036.66 |
| Due from Other Governments | 229,386.30 | 11,706.48 | 241,092.78 |
| Inventories | | 11,139.83 | 11,139.83 |
| Deposits | 27,596.00 | | 27,596.00 |
| Net Pension Asset | 11,205.38 | | 11,205.38 |
| Capital Assets: | | | |
| Land | 56,234.50 | | 56,234.50 |
| Other Capital Assets, Net of Depreciation | <u>5,700,326.67</u> | <u>37,256.67</u> | <u>5,737,583.34</u> |
| TOTAL ASSETS | <u>11,219,314.33</u> | <u>160,202.42</u> | <u>11,379,516.75</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension Related Deferred Outflows | <u>591,561.18</u> | | <u>591,561.18</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>591,561.18</u> | | <u>591,561.18</u> |
| LIABILITIES : | | | |
| Accounts Payable | 17,696.36 | 214.27 | 17,910.63 |
| Accrued Salaries and Benefits Payable | 316,270.88 | | 316,270.88 |
| Deposits Payable | | 10,662.35 | 10,662.35 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 83,305.54 | | 83,305.54 |
| Due in More than One Year | <u>175,487.80</u> | | <u>175,487.80</u> |
| TOTAL LIABILITIES | <u>592,760.58</u> | <u>10,876.62</u> | <u>603,637.20</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Taxes Levied for Future Period | 1,675,804.41 | | 1,675,804.41 |
| Pension Related Deferred Inflows | <u>233,153.07</u> | | <u>233,153.07</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,908,957.48</u> | | <u>1,908,957.48</u> |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 5,507,367.83 | 37,256.67 | 5,544,624.50 |
| Restricted for: | | | |
| Capital Outlay | 810,525.15 | | 810,525.15 |
| Special Education | 1,295,049.58 | | 1,295,049.58 |
| Health Insurance | 27,596.00 | | 27,596.00 |
| SDRS Pension Purposes | 369,613.49 | | 369,613.49 |
| Unrestricted | <u>1,299,005.40</u> | <u>112,069.13</u> | <u>1,411,074.53</u> |
| TOTAL NET POSITION | <u>\$ 9,309,157.45</u> | <u>\$ 149,325.80</u> | <u>\$ 9,458,483.25</u> |

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

**CLARK SCHOOL DISTRICT 12-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| | Net (Expense) Revenue and Changes in Net Position | | | | |
|--|--|--|----------------------------|-----------------------------|------------------------|
| | Program Revenues | | Primary Government | | |
| <u>Functions/Programs</u> | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Instruction | \$ 3,302,859.85 | \$ 500.00 | \$ 144,912.48 | \$ (3,157,447.37) | \$ (3,157,447.37) |
| Support Services | 1,456,923.79 | | | (1,456,923.79) | (1,456,923.79) |
| Community Services | 18,218.57 | | | (18,218.57) | (18,218.57) |
| Nonprogrammed Charges | 24.34 | | | (24.34) | (24.34) |
| *Interest on Long-term Debt | 12,046.63 | | | (12,046.63) | (12,046.63) |
| Cocurricular Activities | 373,550.44 | | | (354,972.22) | (354,972.22) |
| Total Governmental Activities | 5,163,623.62 | 19,078.22 | 144,912.48 | (4,999,632.92) | (4,999,632.92) |
| Business-type Activities: | | | | | |
| Food Service | 257,843.37 | | | 904.63 | 904.63 |
| Drivers Education | 7,053.87 | | 184,387.52 | (2,253.87) | (2,253.87) |
| After School Program | 1,598.43 | | | 6,305.87 | 6,305.87 |
| Total Business-Type Activities | 266,495.67 | 184,387.52 | | 4,956.63 | 4,956.63 |
| Total Primary Government | \$ 5,430,119.29 | \$ 329,300.00 | (4,999,632.92) | (4,999,632.92) | (4,994,676.29) |
| | | | | | |
| *The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt. | | | | | |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes | | | 3,488,831.70 | | 3,488,831.70 |
| Utility Taxes | | | 223,930.60 | | 223,930.60 |
| Revenue from State Sources: | | | | | |
| State Aid | | | 1,039,018.92 | | 1,039,018.92 |
| Unrestricted Investment Earnings | | | 7,114.38 | 83.46 | 7,197.84 |
| Other General Revenues | | | 54,323.13 | | 54,323.13 |
| Total General Revenues | | | 4,813,218.73 | 83.46 | 4,813,302.19 |
| Change in Net Position | | | (186,414.19) | 5,040.09 | (181,374.10) |
| Net Position-Beginning | | | 9,495,571.64 | 144,285.71 | 9,639,857.35 |
| NET POSITION - ENDING | | | \$ 9,309,157.45 | \$ 149,325.80 | \$ 9,458,483.25 |

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

**CLARK SCHOOL DISTRICT 12-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

| | General Fund | Capital Outlay Fund | Special Education Fund | Total Governmental Funds |
|------------------------------|------------------------|---------------------------|------------------------------|--------------------------------|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 862,208.73 | \$ 805,990.36 | \$ 1,329,329.73 | \$ 2,997,528.82 |
| Investments-CDs | 500,000.00 | | | 500,000.00 |
| Taxes Receivable--Current | 990,232.58 | 341,856.27 | 343,715.56 | 1,675,804.41 |
| Taxes Receivable--Delinquent | 12,334.04 | 4,534.79 | 4,363.42 | 21,232.25 |
| Due from Other Governments | 229,386.30 | | | 229,386.30 |
| Deposits | 27,596.00 | | | 27,596.00 |
| TOTAL ASSETS | \$ 2,621,757.65 | \$ 1,152,381.42 | \$ 1,677,408.71 | \$ 5,451,547.78 |

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:

| | | | | |
|---|------------------------|------------------------|------------------------|------------------------|
| Liabilities: | | | | |
| Accounts Payable | \$ 9,917.14 | | | \$ 17,696.36 |
| Contracts Payable | 227,161.96 | | | 251,330.70 |
| Payroll Deductions and Withholdings and employer Matching Payable | | | 7,779.22 | |
| Total Liabilities | 58,244.57 | | 6,695.61 | 64,940.18 |
| | 295,323.67 | | 38,643.57 | 333,967.24 |
| Deferred Inflows of Resources: | | | | |
| Taxes Levied for a Future Period | 990,232.58 | 341,856.27 | 343,715.56 | 1,675,804.41 |
| Unavailable Revenue-Property Taxes | 12,334.04 | 4,534.79 | 4,363.42 | 21,232.25 |
| Total Deferred Inflows of Resources | 1,002,566.62 | 346,391.06 | 348,078.98 | 1,697,036.66 |
| Fund Balances: | | | | |
| Nonspendable | 27,596.00 | | | 27,596.00 |
| Restricted | | 805,990.36 | 1,290,686.16 | 2,096,676.52 |
| Assigned | 148,281.75 | | | 148,281.75 |
| Unassigned | 1,147,989.61 | | | 1,147,989.61 |
| Total Fund Balances | 1,323,867.36 | 805,990.36 | 1,290,686.16 | 3,420,543.88 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 2,621,757.65 | \$ 1,152,381.42 | \$ 1,677,408.71 | \$ 5,451,547.78 |

