

**CLARK
SCHOOL DISTRICT NO. 12-2
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2015**

CLARK SCHOOL DISTRICT NO. 12-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

School Board

Todd Fjelland

Robert Steffen

Amy Sass

Trudi Gaikowski

Shannon Huber

Business Manager

Mary Nelson

Superintendent

Luanne Warren

CLARK SCHOOL DISTRICT 12-2
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	19
Balance Sheet – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Net Position – Fiduciary Funds	23
Statement of Changes in Net Position – Fiduciary Funds	24
Notes to the Financial Statements	25
Required Supplementary Information:	
General Fund	44
Capital Outlay Fund	46
Special Education Fund	47
Pension Fund	48
Schedule of Funding Progress for Other Post-employment Benefits	49
Schedule of the Proportionate Share of the Net Pension Liability (Asset)	50
Schedule of the School District Contributions	51
Notes to the Required Supplementary Information	52
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 <i>Government Auditing Standards</i>	53
Schedule of Audit Findings	55
Corrective Action Plan	56

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

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, 2015 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark School District No. 12-2 as of June 30, 2015, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in the Notes to the Financial Statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in the Notes to the Financial Statements, the School District has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to the matter.

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 Funding Progress, 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 18, 2016 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, P.C.

Quam & Berglin, P.C.
Certified Public Accountants

February 18, 2016

**CLARK SCHOOL DISTRICT NO. 12-2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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 \$557,715 more than the governmental and business-type program expenditures.
- The school added some new items including a fork lift, carpet, scoreboards and tuck point on the high school building.

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

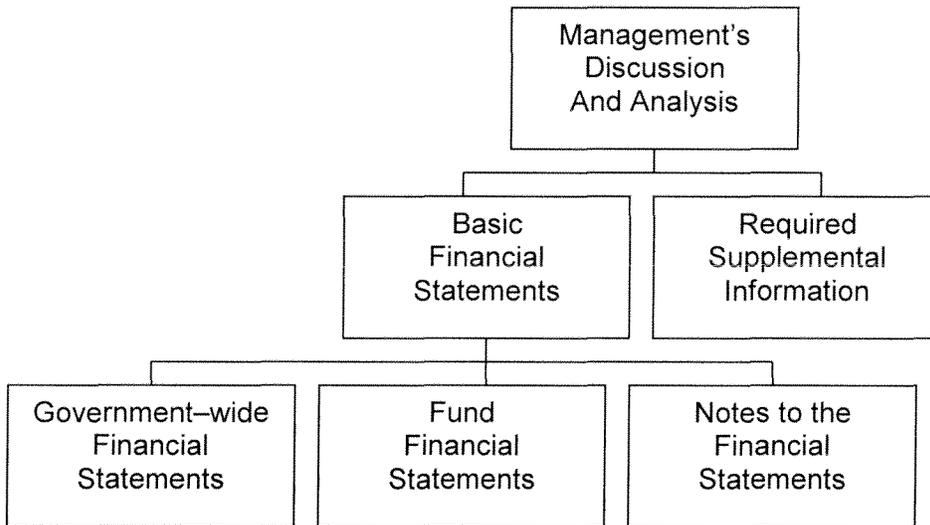


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure 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 Changes in Fund 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, Special Education Fund, Bond Redemption, and Pension 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
June 30, 2015

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Program Revenues						
Charges for Services	\$ 23,998.11	\$ 65,540.56	\$ 83,586.19	\$ 86,399.18	\$ 107,584.30	\$ 151,939.74
Operating Grants and Contributions	161,039.90	138,425.58	163,174.75	169,385.99	324,214.65	307,811.57
General Revenues						
Taxes	3,046,400.51	3,504,828.70			3,046,400.51	3,504,828.70
Revenue State Sources	602,543.71	532,409.03			602,543.71	532,409.03
Other General Revenue	67,885.81	83,039.78			67,885.81	83,039.78
Unrestricted Investment Earnings	1,474.14	1,519.07	77.50	69.27	1,551.64	1,588.34
Total Revenues	3,903,342.18	4,325,762.72	246,838.44	255,854.44	4,150,180.62	4,581,617.16
Expenses						
Instruction	\$ 2,165,173.62	\$ 2,307,605.35	\$	\$	\$ 2,165,173.62	\$ 2,307,605.35
Support Services	1,167,255.36	1,146,929.18			1,167,255.36	1,146,929.18
Community Services	19,700.66	13,540.36			19,700.66	13,540.36
Debt Services	20,819.57	17,665.73			20,819.57	17,665.73
Cocurricular Activities	272,053.01	299,101.38			272,053.01	299,101.38
Food Service			244,595.86	233,026.96	244,595.86	233,026.96
Other Enterprise			6,359.16	6,032.72	6,359.16	6,032.72
Total Expenses	3,645,002.22	3,784,842.00	250,955.02	239,059.68	3,895,957.24	4,023,901.68
Increase (Decrease) in Net Position	258,339.96	540,920.72	(4,116.58)	16,794.76	254,223.38	557,715.48
Prior Period Adjustment	247,574.34	433,004.20	(10,332.75)		237,241.59	433,004.20
NET POSITION - ENDING	6,264,095.48	7,238,020.40	121,210.89	138,005.65	6,385,306.37	7,376,026.05

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 General Obligation Bonds, a Capital Lease, 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 was able to increase the Governmental Activities Net Position for the fiscal year end June 30, 2015 by \$973,925. The district did this by taking advantage of opportunities to generate additional revenues along with continuous review throughout the year of various options to reduce costs.