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

**CLARK SCHOOL DISTRICT 12-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

| | | |
|---|-----------------------|------------------------|
| Total Fund Balances - Governmental Funds | | \$ 3,420,543.88 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> | | |
| The cost of the assets is: | \$ 12,153,148.31 | |
| The accumulated depreciation is: | <u>(6,396,587.14)</u> | 5,756,561.17 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:</p> | | |
| Bonds Payable | (103,814.70) | |
| Capital Leases Payable | (145,378.64) | |
| Early Retirement | <u>(9,600.00)</u> | (258,793.34) |
| <p>Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.</p> | | |
| | | 11,205.38 |
| <p>Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.</p> | | |
| | | 591,561.18 |
| <p>Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.</p> | | |
| | | (233,153.07) |
| <p>Assets such as taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.</p> | | |
| | | <u>21,232.25</u> |
| Net Position - Governmental Funds | | <u>\$ 9,309,157.45</u> |

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

CLARK SCHOOL DISTRICT 12-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | General Fund | Capital Outlay Fund | Special Education Fund | Total Governmental Funds |
|---|-----------------|---------------------------|------------------------------|--------------------------------|
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 2,009,248.18 | \$ 711,047.13 | \$ 732,876.90 | \$ 3,453,172.21 |
| Prior Years' Ad Valorem Taxes | 18,580.09 | 9,009.75 | 8,514.38 | 36,104.22 |
| Tax Deed Revenue | 179.96 | | | 179.96 |
| Utility Taxes | 223,930.60 | | | 223,930.60 |
| Penalties and Interest on Taxes | 8,170.65 | 3,419.16 | 3,454.72 | 15,044.53 |
| Tuition and Fees: | | | | |
| Regular Day School Tuition | 500.00 | | | 500.00 |
| Earnings on Investments and Deposits | 7,114.38 | | | 7,114.38 |
| Cocurricular Activities: | | | | |
| Admissions | 14,393.22 | | | 14,393.22 |
| Pupil Organization Membership | 2,970.00 | | | 2,970.00 |
| Other Pupil Activity Income | 1,215.00 | | | 1,215.00 |
| Other Revenue from Local Sources: | | | | |
| Rentals | 2,250.00 | | | 2,250.00 |
| Charge for Services | 1,610.54 | | 3,399.12 | 5,009.66 |
| Other | 29,490.53 | 4,093.04 | 520.15 | 34,103.72 |
| Revenue from Intermediate Sources: | | | | |
| County Sources: | | | | |
| County Apportionment | 13,317.41 | | | 13,317.41 |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted Grants-in-Aid | 1,039,018.92 | | | 1,039,018.92 |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted Grants-in-Aid Received from Federal Government Through the State | | | | |
| Total Revenue | 3,511,892.30 | 727,569.08 | 748,765.27 | 4,988,226.65 |

| | | | | |
|--|------------|------------|------------|------------|
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular Programs: | | | | |
| Elementary | 631,081.59 | 107,709.51 | | 738,791.10 |
| Middle/Junior High | 506,935.31 | 67,385.13 | | 574,320.44 |
| High School | 546,931.23 | 92,177.19 | | 639,108.42 |
| Other Regular programs | 56,030.59 | | | 56,030.59 |
| Special Programs: | | | | |
| Programs for Special Education | | | 629,021.53 | 629,021.53 |
| Programs for Educationally Deprived | 169,797.13 | | | 169,797.13 |
| Support Services: | | | | |
| Pupils: | | | | |
| Guidance | 61,118.83 | | 469.68 | 61,588.51 |
| Health | 536.30 | | | 536.30 |
| Psychology | | | 13,864.04 | 13,864.04 |
| Speech Pathology | | | 21,903.81 | 21,903.81 |
| Student Therapy Services | | | 14,185.86 | 14,185.86 |
| Support Services - Instructional Staff: | | | | |
| Educational Media | 81,427.13 | 13,942.50 | | 95,369.63 |
| Support Services - General Administration: | | | | |
| Board of Education | 43,538.17 | | | 43,538.17 |
| Executive Administration | 39,894.44 | | | 39,894.44 |
| Support Services - School Administration: | | | | |
| Office of the Principal | 169,690.03 | | | 169,690.03 |
| Other | 175.88 | | | 175.88 |
| Support Services - Business: | | | | |
| Fiscal Services | 92,201.01 | | | 92,201.01 |
| Facilities Acquisition and Construction | | 33,252.00 | | 33,252.00 |
| Operation and Maintenance of Plant | 389,557.68 | 48,124.31 | | 437,681.99 |
| Pupil Transportation | 316,216.73 | 500.00 | | 316,716.73 |
| Food Services | 9,628.08 | | | 9,628.08 |
| Community Services | | | | |
| Recreation | 18,218.57 | | | 18,218.57 |
| Support Services - Special Education: | | | | |
| Administrative Costs | | | 56,533.53 | 56,533.53 |
| Transportation Costs | | | 334.01 | 334.01 |
| Debt Services | | | | |
| Non Programmed Charges: | | 452,977.42 | | 452,977.42 |
| Early Retirement | | | | |
| | 3,624.34 | | | 3,624.34 |

CLARK SCHOOL DISTRICT 12-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | General Fund | Capital Outlay Fund | Special Education Fund | Total Governmental Funds |
|--|------------------------|---------------------------|------------------------------|--------------------------------|
| Cocurricular Activities: | | | | |
| Combined Activities | 233,633.24 | 12,022.27 | | 245,655.51 |
| Capital Outlay | | 432,044.72 | | 432,044.72 |
| Total Expenditures | <u>3,370,236.28</u> | <u>1,260,135.05</u> | <u>736,312.46</u> | <u>5,366,683.79</u> |
| Excess of Revenue Over (Under) Expenditures | 141,656.02 | (532,565.97) | 12,452.81 | (378,457.14) |
| Other Financing Sources: | | | | |
| Proceeds of General Long Term Debt | | 268,924.70 | | 268,924.70 |
| Sale of Surplus Property | 4,652.00 | | | 4,652.00 |
| Total Other Financing Sources (Uses) | <u>4,652.00</u> | <u>268,924.70</u> | | <u>273,576.70</u> |
| Net Change in Fund Balances | 146,308.02 | (263,641.27) | 12,452.81 | (104,880.44) |
| Fund Balance Beginning | <u>1,177,559.34</u> | <u>1,069,631.63</u> | <u>1,278,233.35</u> | <u>3,525,424.32</u> |
| FUND BALANCE - ENDING | <u>\$ 1,323,867.36</u> | <u>\$ 805,990.36</u> | <u>\$ 1,290,686.16</u> | <u>\$ 3,420,543.88</u> |

**CLARK SCHOOL DISTRICT 12-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (104,880.44)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays expense exceeds depreciation expense during this period.

| | | |
|----------------------|---------------------|-----------|
| Capital Outlays | \$ 432,044.72 | |
| Depreciation Expense | <u>(360,132.11)</u> | 71,912.61 |

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayments.

| | | |
|-----------------------------------|------------------|------------|
| Capital (Financing) Lease Payable | 69,176.41 | |
| Bonds Payable | 360,219.38 | |
| Promissory Note | <u>11,535.00</u> | 440,930.79 |

When long-term debt is issued, it is reported as an other financing source in the fund financial statements but increases the liability in the government-wide financial statements. (268,924.70)

Governmental funds do not reflect the change in accrued expenses, but the statement of activities reflects the change in accrued employee benefits and early retirement through expenses.

| | | |
|--------------------------|--|----------|
| Early Retirement Payable | | 3,600.00 |
|--------------------------|--|----------|

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues changed by this amount this year. (15,669.22)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. (313,383.22)

Change in Net Position of Governmental Activities \$ (186,414.19)

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

**CLARK SCHOOL DISTRICT 12-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

| | <u>Food Service Fund</u> | <u>Other Enterprise Fund</u> | <u>Totals</u> |
|--|------------------------------|--------------------------------------|----------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 75,175.93 | \$ 24,923.51 | \$ 100,099.44 |
| Due from Other Governments | 11,706.48 | | 11,706.48 |
| Inventory of Supplies | 1,576.62 | | 1,576.62 |
| Inventory of Stores Purchased for Resale | 4,279.61 | | 4,279.61 |
| Inventory of Donated Food | 5,283.60 | | 5,283.60 |
| Total Current Assets | <u>98,022.24</u> | <u>24,923.51</u> | <u>122,945.75</u> |
| | | | |
| Capital Assets: | | | |
| Machinery and Equipment | 128,239.66 | | 128,239.66 |
| Less: Accumulated Depreciation | <u>(90,982.99)</u> | | <u>(90,982.99)</u> |
| Total Noncurrent Assets | <u>37,256.67</u> | | <u>37,256.67</u> |
| | | | |
| TOTAL ASSETS | <u>135,278.91</u> | <u>24,923.51</u> | <u>160,202.42</u> |
| | | | |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts Payable | | 214.27 | 214.27 |
| Deposits Payable | <u>10,662.35</u> | | <u>10,662.35</u> |
| Total Current Liabilities | <u>10,662.35</u> | <u>214.27</u> | <u>10,876.62</u> |
| | | | |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 37,256.67 | | 37,256.67 |
| Unrestricted Net Position | <u>87,359.89</u> | <u>24,709.24</u> | <u>112,069.13</u> |
| Total Net Position | <u>\$ 124,616.56</u> | <u>\$ 24,709.24</u> | <u>\$ 149,325.80</u> |

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

CLARK SCHOOL DISTRICT 12-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Food Service Fund</u> | <u>Other Enterprise Fund</u> | <u>Totals</u> |
|---|------------------------------|--------------------------------------|----------------------|
| Operating Revenue: | | | |
| Sales: | | | |
| To Pupils | \$ 63,363.40 | \$ | \$ 63,363.40 |
| To Adults | 7,905.00 | | 7,905.00 |
| A la Carte | 2,418.20 | | 2,418.20 |
| Other | 549.16 | | 549.16 |
| Other Miscellaneous Revenue | 124.72 | | 124.72 |
| Charges for Service: | | | |
| Non-credit Tuition | | 4,800.00 | 4,800.00 |
| Daycare | | 7,904.30 | 7,904.30 |
| Total Operating Revenue | <u>74,360.48</u> | <u>12,704.30</u> | <u>87,064.78</u> |
| Operating Expenses: | | | |
| Food Service: | | | |
| Salaries | 82,014.06 | 6,997.30 | 89,011.36 |
| Employee Benefits | 35,021.32 | 955.16 | 35,976.48 |
| Purchased Services | 4,321.68 | | 4,321.68 |
| Supplies | 7,005.33 | 237.67 | 7,243.00 |
| Cost of Sales-Purchased Food | 109,454.23 | | 109,454.23 |
| Cost of Sales-Donated Food | 13,573.26 | | 13,573.26 |
| Dues and Fees | | | |
| Miscellaneous | 986.40 | 462.17 | 1,448.57 |
| Depreciation | 5,467.09 | | 5,467.09 |
| Total Operating Expenses | <u>257,843.37</u> | <u>8,652.30</u> | <u>266,495.67</u> |
| Operating Income (Loss) | <u>(183,482.89)</u> | <u>4,052.00</u> | <u>(179,430.89)</u> |
| Nonoperating Revenue (Expense): | | | |
| Local Sources: | | | |
| Investment Earnings | 83.46 | | 83.46 |
| State Sources: | | | |
| Other Cash Payments | 847.87 | | 847.87 |
| Federal Sources: | | | |
| Cash Reimbursements | 170,257.47 | | 170,257.47 |
| Donated Food | 13,282.18 | | 13,282.18 |
| Total Nonoperating Revenue (Expense) | <u>184,470.98</u> | | <u>184,470.98</u> |
| Change in Net Position | 988.09 | 4,052.00 | 5,040.09 |
| Beginning Net Position | <u>123,628.47</u> | <u>20,657.24</u> | <u>144,285.71</u> |
| NET POSITION - ENDING | <u>\$ 124,616.56</u> | <u>\$ 24,709.24</u> | <u>\$ 149,325.80</u> |