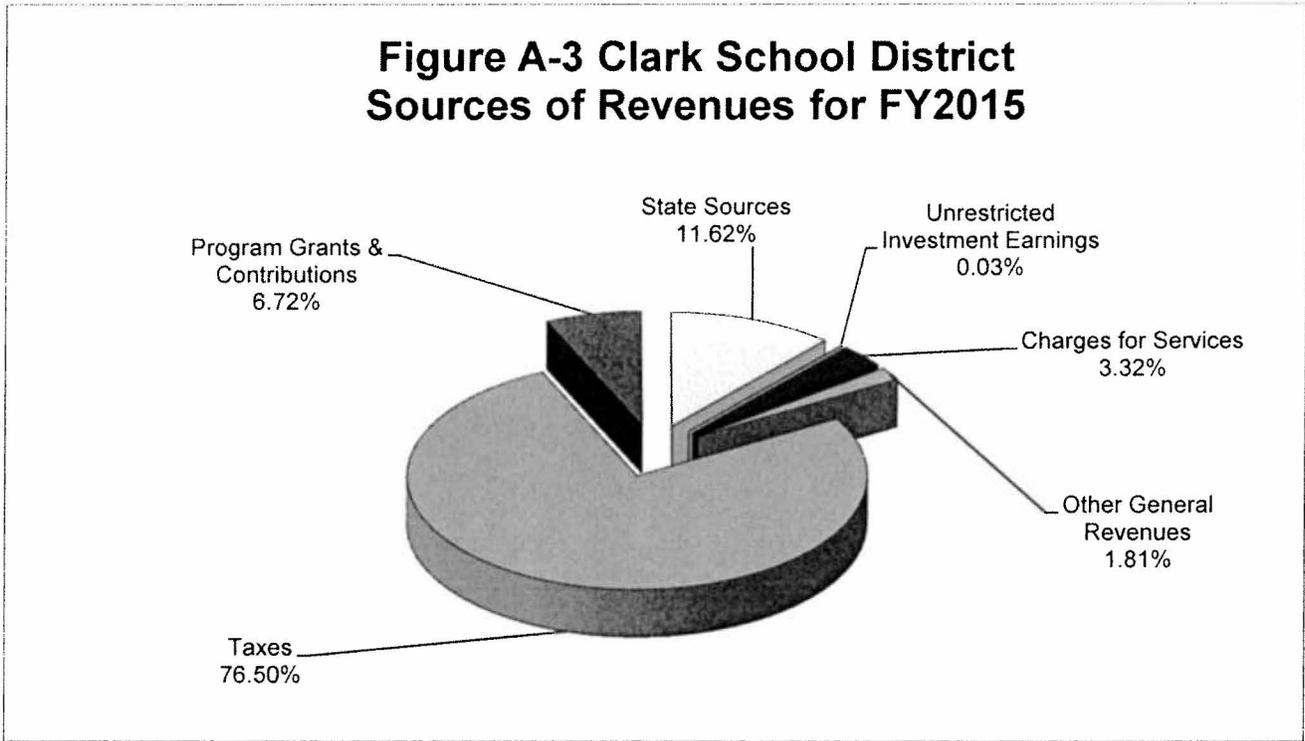
GOVERNMENTAL ACTIVITIES

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

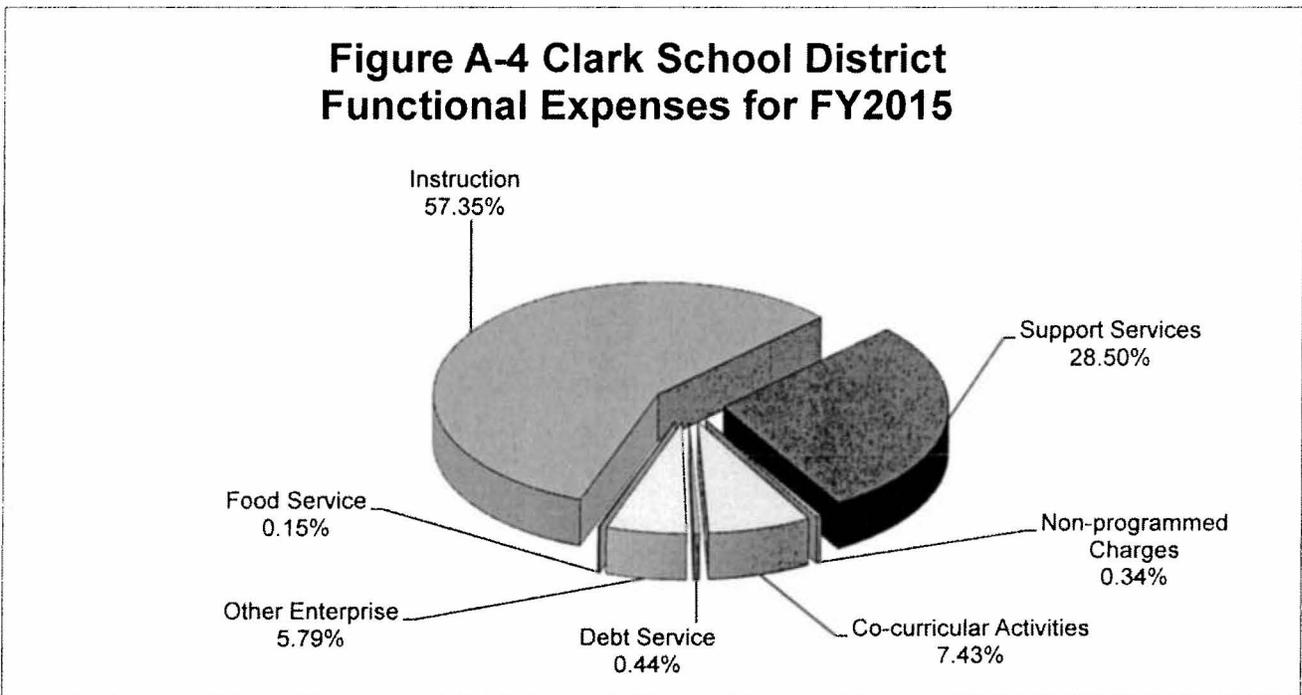
Table A-2
CLARK SCHOOL DISTRICT NO. 12-2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Revenues						
Program Revenues						
Charges for Services	\$ 23,998.11	\$ 65,540.56	\$ 83,586.19	\$ 86,399.18	\$ 107,584.30	\$ 151,939.74
Operating Grants and Contributions	161,039.90	138,425.58	163,174.75	169,385.99	324,214.65	307,811.57
General Revenues						
Taxes	3,046,400.51	3,504,828.70			3,046,400.51	3,504,828.70
Revenue State Sources	602,543.71	532,409.03			602,543.71	532,409.03
Other General Revenue	67,885.81	83,039.78			67,885.81	83,039.78
Unrestricted Investment Earnings	1,474.14	1,519.07	77.50	69.27	1,551.64	1,588.34
Total Revenues	<u>3,903,342.18</u>	<u>4,325,762.72</u>	<u>246,838.44</u>	<u>255,854.44</u>	<u>4,150,180.62</u>	<u>4,581,617.16</u>
Expenses						
Instruction	\$ 2,165,173.62	\$ 2,307,605.35	\$	\$	\$ 2,165,173.62	\$ 2,307,605.35
Support Services	1,167,255.36	1,146,929.18			1,167,255.36	1,146,929.18
Community Services	19,700.66	13,540.36			19,700.66	13,540.36
Debt Services	20,819.57	17,665.73			20,819.57	17,665.73
Cocurricular Activities	272,053.01	299,101.38			272,053.01	299,101.38
Food Service			244,595.86	233,026.96	244,595.86	233,026.96
Other Enterprise			6,359.16	6,032.72	6,359.16	6,032.72
Total Expenses	<u>3,645,002.22</u>	<u>3,784,842.00</u>	<u>250,955.02</u>	<u>239,059.68</u>	<u>3,895,957.24</u>	<u>4,023,901.68</u>
Increase (Decrease) in Net Position	<u>258,339.96</u>	<u>540,920.72</u>	<u>(4,116.58)</u>	<u>16,794.76</u>	<u>254,223.38</u>	<u>557,715.48</u>
Prior Period Adjustment	247,574.34	433,004.20	(10,332.75)		237,241.59	433,004.20
NET POSITION - ENDING	<u>6,264,095.48</u>	<u>7,238,020.40</u>	<u>121,210.89</u>	<u>138,005.65</u>	<u>6,385,306.37</u>	<u>7,376,026.05</u>

The District's total revenues totaled \$4,581,617 (See Table A-2). Roughly 76.5% of the district's revenue comes from property taxes, with approximately 12% coming from state aid. (See Figure A-3).