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

**CLARK SCHOOL DISTRICT 12-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Food Service Fund</u> | <u>Other Enterprise Fund</u> | <u>Totals</u> |
|---|----------------------------------|--------------------------------------|------------------------|
| Cash Flows from Operating Activities: | | | |
| Receipts from Customers | \$ 79,500.65 | \$ 12,704.30 | \$ 92,204.95 |
| Payments to Suppliers | (145,621.78) | (485.57) | (146,107.35) |
| Payments to Employees | (117,035.38) | (7,952.46) | (124,987.84) |
| Net Cash Provided (Used) by Operating Activities | <u>(183,156.51)</u> | <u>4,266.27</u> | <u>(178,890.24)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Operating Subsidies | <u>171,105.34</u> | | <u>171,105.34</u> |
| Cash Flows from Investing Activities: | | | |
| Interest Received | <u>83.46</u> | | <u>83.46</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>\$ (11,967.71)</u> | <u>\$ 4,266.27</u> | <u>\$ (7,701.44)</u> |
| | | | |
| Cash and Cash Equivalents at Beginning of Year | \$ 87,143.64 | \$ 20,657.24 | \$ 107,800.88 |
| Cash and Cash Equivalents at End of Year | <u>75,175.93</u> | <u>24,923.51</u> | <u>100,099.44</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>\$ (11,967.71)</u> | <u>\$ 4,266.27</u> | <u>\$ (7,701.44)</u> |
| | | | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating Income (Loss) | \$ (183,482.89) | \$ 4,052.00 | \$ (179,430.89) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation Expense | 5,467.09 | | 5,467.09 |
| Value of Commodities Used | 13,573.26 | | 13,573.26 |
| Change in Assets and Liabilities: | | | |
| Due from Other Governments | (1,267.17) | | (1,267.17) |
| Inventories | (2,613.38) | | (2,613.38) |
| Accounts Payable | (21,240.76) | 214.27 | (21,026.49) |
| Deposits Payable | <u>6,407.34</u> | | <u>6,407.34</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (183,156.51)</u> | <u>\$ 4,266.27</u> | <u>\$ (178,890.24)</u> |
| | | | |
| Noncash Investing, Capital and Financing Activities: | | | |
| Value of Commodities Received | \$ 13,282.18 | | |

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

**CLARK SCHOOL DISTRICT 12-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

| | Private- Purpose Trust Funds | Agency Funds |
|-------------------------------|---|-----------------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 53,276.36 | \$ 63,936.09 |
| Savings Certificates | <u>9,000.00</u> | <u> </u> |
| TOTAL ASSETS | <u>62,276.36</u> | <u>63,936.09</u> |
| LIABILITIES: | | |
| Accounts Payable | | 598.03 |
| Amounts Held for Others | | <u>63,338.06</u> |
| Total Liabilities | | <u>\$ 63,936.09</u> |
| NET POSITION: | | |
| Held in Trust for Scholarship | <u>62,276.36</u> | |
| Total Net Position | <u>\$ 62,276.36</u> | |

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

**CLARK SCHOOL DISTRICT 12-2
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Private-Purpose Trust Funds</u> |
|------------------------------|--|
| ADDITIONS: | |
| Contributions | <u>\$ 0.00</u> |
| Total Additions | 0.00 |
| DEDUCTIONS: | |
| Scholarships | <u>4,500.00</u> |
| Total Deductions | <u>4,500.00</u> |
| Change in Net Position | (4,500.00) |
| Net Position - Beginning | <u>66,776.36</u> |
| NET POSITION - ENDING | <u>\$ 62,276.36</u> |

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

**CLARK SCHOOL DISTRICT NO. 12-2
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. **Financial Reporting Entity:**

The reporting entity of Clark School District No. 12-2 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in the Northeast Educational Services Cooperative with twenty-three other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School District.

b. **Basis of Presentation**

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School 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. Program revenues include (a) charges paid by recipients of goods and 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:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and

expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Fund:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenues Funds – special revenues funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund – A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund

Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit, even if that government is not expected to make any payments, is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)*
- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Other Enterprise Fund - A fund used to record financial transactions related to drivers education program and after school programs all conducted for the benefit of the children. The fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds consist of the following sub-categories and are never considered to be major funds:

Private-Purpose Trust Funds – private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only one private-purpose trust fund for the purpose of accounting for the assets held in a trustee capacity for scholarships.

Agency Funds – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the purpose of accounting for the assets held in a trustee capacity for various classes and clubs within the School District. The agency funds are used to account for the revenues and expenditures that are incidental to each class and club.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 45 days. The revenues which are accrued at June 30, 2020 are utility taxes received through the county and State and restricted grants-in-aid received from Federal government through the State.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund and fiduciary fund types are accounted for use the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital 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 Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary funds' operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2020 balance of capital assets for governmental activities includes approximately 2.66% percent for which the costs were determined by estimates of the original costs. The total June 30, 2020 balance of capital assets for business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of the capital assets reported in the government-wide financial statements and proprietary funds are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|-------------------------|-----------------------------|------------------------|--------------------------|
| Land | \$ | N/A | N/A |
| Buildings | 50,000.00 | Straight Line | 50 yrs |
| Improvements | 10,000.00 | Straight Line | 15-25 yrs |
| Machinery and Equipment | 1,000/ 5,000 | Straight Line | 5-20 yrs |

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities 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.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of general obligation bonds payable, early retirement benefits payable, and capital lease payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

j. Equity Classifications:

Government-wide Financial Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) 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
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

l. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

m. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the school board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

A schedule of fund balances is provided as follows:

Clark School District No. 12-2
Disclosure of Fund Balances Reported on Balance Sheet
Governmental Funds
June 30, 2020

| | General Fund | Capital Outlay Fund | Special Education Fund | Total Governmental Funds |
|-----------------------------|------------------------|---------------------------|------------------------------|--------------------------------|
| Fund Balances: | | | | |
| <i>Nonspendable:</i> | | | | |
| Prepaid Items | \$ 27,596.00 | | | \$ 27,596.00 |
| <i>Restricted for:</i> | | | | |
| Capital Outlay Fund | | 805,990.36 | | 805,990.36 |
| Special Education Fund | | | 1,290,686.16 | 1,290,686.16 |
| <i>Assigned to:</i> | | | | |
| Unemployment | 6,423.13 | | | 6,423.13 |
| Subsequent Year's Budget | 141,858.62 | | | 141,858.62 |
| <i>Unassigned</i> | 1,147,989.61 | | | 1,147,989.61 |
| Total Fund Balances | \$ 1,323,867.36 | \$ 805,990.36 | \$ 1,290,686.16 | \$ 3,420,543.88 |

n. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

NOTE 2 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b)

above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk

State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. During the year ended June 30, 2020, the School District credited all income from deposits and investments to the General Fund, except for the private-purpose trust fund which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

NOTE 4 – INVENTORY

Inventory held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is first in, first out (FIFO). Donated commodities are valued at estimated market value based on USDA price list at date of receipt.

In the Government-wide financial statements, and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. There were no material inventories on hand at June 30, 2020 in the governmental funds.

NOTE 5 – PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenues from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTE 6 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

| Primary Government | Balance 06/30/19 | Increases | Decreases | Balance 06/30/20 |
|--|-----------------------------|---------------------|------------------|-----------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not depreciated: | | | | |
| Land | \$ 56,234.50 | \$ | \$ | \$ 56,234.50 |
| Total Assets not being depreciated: | <u>56,234.50</u> | | | <u>56,234.50</u> |
| Capital Assets, depreciated: | | | | |
| Buildings | 8,616,242.23 | 35,100.00 | | 8,651,342.23 |
| Improvements Other Than Buildings | 1,733,182.22 | 343,478.10 | | 2,076,660.32 |
| Machinery and Equipment - Local | 1,000,510.15 | 47,606.21 | | 1,048,116.36 |
| Library Books | 322,590.49 | 5,860.41 | 7,656.00 | 320,794.90 |
| Totals | <u>11,672,525.09</u> | <u>432,044.72</u> | <u>7,656.00</u> | <u>12,096,913.81</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 4,389,389.11 | 161,606.40 | | 4,550,995.51 |
| Improvements | 696,587.67 | 98,718.99 | | 795,306.66 |
| Machinery and Equipment | 742,509.47 | 83,766.98 | | 826,276.45 |
| Library Books | 215,624.77 | 16,039.75 | 7,656.00 | 224,008.52 |
| Total Accumulated Depreciation | <u>6,044,111.02</u> | <u>360,132.12</u> | <u>7,656.00</u> | <u>6,396,587.14</u> |
| Total Capital Assets, being depreciated, net | <u>5,628,414.07</u> | <u>71,912.60</u> | | <u>5,700,326.67</u> |
| Governmental Activities Capital Assets, net | <u>\$ 5,684,648.57</u> | <u>\$ 71,912.60</u> | <u>\$</u> | <u>\$ 5,756,561.17</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| Governmental Activities: | | | | |
| Instruction | | | | \$ 182,407.42 |
| Support Services | | | | 49,829.77 |
| Cocurricular | | | | 127,894.93 |
| Total Depreciation expense-governmental activities | | | | <u>\$ 360,132.12</u> |

| Business Type Activities: | Balance 06/30/19 | Increases | Decreases | Balance 06/30/20 |
|---|---------------------|----------------------|-----------|---------------------|
| Capital Assets, depreciated: | | | | |
| Machinery and Equipment | \$ 128,239.66 | \$ | \$ | \$ 128,239.66 |
| Less Accumulated Depreciation: | | | | |
| Machinery and Equipment | 85,515.90 | 5,467.09 | | 90,982.99 |
| Business-type activity capital assets, net | <u>\$ 42,723.76</u> | <u>\$ (5,467.09)</u> | <u>\$</u> | <u>\$ 37,256.67</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| Business-type Activity | | | | |
| Total Depreciation expense-business-type activities | | | | <u>\$ 5,467.09</u> |

NOTE 7 – LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2020 is as follows:

| Governmental Activities | Capital Outlay | Early Retirement Benefits | Financing (Capital Acquisitions) | Promissory | Total |
|------------------------------------|----------------|---------------------------|----------------------------------|----------------------|----------------------|
| | Certificates | Payable | Leases | Note | |
| Liabilities Payable, June 30, 2019 | \$ 360,219.38 | \$ 13,200.00 | \$ 60,980.05 | \$ | \$ 434,399.43 |
| Additions | | | 153,575.00 | 115,349.70 | 268,924.70 |
| Retired | (360,219.38) | (3,600.00) | (69,176.41) | (11,535.00) | (444,530.79) |
| Liabilities Payable, June 30, 2020 | <u>\$</u> | <u>\$ 9,600.00</u> | <u>\$ 145,378.64</u> | <u>\$ 103,814.70</u> | <u>\$ 258,793.34</u> |
| Due within One Year | <u>\$</u> | <u>\$ 3,600.00</u> | <u>\$ 68,170.54</u> | <u>\$ 11,535.00</u> | <u>\$ 83,305.54</u> |

Early retirement benefits payable for governmental activities typically has been liquidated from the General Fund. Liabilities payable at June 30, 2020 are comprised of the following:

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2020 are as follows:

Early Retirement Benefits Payable:

 Payable by the General Fund \$ 9,600.00

Financing (Capital Acquisition) Leases:

 Wells Fargo Brokerage Services, LLC; Original amount of \$277,031; maturing July 27, 2021; interest rate of 5.11%; payable by the Capital Outlay Fund. 25,678.03

 Elite Business Systems; Original amount of \$26,130.; maturing July 07, 2021; interest free; payable by the Capital Outlay Fund 5,661.50

 Apple Inc; Original amount \$114,039.11; maturing July 01, 2022; interest rate 1.99; payable by the Capital Outlay Fund 114,039.11

Promissory Note:

 South Dakota Energy Management Office; maturing July 31, 2029; interest free; payable by the Capital Outlay Fund 103,814.70

The purchase price at the commencement of the financing (capital acquisition) leases was:

| | <u>Boiler Lease</u> | <u>Copier Lease</u> | <u>Apple Financial</u> |
|-----------|----------------------|---------------------|------------------------|
| Principal | \$ 277,031.00 | \$ 26,130.00 | \$ 153,575.00 |
| Interest | 122,963.20 | | 4,568.56 |
| Total | <u>\$ 399,994.20</u> | <u>\$ 26,130.00</u> | <u>\$ 158,143.56</u> |

During the fiscal year ended June 30, 2007, the School District entered into a contract for the purpose of improving the energy management system in the high school building. The improvements included upgrading or replacing the heating and cooling systems. The total assets acquired through the capital lease were \$277,031.00. The assets are included in the governmental activities capital asset account, buildings, and are being depreciated.