The District's expenses totaled \$4,023,902 (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 increased by approximately 3.6% while the expenses decreased by about approximately 4.7%.

Factors contributing to these results included:

- Increase in grants and contributions and charges for services
- Keeping expenses down.

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

FY2015 showed an increase of capital assets of \$134,965 for governmental activities which is a 1.3% increase. This year's capital asset change is due mostly to the addition of equipment and our track complex.

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

	Governmental Activities			Business-Type Activities		
	2014	2015	Increase/ Decrease	2014	2015	Increase/ Decrease
Capital Assets Not Being Depreciated:						
Land	\$ 56,235	\$ 56,235	\$	\$	\$	\$
Construction in Progress		123,525	123,525			
Capital Assets Being Depreciated:						
Buildings	8,442,226	8,442,226				
Improvements other than Building	505,091	505,091				
Machinery and Equipment	671,246	688,145	16,899	101,400	101,400	
Library Books	336,467	331,008	(5,459)			
Total Capital Assets Being Depreciated	<u>9,955,030</u>	<u>9,966,470</u>	<u>11,440</u>	<u>101,400</u>	<u>101,400</u>	<u>0</u>
Total Capital Assets	10,011,265	10,146,230	134,965	101,400	101,400	0
Accumulated Depreciation	<u>(4,619,275)</u>	<u>(4,849,809)</u>	<u>(230,534)</u>	<u>(74,822)</u>	<u>(78,086)</u>	<u>(3,264)</u>
Total Capital Assets (net of depreciation)	<u>\$ 5,391,990</u>	<u>\$ 5,296,421</u>	<u>\$ (95,569)</u>	<u>\$ 26,578</u>	<u>\$ 23,314</u>	<u>\$ (3,264)</u>

LONG-TERM DEBT

At the end of the 2014-2015 school year Clark had \$909,971.88 in General Obligation, Capital Lease, and Early Retirement. This is a decrease of 12.8% as shown on Table A-4 below.

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

	Governmental Activities		Total Change	
	<u>2014</u>	<u>2015</u>	<u>Amount</u>	<u>Percentage</u>
General Obligation Bonds	\$ 885,000.00	\$ 590,000.00	\$ 295,000.00	33.3%
Capital (Financing) Leases	155,284.43	136,313.88	18,970.55	12.2%
Other Post Employment		183,658.00	(183,658.00)	-100.0%
Early Retirement	<u>3,600.00</u>		<u>3,600.00</u>	<u>100.0%</u>
Total Long-Term Liabilities	<u>\$ 1,043,884.43</u>	<u>\$ 909,971.88</u>	<u>\$ 133,912.55</u>	<u>12.8%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The School's current economic position has shown little change. The school did experience an increase of \$447,594.53 in total property tax revenue or about 15.6% from the prior year. The increase in property valuation allows the school the ability to increase the amount of revenue generated from property taxes, however 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~\$1.568, Owner Occupied~\$4.075, and Other non-ag~\$8.727

One of the primary sources of revenue to the School is based on a per student allocation they receive from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4,8746.76 per pupil (plus a small school factor of \$486.28 per pupil). The allocation for the next year (FY16) is unknown at this time. The school has experienced a steady 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, 2015**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	\$ 1,842,159.60	\$ 90,650.49	\$ 1,932,810.09
Investments	500,000.00		500,000.00
Taxes Receivable	1,696,341.78		1,696,341.78
Accounts Receivable	9,173.52	139.80	9,313.32
Due from Other Governments	187,316.35	13,854.68	201,171.03
Inventories		14,608.79	14,608.79
Net Pension Asset	806,376.01		806,376.01
Capital Assets:			
Land and Construction in Progress	179,759.50		179,759.50
Other Capital Assets, Net of Depreciation	5,116,661.43	23,313.84	5,139,975.27
TOTAL ASSETS	10,337,788.19	142,567.60	10,480,355.79
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	713,386.73		713,386.73
TOTAL DEFERRED OUTFLOWS OF RESOURCES	713,386.73		713,386.73
LIABILITIES :			
Accounts Payable	4,854.36		4,854.36
Accrued Salaries and Benefits Payable	284,837.66	170.57	285,008.23
Deposits Payable		4,391.38	4,391.38
Noncurrent Liabilities:			
Due Within One Year	319,952.32		319,952.32
Due in More than One Year	590,019.56		590,019.56
TOTAL LIABILITIES	1,199,663.90	4,561.95	1,204,225.85
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for Future Period	1,679,571.25		1,679,571.25
Pension Related Deferred Inflows	933,919.37		933,919.37
TOTAL DEFERRED INFLOWS OF RESOURCES	2,613,490.62		2,613,490.62
NET POSITION:			
Net Investment in Capital Assets	4,570,107.05	23,313.84	4,593,420.89
Restricted for:			
Capital Outlay	550,034.37		550,034.37
Special Education	583,280.08		583,280.08
Pension	173,939.65		173,939.65
Bond Redemption	249,068.96		249,068.96
SDRS Pension Purposes	585,843.37		585,843.37
Unrestricted	525,746.92	114,691.81	640,438.73
TOTAL NET POSITION	\$ 7,238,020.40	\$ 138,005.65	\$ 7,376,026.05