NOTE 8 – RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

| <u>Major Purposes:</u> | <u>Restricted by</u> | <u>Amount</u> |
|-------------------------------|----------------------|------------------------|
| Capital Outlay Purposes | Law | \$ 810,525.15 |
| Special Education Purposes | Law | 1,295,049.58 |
| Health Insurance Purposes | Law | 27,596.00 |
| SDRS Pension Purposes | Law | 369,613.49 |
| Total Restricted Net Position | | <u>\$ 2,502,784.22</u> |

NOTE 9 – PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited

service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 5.0% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019, and 2018 were \$144,893.95, \$134,353.21 and \$135,321.22 respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2019, SDRS is 100.09% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2020 are as follows:

| | |
|---|-----------------------|
| Proportionate share of net position restricted for pension benefits | \$ 13,177,345.89 |
| Less proportionate share of total pension benefits | <u>13,188,551.27</u> |
| Proportionate share of net pension benefits | <u>\$ (11,205.38)</u> |

At June 30, 2020, the School District reported a liability (asset) of \$(11,205.38) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was

based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District's proportion was .10573850%, which is an increase (decrease) of -.0022871% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense (reduction of expense of \$313,383.22. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 43,954.36 | \$ 5,071.76 |
| Changes in assumption | 387,004.79 | 158,653.19 |
| Net difference between projected and actual earnings | | 64,552.19 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 15,708.08 | 4,875.93 |
| District contributions subsequent to the measurement date | <u>144,893.95</u> | |
| TOTAL | <u><u>\$ 591,561.18</u></u> | <u><u>\$ 233,153.07</u></u> |

\$144,893.95 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| Year Ended June 30: | |
|---------------------|-----------------------------|
| 2021 | \$ 244,989.25 |
| 2022 | (37,968.07) |
| 2023 | (25,833.50) |
| 2024 | <u>21,494.33</u> |
| TOTAL | <u><u>\$ 202,682.01</u></u> |

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.25 percent |
| Salary Increases | Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service |
| Investment Rate of Return | 6.50% net of plan investment expense |
| Future COLAs | 1.88% |

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity | 58.0% | 4.7% |
| Fixed Income | 30.0% | 1.7% |
| Real Estate | 10.0% | 4.3% |
| Cash | <u>2.0%</u> | 0.9% |
| Total | <u>100.0%</u> | |

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these 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 (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the School's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|------------------------------|--------------------|
| School District's proportionate share of the net pension liability (asset) | \$ 1,859,874.69 | \$ (11,205.38) | \$ (1,535,797.55) |

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

NOTE 10 – EARLY RETIREMENT BENEFITS

Only certified, full-time employees with fifteen (15) years of full-time service with the School District, who have attained the minimum age of fifty-five (55) and will not be older than age sixty-two (62), and who have complied with the terms and conditions of the School District's policy are eligible to receive the early retirement benefits. The employee will be eligible if they turn the age of fifty-five (55) by January 1 of that ensuing school year. The early retirement benefits are equal to the retiree's number of years' experience in the school district multiplied by \$100.00 payable in a lump sum on any regularly scheduled payday between July 1 and January 31 at the discretion of the retiree in the school year immediately following the effective retirement date, and the sum of \$300.00 per month beginning in September of the school year immediately following the effective retirement date and continuing through the August of the school year in which the retiree reaches age sixty-two (62) payable on the regularly scheduled paydays. At June 30, 2020, there was one employee that is receiving early retirement benefits. The early retirement benefits payable is recorded at the actual amount that will be paid to the retirees.

NOTE 11 – JOINT VENTURES

The School District participates in the Northeast Educational Services Cooperative, a cooperative service units (Co-op) formed for the purpose of providing educational services to the member school districts.

The members of the Co-op and their relative percentage participation in the Co-op are as follows:

| | |
|--|--------------|
| Arlington School District No. 38-1 | 3.22% |
| Britton-Hecia School District No. 45-4 | 5.97% |
| Castlewood School District No. 28-1 | 3.14% |
| Clark School District No. 12-2 | 5.24% |
| DeSmet School District No. 38-2 | 3.30% |
| Deubrook School District No. 5-6 | 5.16% |
| Deuel School District No. 19-4 | 7.67% |
| Elkton School District No. 5-3 | 3.56% |
| Enemy Swim Day School | 2.97% |
| Estelline School District No. 28-2 | 4.19% |
| Florence School District No. 14-1 | 3.70% |
| Hamiin School District No. 28-3 | 6.23% |
| Henry School District No. 14-2 | 2.73% |
| Iroquois School District No. 02-3 | 4.02% |
| Lake Preston School District No. 38-3 | 2.73% |
| Rosholt School District No. 54-4 | 3.54% |
| Sioux Valley School District No. 5-5 | 8.24% |
| Summit School District No. 54-6 | 3.21% |
| Waubay School District No. 18-3 | 2.89% |
| Waverly/South Shore School District No. 14-5 | 4.59% |
| Webster School District No. 18-4 | 6.54% |
| Willow Lake School District No. 12-3 | 2.90% |
| Wilmot School District No. 54-7 | 4.26% |

The Co-op's governing board is composed of one representative from each member school district, who is a school board member of the member school district. The board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net assets of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2020, this joint venture had total assets of \$2,087,352.87 total liabilities of \$501,645.51, and net position of \$1,585,707.36.

NOTE 12 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damaged to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2020, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The school District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

The coverage includes the option of three different plans with a deductible from \$1,000.00 to \$2,000.00.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The School District purchases liability insurance for worker's compensation from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The School District has assigned fund balance in the General Fund in the amount of \$6,423.13 for the payment of future unemployment benefits.

During the year ended June 30, 2020 one claim was filed for unemployment benefits for the amount of \$ 298. At June 30, 2020 no additional claims had been filed nor were there any outstanding. It is

not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

NOTE 13 – LITIGATION

At June 30, 2020, the School District was not involved in any litigation.

NOTE 14 – SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the school's financial condition and liquidity. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the school is not able to estimate the effects of the COVID-19 outbreak on its financial condition or liquidity for fiscal year 2021 and future years.

**REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|---|----------------------------|----------------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 1,959,174.00 | 1,959,174.00 | \$ 2,009,248.18 | \$ 50,074.18 |
| Prior Years' Ad Valorem Taxes | 8,000.00 | 8,000.00 | 18,580.09 | 10,580.09 |
| Tax Deed Revenue | | | 179.96 | 179.96 |
| Utility Taxes | 180,000.00 | 180,000.00 | 223,930.60 | 43,930.60 |
| Penalties and Interest on Taxes | 4,500.00 | 4,500.00 | 8,170.65 | 3,670.65 |
| Tuition and Fees: | | | | |
| Regular Day School Tuition | | | 500.00 | 500.00 |
| Earnings on Investments/ Deposits | 3,500.00 | 3,500.00 | 7,114.38 | 3,614.38 |
| Cocurricular Activities: | | | | |
| Admissions | 17,000.00 | 17,000.00 | 14,393.22 | (2,606.78) |
| Pupil Organization Memberships | 3,800.00 | 3,800.00 | 2,970.00 | (830.00) |
| Other Pupil Activity Income | 4,500.00 | 4,500.00 | 1,215.00 | (3,285.00) |
| Other Revenue from Local Sources: | | | | |
| Rentals | | | 2,250.00 | 2,250.00 |
| Contributions | 100.00 | 100.00 | | (100.00) |
| Charges for Services | 1,500.00 | 1,500.00 | 1,610.54 | 110.54 |
| Other | 8,000.00 | 8,000.00 | 29,490.53 | 21,490.53 |
| Revenue from Intermediate Sources: | | | | |
| County Sources: | | | | |
| County Apportionment | 20,000.00 | 20,000.00 | 13,317.41 | (6,682.59) |
| Revenue in Lieu of Taxes | 1,000.00 | 1,000.00 | | (1,000.00) |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted Grants-in-Aid | 959,420.00 | 959,420.00 | 1,039,018.92 | 79,598.92 |
| Revenue from Federal Sources: | | | | |
| Restricted Grants-in-Aid Received from Federal Government through the State | <u>106,173.00</u> | <u>106,173.00</u> | <u>139,902.82</u> | <u>33,729.82</u> |
| Total Revenue | <u>3,276,667.00</u> | <u>3,276,667.00</u> | <u>3,511,892.30</u> | <u>235,225.30</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular Programs: | | | | |
| Elementary School | 679,271.00 | 679,271.00 | 631,081.59 | 48,189.41 |
| Middle/Junior High | 514,589.00 | 514,589.00 | 506,935.31 | 7,653.69 |
| High School | 577,505.00 | 577,505.00 | 546,931.23 | 30,573.77 |
| Preschool | 56,638.00 | 56,638.00 | 56,030.59 | 607.41 |
| Special Programs: | | | | |
| Educationally Deprived | 173,721.00 | 173,721.00 | 169,797.13 | 3,923.87 |

**REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|--|-------------------------|----------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Support Services: | | | | |
| Pupils: | | | | |
| Guidance | 62,080.40 | 62,080.40 | 61,118.83 | 961.57 |
| Health | 2,000.00 | 2,000.00 | 536.30 | 1,463.70 |
| Support Services - Instructional Staff: | | | | |
| Educational Media | 85,878.00 | 85,878.00 | 81,427.13 | 4,450.87 |
| Support Services - General Administration: | | | | |
| Board of Education | 36,150.00 | 47,174.70 | 43,538.17 | 3,636.53 |
| Executive Administration | 41,558.00 | 41,558.00 | 39,894.44 | 1,663.56 |
| Support Services - School Administration: | | | | |
| Office of the Principal | 175,629.00 | 175,629.00 | 169,690.03 | 5,938.97 |
| Other | 400.00 | 400.00 | 175.88 | 224.12 |
| Support Services - Business: | | | | |
| Fiscal Services | 96,995.00 | 96,995.00 | 92,201.01 | 4,793.99 |
| Operation and Maintenance of Plant | 415,853.40 | 415,853.40 | 389,557.68 | 26,295.72 |
| Pupil Transportation | 290,000.00 | 316,216.73 | 316,216.73 | |
| Food Service | | | 9,628.08 | (9,628.08) |
| Recreation | 16,913.00 | 16,913.00 | 18,218.57 | (1,305.57) |
| Non Programmed Charges: | | | | |
| Early Retirement | | | 3,624.34 | (3,624.34) |
| Cocurricular Activities: | | | | |
| Combined Activities | 263,336.40 | 263,336.40 | 233,633.24 | 29,703.16 |
| Total Expenditures | <u>3,488,517.20</u> | <u>3,525,758.63</u> | <u>3,370,236.28</u> | <u>155,522.35</u> |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | (211,850.20) | (249,091.63) | 141,656.02 | 390,747.65 |
| Other Financing Sources: | | | | |
| Sale of Surplus Property | <u>500.00</u> | <u>500.00</u> | <u>4,652.00</u> | <u>4,152.00</u> |
| Net Change in Fund Balances | (211,350.20) | (248,591.63) | 146,308.02 | 394,899.65 |
| Fund Balance Beginning | <u>1,177,559.34</u> | <u>1,177,559.34</u> | <u>1,177,559.34</u> | |
| ENDING FUND BALANCE | <u>\$ 966,209.14</u> | <u>\$ 928,967.71</u> | <u>\$ 1,323,867.36</u> | <u>\$ 394,899.65</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|---|------------------------|----------------------|---|------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 736,276.56 | \$ 736,276.56 | \$ 711,047.13 | \$ (25,229.43) |
| Prior Years' Ad Valorem Taxes | | | 9,009.75 | 9,009.75 |
| Penalties and Interest on Taxes | | | 3,419.16 | 3,419.16 |
| Other Revenue from Local Sources: | | | | |
| Other | | | 4,093.04 | 4,093.04 |
| Total Revenue | <u>736,276.56</u> | <u>736,276.56</u> | <u>727,569.08</u> | <u>(8,707.48)</u> |
| Expenditures: | | | | |
| Instruction | | | | |
| Regular programs: | | | | |
| Elementary | 59,175.00 | 59,175.00 | 107,709.51 | (48,534.51) |
| Middle/Junior High | 19,300.00 | 19,300.00 | 67,385.13 | (48,085.13) |
| High School | 31,775.00 | 31,775.00 | 92,177.19 | (60,402.19) |
| Support Services-Instructional Staff: | | | | |
| Educational Media | 20,000.00 | 20,000.00 | 19,802.91 | 197.09 |
| Support Services - Business: | | | | |
| Facilities Acquisition and Construction | 61,800.00 | 68,352.00 | 68,352.00 | |
| Operation and Maintenance of Plant | 296,800.00 | 299,356.21 | 408,658.62 | (109,302.41) |
| Pupil Transportation | 40,000.00 | 40,000.00 | 31,050.00 | 8,950.00 |
| Debt Services | 196,301.56 | 452,977.42 | 452,977.42 | |
| Cocurricular Activities: | | | | |
| Combined Activities | 11,125.00 | 11,125.00 | 12,022.27 | (897.27) |
| Total Expenditures | <u>736,276.56</u> | <u>1,002,060.63</u> | <u>1,260,135.05</u> | <u>(258,074.42)</u> |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | | (265,784.07) | (532,565.97) | (266,781.90) |
| Other Financing Sources: | | | | |
| Other Debt Proceeds | | | 268,924.70 | 268,924.70 |
| Total Other Financing Sources | | | <u>268,924.70</u> | <u>268,924.70</u> |
| Net Change in Fund Balances | 0.00 | (265,784.07) | (263,641.27) | 2,142.80 |
| Fund Balance Beginning | <u>1,069,631.63</u> | <u>1,069,631.63</u> | <u>1,069,631.63</u> | |
| ENDING FUND BALANCE | <u>\$ 1,069,631.63</u> | <u>\$ 803,847.56</u> | <u>\$ 805,990.36</u> | <u>\$ 2,142.80</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|--------------------------------------|-------------------------------|-------------------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 695,105.00 | \$ 695,105.00 | \$ 732,876.90 | \$ 37,771.90 |
| Prior Years' Ad Valorem Taxes | | | 8,514.38 | 8,514.38 |
| Penalties and Interest on Taxes | | | 3,454.72 | 3,454.72 |
| Other Revenue from Local Sources: | | | | |
| Charges for Services | <u>1,500.00</u> | <u>1,500.00</u> | <u>3,919.27</u> | <u>2,419.27</u> |
| Total Revenue | <u>696,605.00</u> | <u>696,605.00</u> | <u>748,765.27</u> | <u>52,160.27</u> |
| Expenditures: | | | | |
| Special Programs: | | | | |
| Programs for Special Education | 611,780.00 | 671,972.16 | 629,021.53 | 42,950.63 |
| Support Services: | | | | |
| Pupils: | | | | |
| Guidance | 1,000.00 | 1,000.00 | 469.68 | 530.32 |
| Psychological | 13,000.00 | 13,000.00 | 13,864.04 | (864.04) |
| Speech Pathology | 22,000.00 | 22,000.00 | 21,903.81 | 96.19 |
| Student Therapy Services | 18,000.00 | 18,000.00 | 14,185.86 | 3,814.14 |
| Support Services - Special Education | | | | |
| Administrative Costs | <u>57,265.00</u> | <u>57,265.00</u> | <u>56,867.54</u> | <u>397.46</u> |
| Total Expenditures | <u>723,045.00</u> | <u>783,237.16</u> | <u>736,312.46</u> | <u>46,924.70</u> |
| Net Change in Fund Balances | (26,440.00) | (86,632.16) | 12,452.81 | 99,084.97 |
| Fund Balance Beginning | <u>1,278,233.35</u> | <u>1,278,233.35</u> | <u>1,278,233.35</u> | <u> </u> |
| ENDING FUND BALANCE | <u>\$ 1,251,793.35</u> | <u>\$ 1,191,601.19</u> | <u>\$ 1,290,686.16</u> | <u>\$ 99,084.97</u> |