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, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:						
Governmental Activities:						
Instruction	\$ 2,307,605.35	\$	\$ 138,425.58	\$(2,169,179.77)	\$	\$(2,169,179.77)
Support Services	1,146,929.18	34,061.02		(1,112,868.16)		(1,112,868.16)
Community Services	13,540.36			(13,540.36)		(13,540.36)
*Interest on Long-term Debt	17,665.73			(17,665.73)		(17,665.73)
Cocurricular Activities	299,101.38	31,479.54		(267,621.84)		(267,621.84)
Total Governmental Activities	<u>3,784,842.00</u>	<u>65,540.56</u>	<u>138,425.58</u>	<u>(3,580,875.86)</u>		<u>(3,580,875.86)</u>
Business-type Activities:						
Food Service	233,026.96	79,232.68	169,385.99		15,591.71	15,591.71
Other Enterprise	6,032.72	7,166.50			1,133.78	1,133.78
Total Business-Type Activities	<u>239,059.68</u>	<u>86,399.18</u>	<u>169,385.99</u>		<u>16,725.49</u>	<u>16,725.49</u>
Total Primary Government	<u>\$ 4,017,868.96</u>	<u>\$ 144,773.24</u>	<u>\$ 307,811.57</u>	<u>(3,580,875.86)</u>	<u>16,725.49</u>	<u>(3,564,150.37)</u>
		General Revenues:				
		Taxes:				
				3,330,844.42		3,330,844.42
				173,984.28		173,984.28
		Revenue from State Sources:				
				532,409.03		532,409.03
				1,519.07	69.27	1,588.34
				83,039.78		83,039.78
				<u>4,121,796.58</u>	<u>69.27</u>	<u>4,121,865.85</u>
				<u>540,920.72</u>	<u>16,794.76</u>	<u>557,715.48</u>
				6,264,095.48	121,210.89	6,385,306.37
				433,004.20		433,004.20
				<u>6,697,099.68</u>	<u>121,210.89</u>	<u>6,818,310.57</u>
				<u>\$ 7,238,020.40</u>	<u>\$ 138,005.65</u>	<u>\$ 7,376,026.05</u>

*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**CLARK SCHOOL DISTRICT 12-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
ASSETS:						
Cash and Cash Equivalents	\$ 268,208.04	\$ 545,554.39	\$ 606,940.99	\$ 173,777.57	\$ 247,678.61	\$ 1,842,159.60
Investments	500,000.00					500,000.00
Taxes Receivable--Current	888,142.70	305,245.46	292,293.23	47,709.42	146,180.44	1,679,571.25
Taxes Receivable--Delinquent	9,296.94	3,135.97	2,785.19	162.08	1,390.35	16,770.53
Accounts Receivable	7,829.51	1,344.01				9,173.52
Due from Other Governments	186,133.28		1,183.07			187,316.35
TOTAL ASSETS	<u>\$ 1,859,610.47</u>	<u>\$ 855,279.83</u>	<u>\$ 903,202.48</u>	<u>\$ 221,649.07</u>	<u>\$ 395,249.40</u>	<u>\$ 4,234,991.25</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 4,403.03	\$	\$ 451.33	\$	\$	\$ 4,854.36
Contracts Payable	212,993.27		22,325.38			235,318.65
Payroll Deductions and Withholdings and employer Matching Payable	44,666.55		4,852.46			49,519.01
Total Liabilities	<u>262,062.85</u>		<u>27,629.17</u>			<u>289,692.02</u>
Deferred Inflows of Resources:						
Taxes Levied for a Future Period	888,142.70	305,245.46	292,293.23	47,709.42	146,180.44	1,679,571.25
Unavailable Revenue-Property Taxes	9,296.94	3,135.97	2,785.19	162.08	1,390.35	16,770.53
Total Deferred Inflows of Resources	<u>897,439.64</u>	<u>308,381.43</u>	<u>295,078.42</u>	<u>47,871.50</u>	<u>147,570.79</u>	<u>1,696,341.78</u>
Fund Balances:						
Restricted		546,898.40	580,494.89	173,777.57	247,678.61	1,548,849.47
Assigned	62,060.13					62,060.13
Unassigned	638,047.85					638,047.85
Total Fund Balances	<u>700,107.98</u>	<u>546,898.40</u>	<u>580,494.89</u>	<u>173,777.57</u>	<u>247,678.61</u>	<u>2,248,957.45</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,859,610.47</u>	<u>\$ 855,279.83</u>	<u>\$ 903,202.48</u>	<u>\$ 221,649.07</u>	<u>\$ 395,249.40</u>	<u>\$ 4,234,991.25</u>

14

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, 2015**

Total Fund Balances - Governmental Funds		\$2,248,957.45
<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:	\$ 10,146,230.02	
The accumulated depreciation is:	<u>(4,849,809.09)</u>	5,296,420.93
<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	(590,000.00)	
Other Postemployment Benefits	(183,658.00)	
Capital Leases Payable	<u>(136,313.88)</u>	(909,971.88)
<p>Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.</p>		
		806,376.01
<p>Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.</p>		
		713,386.73
<p>Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.</p>		
		(933,919.37)
<p>Assets such as taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
		<u>16,770.53</u>
Net Position - Governmental Funds		<u>\$7,238,020.40</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, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 1,805,845.74	\$ 603,108.59	\$ 535,464.25	\$ 51,875.45	\$ 304,959.02	\$ 3,301,253.05
Prior Years' Ad Valorem Taxes	5,213.26	1,595.20	1,340.29	47.24	861.46	9,057.45
Tax Deed Revenue	5,909.44					5,909.44
Utility Taxes	173,984.28					173,984.28
Penalties and Interest on Taxes	4,519.54	1,804.81	1,466.93	96.58	1,006.28	8,894.14
Earnings on Investments and Deposits	1,519.07					1,519.07
Cocurricular Activities:						
Admissions	24,281.54					24,281.54
Pupil Organization Membership	2,465.00					2,465.00
Other Pupil Activity Income	4,733.00					4,733.00
Other Revenue from Local Sources:						
Rentals	4,068.00					4,068.00
Contributions and Donations	5,000.00					5,000.00
Charge for Services	5,128.47		11,836.11			16,964.58
Other	6,266.44	436.04	1,594.20		225.67	8,522.35
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	25,784.69					25,784.69
Revenue in Lieu of Taxes	12,746.62					12,746.62
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	532,409.03					532,409.03
Restricted Grants-in-Aid	8,750.00					8,750.00
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from Federal Government Through the State	112,711.00					112,711.00
Total Revenue	<u>2,741,335.12</u>	<u>606,944.64</u>	<u>551,701.78</u>	<u>52,019.27</u>	<u>307,052.43</u>	<u>4,259,053.24</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	487,121.80	60,059.95	19,747.80	566,929.55
Middle/Junior High	336,795.37	12,800.00	14,172.70	363,768.07
High School	497,317.43	77,373.31	19,105.76	593,796.50
Other Regular programs	42,024.26		1,660.30	43,684.56

Special Programs:

Programs for Special Education		355,312.74		355,312.74
Programs for Educationally Deprived	141,750.00		6,656.67	148,406.67

Support Services:

Pupils:

Guidance	43,526.92	609.48	1,839.00	45,975.40
Health	1,010.00			1,010.00
Psychology		9,771.00		9,771.00
Speech Pathology		18,609.29		18,609.29
Student Therapy Services		14,818.32		14,818.32

Support Services - Instructional Staff:

Improvement of Instruction	8,750.00			8,750.00
Educational Media	76,217.85	12,901.78	2,962.57	92,082.20

Support Services - General Administration:

Board of Education	26,245.97			26,245.97
Executive Administration	42,407.84		1,830.14	44,237.98

Support Services - School Administration:

Office of the Principal	139,281.02		6,167.80	145,448.82
Other	136.55			136.55

Support Services - Business:

Fiscal Services	68,970.64		2,744.49	71,715.13
Operation and Maintenance of Plant	214,920.49	143,261.09	4,896.98	363,078.56
Pupil Transportation	217,270.35	29,277.61		246,547.96

Community Services

Recreation	13,540.36			13,540.36
------------	-----------	--	--	-----------

Support Services - Special Education:

Administrative Costs		29,510.20		29,510.20
Other Health Costs		11,476.18		11,476.18

Debt Services

		26,666.28	304,970.00	331,636.28
--	--	-----------	------------	------------

Non Programmed Charges:

Early Retirement	3,600.00			3,600.00
------------------	----------	--	--	----------

CLARK SCHOOL DISTRICT 12-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Cocurricular Activities:						
Combined Activities	215,654.92	23,625.41		6,458.67		245,739.00
Capital Outlay		120,136.00				120,136.00
Total Expenditures	<u>2,576,541.77</u>	<u>506,101.43</u>	<u>440,107.21</u>	<u>88,242.88</u>	<u>304,970.00</u>	<u>3,915,963.29</u>
Excess of Revenue Over (Under)						
Expenditures	<u>164,793.35</u>	<u>100,843.21</u>	<u>111,594.57</u>	<u>(36,223.61)</u>	<u>2,082.43</u>	<u>343,089.95</u>
Other Financing Sources:						
Sale of Surplus Property	<u>918.12</u>					<u>918.12</u>
∞ Total Other Financing Sources (Uses)	<u>918.12</u>					<u>918.12</u>
Net Change in Fund Balances	165,711.47	100,843.21	111,594.57	(36,223.61)	2,082.43	344,008.07
Fund Balance Beginning	<u>534,396.51</u>	<u>446,055.19</u>	<u>468,900.32</u>	<u>210,001.18</u>	<u>245,596.18</u>	<u>1,904,949.38</u>
FUND BALANCE - ENDING	<u>\$ 700,107.98</u>	<u>\$ 546,898.40</u>	<u>\$ 580,494.89</u>	<u>\$ 173,777.57</u>	<u>\$ 247,678.61</u>	<u>\$ 2,248,957.45</u>

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

**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, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 344,008.07

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 depreciation expense exceeds capital outlays during this period.

Capital Outlays	\$ 120,136.00	
Depreciation Expense	<u>(241,705.41)</u>	(121,569.41)

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	18,970.55	
Bonds Payable	<u>295,000.00</u>	313,970.55

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

OPEB Payable	(183,658.00)	
Early Retirement Payable	<u>3,600.00</u>	(180,058.00)

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.

5,730.34

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

152,839.17

The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements.

26,000.00

Change in Net Position of Governmental Activities \$ 540,920.72

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, 2015**

	Food Service Fund	Other Enterprise Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 86,327.31	\$ 4,323.18	\$ 90,650.49
Accounts Receivable	139.80		139.80
Due from Other Governments	13,854.68		13,854.68
Inventory of Supplies	1,470.54		1,470.54
Inventory of Stores Purchased for Resale	2,331.00		2,331.00
Inventory of Donated Food	10,807.25		10,807.25
Total Current Assets	114,930.58	4,323.18	119,253.76
Capital Assets:			
Machinery and Equipment	101,400.11		101,400.11
Less: Accumulated Depreciation	(78,086.27)		(78,086.27)
Total Noncurrent Assets	23,313.84		23,313.84
TOTAL ASSETS	138,244.42	4,323.18	142,567.60
LIABILITIES:			
Current Liabilities:			
Payroll Deductions and Withholdings and Employer Matching Payable	59.34	111.23	170.57
Deposits Payable	4,391.38		4,391.38
Total Current Liabilities	4,450.72	111.23	4,561.95
NET POSITION:			
Net Investment in Capital Assets	23,313.84		23,313.84
Unrestricted Net Position	110,479.86	4,211.95	114,691.81
Total Net Position	\$ 133,793.70	\$ 4,211.95	\$ 138,005.65

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, 2015

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
Operating Revenue:			
Sales:			
To Pupils	\$ 67,401.29	\$	\$ 67,401.29
To Adults	7,563.95		7,563.95
A la Carte	2,774.40		2,774.40
Other	793.13		793.13
Other Miscellaneous Revenue	699.91		699.91
Charges for Service			
Non-credit Tuition		2,495.00	2,495.00
Daycare		4,671.50	4,671.50
Total Operating Revenue	<u>79,232.68</u>	<u>7,166.50</u>	<u>86,399.18</u>
Operating Expenses:			
Food Service:			
Salaries	72,356.56	4,940.51	77,297.07
Employee Benefits	10,762.11	650.75	11,412.86
Purchased Services	4,713.48		4,713.48
Supplies	3,122.28	42.97	3,165.25
Cost of Sales-Purchased Food	126,667.87		126,667.87
Cost of Sales-Donated Food	11,054.18		11,054.18
Miscellaneous	1,086.50	398.49	1,484.99
Depreciation	3,263.98		3,263.98
Total Operating Expenses	<u>233,026.96</u>	<u>6,032.72</u>	<u>239,059.68</u>
Operating Income (Loss)	<u>(153,794.28)</u>	<u>1,133.78</u>	<u>(152,660.50)</u>
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	69.27		69.27
State Sources:			
Other Cash Payments	1,136.51		1,136.51
Federal Sources:			
Cash Reimbursements	150,162.59		150,162.59
Donated Food	18,086.89		18,086.89
Total Nonoperating Revenue (Expense)	<u>169,455.26</u>		<u>169,455.26</u>
Change in Net Position	15,660.98	1,133.78	16,794.76
Beginning Net Position	<u>118,132.72</u>	<u>3,078.17</u>	<u>121,210.89</u>
NET POSITION - ENDING	<u>\$ 133,793.70</u>	<u>\$ 4,211.95</u>	<u>\$ 138,005.65</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, 2015**