CLARK SCHOOL DISTRICT NO. 12-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major Special Revenue Fund.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services- Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

Schedule of Required Supplementary Information
CLARK SCHOOL DISTRICT NO 12-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset) | 0.1119253% | 0.1084634% | 0.1129574% | 0.1072074% | 0.1080256% | 0.1057385% |
| District's proportionate share of net pension liability (asset) | \$ (806,376) | \$ (460,024) | \$ 381,559 | \$ (9,729) | \$ (2,519) | \$ (11,205) |
| District's covered-employee payroll | \$ 1,957,264 | \$ 1,979,632 | \$ 2,105,451 | \$ 2,178,300 | \$ 2,255,353 | \$ 2,239,213 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -41.20% | -23.24% | 18.12% | -0.45% | -0.11% | -0.50% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 107.30% | 104.10% | 96.89% | 100.10% | 100.02% | 100.02% |

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Required Supplementary Information

CLARK SCHOOL DISTRICT NO. 12-2

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 117,436 | \$ 118,778 | \$ 126,327 | \$ 130,698 | \$ 135,321 | \$ 134,353 | \$ 144,894 |
| Contributions in relation to the contractually required contribution | \$ 117,436 | \$ 118,778 | \$ 126,327 | \$ 130,698 | \$ 135,321 | \$ 134,353 | \$ 144,894 |
| Contribution deficiency (excess) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| District's covered-employee payroll | \$ 1,957,264 | \$ 1,979,632 | \$ 2,105,451 | \$ 2,178,300 | \$ 2,255,353 | \$ 2,239,213 | \$ 2,414,896 |
| Contributions as a percentage of covered-employee payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CLARK SCHOOL DISTRICT NO. 12-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

CHANGES OF BENEFIT TERMS

No significant changes

CHANGES OF ASSUMPTIONS

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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ELK POINT, SOUTH DAKOTA 57025

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

School Board
Clark School District No. 12-2
Clark, South Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clark School District No. 12-2, South Dakota (School District), as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise Clark School District's basic financial statements and have issued our report thereon dated February 22, 2021, which was qualified because long-term financial obligations and commitments related to other postemployment benefits was not recorded

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clark School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clark School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clark 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 Clark School District'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 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings as item 2020-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clark School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reported as Finding 2020-002 in the Schedule of Current Audit Findings.

School District's Response to Findings

Clark School District's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Clark School 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam, Berglin & Post, P.C.
Certified Public Accountants

February 22, 2021

**CLARK SCHOOL DISTRICT NO. 12-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2020**

PRIOR AUDIT FINDINGS:

Audit Finding Number 2019-001:

There is a significant deficiency resulting from a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated as a significant deficiency current audit finding number 2020-001.

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings – Significant Deficiency

Audit Finding Number 2020-001:

There is a significant deficiency resulting from a lack of segregation of duties for revenues.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to the revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

We recommend that Clark School District officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever, practical.

Corrective Action Plan:

Mary Nelson, Business Manager for Clark School District is the contact person responsible for the corrective action plan for this comment. The School District is aware of this problem and has prepared a response to this finding found in the Corrective Action Plan on page 55.

Compliance Related Finding - Material Weakness

Audit Finding Number 2020-002

Criteria:

There is a significant deficiency resulting from expenditures exceeding the total amounts budgeted for the Capital Outlay Fund.

Condition, Cause and Effect:

SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district completed building improvements and did not supplement the budget for these additional costs. As a result, this resulted in expenditures in excess of budget for the capital outlay in total.

Recommendation:

We recommend that Clark School District officials be aware of and adhere to the budgetary requirements and supplement budgets when necessary in the future.

Corrective Action Plan:

Mary Nelson, Business Manager for Clark School District is the contact person responsible for the corrective action plan for this comment. The School District is aware of this problem and has prepared a response to this finding found in the Corrective Action Plan on page 55.

Clark School District

220 North Clinton Street

Clark, SD 57225

Mary Nelson, Business Manager
Travis Ahrens
M/S H/S Principal/AD 605-532-3605

Luanne Warren
Superintendent
605-532-3605

Rena Dahl
Elementary/colony principal
605-532-3606

CORRECTIVE PLAN OF ACTION JUNE 30, 2020

Clark School District No. 12-2 has considered the lack of segregation of duties and budgetary concerns. At this time it is not cost effective for Clark School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Clark School District to decrease the likelihood that financial data is adversely affected. School district will be cognizant regarding budgets to avoid negative impacts in respective funds.

The Clark School District's Board will continue to monitor the necessity to have segregation of duties and implement such a segregation as budget dollars and board authority allow.

Clark School District has considered the finding for spending in excess of appropriated amounts for the Capital Outlay Fund. The school district will monitor the budgets of each fund more closely to ensure supplemental budgets are adopted as needed.


Business Manager


Superintendent