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 78,914.63	\$ 7,166.50	\$ 86,081.13
Payments to Suppliers	(140,652.51)	(441.46)	(141,093.97)
Payments to Employees	(83,478.13)	(5,534.41)	(89,012.54)
Net Cash Provided (Used) by Operating Activities	(145,216.01)	1,190.63	(144,025.38)
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	151,299.10		151,299.10
Net Cash Provided (Used) by Noncapital Financing Activities	151,299.10		151,299.10
Cash Flows from Investing Activities:			
Interest Received	69.27		69.27
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 6,152.36	\$ 1,190.63	\$ 7,342.99
Cash and Cash Equivalents at Beginning of Year	\$ 80,174.95	\$ 3,132.55	\$ 83,307.50
Cash and Cash Equivalents at End of Year	86,327.31	4,323.18	90,650.49
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 6,152.36	\$ 1,190.63	\$ 7,342.99
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$(153,794.28)	\$ 1,133.78	\$(152,660.50)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,263.98		3,263.98
Value of Commodities Used	11,054.18		11,054.18
Change in Assets and Liabilities:			
Accounts Receivable	62.89		62.89
Due from Other Governments	268.52		268.52
Inventories	5,056.59		5,056.59
Accounts Payable	(10,118.97)		(10,118.97)
Accrued Wages Payable	(359.46)	56.85	(302.61)
Deposits Payable	(649.46)		(649.46)
Net Cash Provided (Used) by Operating Activities	\$(145,216.01)	\$ 1,190.63	\$(144,025.38)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 18,086.89		

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, 2015**

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 11,475.17	\$ 64,802.01
Savings Certificates	11,000.00	
Accounts Receivable		3,089.89
	<u>22,475.17</u>	<u>67,891.90</u>
TOTAL ASSETS		
LIABILITIES:		
Amounts Held for Others		67,891.90
Total Liabilities		<u>\$ 67,891.90</u>
NET POSITION:		
Held in Trust for Scholarship	<u>22,475.17</u>	
Total Net Position	<u>\$ 22,475.17</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, 2015**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Interest Earned	<u>\$ 28.95</u>
DEDUCTIONS:	
Scholarships	<u>1,000.00</u>
Total Deductions	<u>1,000.00</u>
Change in Net Position	<u>(971.05)</u>
Net Position - Beginning	13,446.22
Prior Period Adjustment	<u>10,000.00</u>
Net Position - Adjusted Beginning	<u>23,446.22</u>
NET POSITION - ENDING	<u><u>\$ 22,475.17</u></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 district. 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 nit, 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 are 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 1-37-16 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.

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Bond Redemption – A fund established by SDCL 13-16-13 to account for the proceeds for a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. 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 measureable 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, 2015 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 measureable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified in order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. 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 (primarily) 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.

f. 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, 2015 balance of capital assets for governmental activities includes approximately 3.26 percent for which the costs were determined by estimates of the original costs. The total June 30, 2015 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.

g. 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/purchase 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.

h. 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.

i. 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.

j. 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.

k. 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.

I. 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.

m. 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.

n. 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, 2015**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Fund Balances:						
<i>Restricted for:</i>						
Capital Outlay Fund	\$	\$ 546,898.40	\$	\$	\$	\$ 546,898.40
Special Education Fund			580,494.89			580,494.89
Pension Fund				173,777.57		173,777.57
Bond Redemption Fund					247,678.61	247,678.61
<i>Assigned to:</i>						
Unemployment	6,721.13					6,721.13
Subsequent Year's Budget	55,339.00					55,339.00
<i>Unassigned</i>	638,047.85					638,047.85
Total Fund Balances	<u>\$ 700,107.98</u>	<u>\$ 546,898.40</u>	<u>\$ 580,494.89</u>	<u>\$ 173,777.57</u>	<u>\$ 247,678.61</u>	<u>\$ 2,248,957.45</u>

o. 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, 2015, 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 and no allowance has been provided for uncollectible amounts.

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, 2015 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, 2015 is as follows:

Primary Government	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 56,234.50	\$	\$	\$ 56,234.50
Construction In Progress		123,525.00		123,525.00
Total Assets not being depreciated:	<u>56,234.50</u>	<u>123,525.00</u>		<u>179,759.50</u>
Capital Assets, depreciated:				
Buildings	8,442,226.40			8,442,226.40
Improvements Other Than Buildings	505,091.38			505,091.38
Machinery and Equipment - Local	671,246.25	16,899.00		688,145.25
Library Books**	336,467.49	5,712.00	11,172.00	331,007.49
Totals	<u>9,955,031.52</u>	<u>22,611.00</u>	<u>11,172.00</u>	<u>9,966,470.52</u>
Less Accumulated Depreciation:				
Buildings	3,573,534.30	170,694.80		3,744,229.10
Improvements	413,317.42	20,269.12		433,586.54
Machinery and Equipment	455,911.60	34,191.12		490,102.72
Library Books**	176,512.36	16,550.37	11,172.00	181,890.73
Total Accumulated Depreciation	<u>4,619,275.68</u>	<u>241,705.41</u>	<u>11,172.00</u>	<u>4,849,809.09</u>
Total Capital Assets, being depreciated, net	<u>5,335,755.84</u>	<u>(219,094.41)</u>		<u>5,116,661.43</u>
Governmental Activities Capital Assets, net	<u>\$ 5,391,990.34</u>	<u>\$ (219,094.41)</u>	<u>\$</u>	<u>\$ 5,296,420.93</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 170,827.41
Support Services	17,515.62
Cocurricular	53,362.38
Total Depreciation expense-governmental activities	<u>\$ 241,705.41</u>

	Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Business Type Activities:				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 101,400.11	\$	\$	\$ 101,400.11
Less Accumulated Depreciation:				
Machinery and Equipment	<u>74,822.29</u>	<u>3,263.98</u>	<u> </u>	<u>78,086.27</u>
Business-type activity capital assets, net	<u>\$ 26,577.82</u>	<u>\$ (3,263.98)</u>	<u>\$</u>	<u>\$ 23,313.84</u>

Depreciation expense was charged to functions as follows:

Business-type Activity	
Total Depreciation expense-business-type activities	<u>\$ 3,263.98</u>

Construction Work In Progress at June 30, 2015 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/15</u>	<u>Committed</u>
Track Project	\$ 150,000.00	\$ 123,525.00	\$ 26,475.00

NOTE 7 – LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Governmental Activities				<u>Total</u>
	<u>Bonds Payable</u>	<u>Early Retirement Benefits Payable</u>	<u>Financing (Capital Acquisitions) Leases</u>	<u>Other Postemployment Benefits</u>	
Liabilities Payable, June 30, 2014	\$ 885,000.00	\$ 3,600.00	\$ 155,284.43	\$	\$ 1,043,884.43
Additions				183,658.00	183,658.00
Retired	<u>(295,000.00)</u>	<u>(3,600.00)</u>	<u>(18,970.55)</u>	<u> </u>	<u>(317,570.55)</u>
Liabilities Payable, June 30, 2015	<u>\$ 590,000.00</u>	<u>\$</u>	<u>\$ 136,313.88</u>	<u>\$ 183,658.00</u>	<u>\$ 909,971.88</u>
Due within One Year	<u>\$ 300,000.00</u>	<u>\$</u>	<u>\$ 19,952.32</u>	<u>\$</u>	<u>\$ 319,952.32</u>

Early retirement benefits payable for governmental activities typically has been liquidated from the General Fund. Liabilities payable at June 30, 2015 are comprised of the following:

Bonds Payable

General Obligation Refunding Bonds, Series 2011; Original amount of \$1,475,000; maturing December 15, 2016; interest rates from 0.70% to 1.55% depending on the term to maturity of the related principal payment; payable by the Debt Service Fund.

\$ 590,000.00

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. 136,313.88

Other Postemployment Benefits:

Obligations to individuals who are retired or will retire from the school district and who will receive postemployment benefits. Payments are to be made from the General Fund. 183,658.00

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

Principal	\$ 277,031.00
Interest	<u>122,963.20</u>
Total	<u>\$ 399,994.20</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 grading 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. The annual debt service requirements to maturity for all debt outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	GO Bonds Payable		Financing (Capital Acquisition) Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 300,000.00	\$ 6,295.00	\$ 19,952.32	\$ 6,713.96	\$ 319,952.32
2017	290,000.00	2,247.50	20,984.91	5,681.38	310,984.91	7,928.88
2018			22,070.94	4,595.34	22,070.94	4,595.34
2019			23,213.17	3,453.11	23,213.17	3,453.11
2020			24,414.52	2,251.76	24,414.52	2,251.76
2021-2025			25,678.02	988.24	25,678.02	988.24
Totals	<u>\$ 590,000.00</u>	<u>\$ 8,542.50</u>	<u>\$ 136,313.88</u>	<u>\$ 23,683.79</u>	<u>\$ 726,313.88</u>	<u>\$ 32,226.29</u>

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	\$ 550,034.37
Special Education Purposes	Law	583,280.08
Pension Purposes	Law	173,939.65
Debt Service Purposes	Debt Covenants	249,068.96
SDRS Pension Purposes	Law	<u>585,843.37</u>
Total Restricted Net Position		<u>\$ 2,142,166.43</u>

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The School District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of July 1, 2014 as follows:

Net Position July 1, 2014, as previously reported	\$	151,496.97
Restatement for pension accounting:		
Net Pension Asset		315,568.21
Pension related Deferred Outflows of Resources		<u>118,778.19</u>
Net Position July 1, 2014, as restated	\$	<u>585,843.37</u>

A prior period adjustment was made in the Private Purpose Trust Fund to reflect a Scholarship Account that was previously reported in the Agency Funds.

NOTE 10 – 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, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable one each July 1 is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

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. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$118,778.19, \$117,435.99, and \$106,144.79, 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, 2014, SDRS is 107% 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, 2014 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 11,872,537.19
Less proportionate share of total pension assets	<u>11,066,161.17</u>
Proportionate share of net pension asset	<u><u>\$ 806,376.01</u></u>

At June 30 2015, the School District reported an asset of \$806,376.01 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension 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, 2014, the School District's proportion was .1119253%, which is an increase of .1119253% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension revenue of \$34,061.02. At June 30, 2015 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	\$ 68,230.31	\$
Changes in assumption	526,378.22	
Net difference between projected and actual earnings on pension plan investments		933,919.37
District contributions subsequent to the measurement date	<u>118,778.19</u>	
TOTAL	<u><u>\$ 713,386.73</u></u>	<u><u>\$ 933,919.37</u></u>

\$118,778.19 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 in the year ending June 30, 2016. 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:	
2015	\$ (64,075.70)
2016	(64,075.70)
2017	(64,075.70)
2018	(147,083.73)
TOTAL	<u>\$ (339,310.83)</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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, 2014 (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	64.0%	4.7%
Fixed Income	26.0%	1.8%
Real Estate	8.0%	5.5%
Cash	<u>2.0%</u>	0.8%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. 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 7.25 percent through 2016 and 7.50 percent thereafter, 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 (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	Current Discount <u>Rate</u>	<u>1%</u> <u>Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 796,851.17	\$ (806,376.01)	\$ (2,113,975.12)

Pension Plan Fiduciary Net Position:

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

NOTE 11 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description: Clark School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Sanford Health Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Clark School District, 220 North Clinton St., Clark, SD 57225 or by calling 605-532-3605.

Funding Policy: The District funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Annual OPEB Cost and Net OPEB Obligation: The School District's annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation to the plan:

Annual required contribution	\$ 21,520
Interest on net OPEB obligation	5,342
Adjustment to annual required contribution	<u>(8,820)</u>
Annual OPEB cost (expense)	18,042
Contributions made	<u>(12,452)</u>
Increase in net OPEB obligation	5,590
Net OPEB obligation - beginning of year	<u>178,068</u>
Net OPEB obligation - end of year	<u>\$ 183,658</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2015	\$ 18,042	69.0%	\$ 183,658

Funded Status and Funding Progress: As of July 1, 2015, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$187,808, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$187,808.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 3 percent rate of return and an annual healthcare cost trend rate of 9.35.8 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after 45 years. Both rates include a 2.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a period of 30 years.

NOTE 12 – EARLY RETIREMENT BENEFITS

Only certified, full-time employees with a 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, 2015, there was no one 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 13 – JOINT VENTURES

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unite (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	3.93%
Britton-Hecia School District No. 45-4	6.77%
Castlewood School District No. 28-1	3.66%
Clark School District No. 12-2	5.07%
DeSmet School District No. 38-2	4.39%
Deubrook School District No. 5-6	4.81%
Deuel School District No. 19-4	6.85%
Elkton School District No. 5-3	4.42%
Enemy Swim Day School	2.44%
Estelline School District No. 28-2	3.57%
Florence School District No. 14-1	2.88%
Grant-Deuel School District No. 25-3	1.47%
Hamlin School District No. 28-3	9.97%
Henry School District No. 14-2	2.40%
Iroquois School District No. 02-3	3.03%
Lake Preston School District No. 38-3	2.29%
Rosholt School District No. 54-4	2.93%
Sioux Valley School District No. 5-5	8.09%
Summit School District No. 54-6	2.28%
Waubay School District No. 18-3	2.33%
Waverly/South Shore School District No. 14-5	2.97%
Webster School District No. 18-4	7.42%
Willow Lake School District No. 12-3	3.15%
Wilmot School District No. 54-7	2.88%

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, 2015, this joint venture had total assets of \$1,573,954.47, total liabilities of \$415,200.27, and net position of \$1,158,954.47.

NOTE 14 – 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, 2015, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities through Sanford Health. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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 \$6,721.13 for the payment of future unemployment benefits.

During the year ended June 30, 2015 no claims were filed for unemployment benefits. At June 30, 2015 no 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 15 – LITIGATION

At June 30, 2015, the School District was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<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	\$ 1,745,527.00	1,745,527.00	\$ 1,805,845.74	\$ 60,318.74
Prior Years' Ad Valorem Taxes	5,500.00	5,500.00	5,213.26	(286.74)
Tax Deed Revenue			5,909.44	5,909.44
Utility Taxes	148,000.00	148,000.00	173,984.28	25,984.28
Penalties and Interest on Taxes	4,000.00	4,000.00	4,519.54	519.54
Earnings on Investments/ Deposits	2,100.00	2,100.00	1,519.07	(580.93)
Cocurricular Activities:				
Admissions	17,000.00	17,000.00	24,281.54	7,281.54
Pupil Organization Memberships	3,500.00	3,500.00	2,465.00	(1,035.00)
Other Pupil Activity Income	4,150.00	4,150.00	4,733.00	583.00
Other Revenue from Local Sources:				
Rentals	350.00	350.00	4,068.00	3,718.00
Contributions	100.00	100.00	5,000.00	4,900.00
Charges for Services	12,000.00	12,000.00	5,128.47	(6,871.53)
Other	2,500.00	2,500.00	6,266.44	3,766.44
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	20,000.00	20,000.00	25,784.69	5,784.69
Revenue in Lieu of Taxes	2,000.00	2,000.00	12,746.62	10,746.62
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	586,183.00	586,183.00	532,409.03	(53,773.97)
Restricted Grants-in-Aid			8,750.00	8,750.00
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through the State	130,960.00	130,960.00	112,711.00	(18,249.00)
Total Revenue	<u>2,683,870.00</u>	<u>2,683,870.00</u>	<u>2,741,335.12</u>	<u>57,465.12</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	492,920.00	492,920.00	487,121.80	5,798.20
Middle/Junior High	338,650.00	340,395.37	336,795.37	3,600.00
High School	532,970.00	532,970.00	497,317.43	35,652.57
Preschool	42,412.00	42,412.00	42,024.26	387.74
Special Programs:				
Educationally Deprived	145,787.00	145,787.00	141,750.00	4,037.00

**REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Support Services:				
Pupils:				
Guidance	42,495.00	43,526.92	43,526.92	
Health	1,500.00	1,500.00	1,010.00	490.00
Support Services - Instructional Staff:				
Improvement of Instruction			8,750.00	(8,750.00)
Educational Media	74,505.00	77,050.38	76,217.85	832.53
Support Services - General Administration:				
Board of Education	38,200.00	38,273.89	26,245.97	12,027.92
Executive Administration	46,915.00	46,915.00	42,407.84	4,507.16
Support Services - School Administration:				
Office of the Principal	136,942.00	140,500.49	139,281.02	1,219.47
Other	800.00	800.00	136.55	663.45
Support Services - Business:				
Fiscal Services	70,795.00	70,795.00	68,970.64	1,824.36
Operation and Maintenance of Plant	229,100.00	233,587.06	214,920.49	18,666.57
Pupil Transportation	225,300.00	225,300.00	217,270.35	8,029.65
Recreation	16,250.00	16,250.00	13,540.36	2,709.64
Non Programmed Charges:				
Early Retirement			3,600.00	(3,600.00)
Cocurricular Activities:				
Combined Activities	229,869.00	229,869.00	215,654.92	14,214.08
Total Expenditures	<u>2,665,410.00</u>	<u>2,678,852.11</u>	<u>2,576,541.77</u>	<u>102,310.34</u>
Excess of Revenue Over (Under)				
Expenditures	<u>18,460.00</u>	<u>5,017.89</u>	<u>164,793.35</u>	<u>159,775.46</u>
Other Financing Sources:				
Transfers Out	(20,000.00)	(20,000.00)		20,000.00
Sale of Surplus Property			918.12	918.12
Total Other Financing Sources	<u>(20,000.00)</u>	<u>(20,000.00)</u>	<u>918.12</u>	<u>20,918.12</u>
Net Change in Fund Balances	(1,540.00)	(14,982.11)	165,711.47	180,693.58
Fund Balance Beginning	<u>534,396.51</u>	<u>534,396.51</u>	<u>534,396.51</u>	
ENDING FUND BALANCE	<u>\$ 532,856.51</u>	<u>\$ 519,414.40</u>	<u>\$ 700,107.98</u>	<u>\$ 180,693.58</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 581,600.00	\$ 581,600.00	\$ 603,108.59	\$ 21,508.59
Prior Years' Ad Valorem Taxes	2,000.00	2,000.00	1,595.20	(404.80)
Penalties and Interest on Taxes	1,800.00	1,800.00	1,804.81	4.81
Other Revenue from Local Sources:				
Other			436.04	436.04
Total Revenue	<u>585,400.00</u>	<u>585,400.00</u>	<u>606,944.64</u>	<u>21,544.64</u>
Expenditures:				
Instruction				
Regular programs:				
Elementary	65,325.00	65,325.00	60,059.95	5,265.05
Middle/Junior High	12,800.00	12,800.00	12,800.00	
High School	66,475.00	66,475.00	77,373.31	(10,898.31)
Support Services-Instructional Staff:				
Educational Media	22,200.00	22,200.00	18,613.78	3,586.22
Support Services - Business:				
Facilities Acquisition and Construction	100,000.00	100,000.00	97,525.00	2,475.00
Operation and Maintenance of Plant	184,990.00	185,189.80	148,261.09	36,928.71
Pupil Transportation	34,654.00	34,654.00	29,277.61	5,376.39
Debt Services	27,200.00	27,200.00	26,666.28	533.72
Cocurricular Activities:				
Combined Activities	<u>40,960.00</u>	<u>40,960.00</u>	<u>35,524.41</u>	<u>5,435.59</u>
Total Expenditures	<u>554,604.00</u>	<u>554,803.80</u>	<u>506,101.43</u>	<u>48,702.37</u>
Net Change in Fund Balances	30,796.00	30,596.20	100,843.21	70,247.01
Fund Balance Beginning	<u>446,055.19</u>	<u>446,055.19</u>	<u>446,055.19</u>	
ENDING FUND BALANCE	<u>\$ 476,851.19</u>	<u>\$ 476,651.39</u>	<u>\$ 546,898.40</u>	<u>\$ 70,247.01</u>

REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<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	\$ 557,395.00	\$ 557,395.00	\$ 535,464.25	\$ (21,930.75)
Prior Years' Ad Valorem Taxes	2,500.00	2,500.00	1,340.29	(1,159.71)
Penalties and Interest on Taxes	1,100.00	1,100.00	1,466.93	366.93
Other Revenue from Local Sources:				
Charges for Services	5,000.00	5,000.00	11,836.11	6,836.11
Other			<u>1,594.20</u>	<u>1,594.20</u>
Total Revenue	<u>565,995.00</u>	<u>565,995.00</u>	<u>551,701.78</u>	<u>(14,293.22)</u>
Expenditures:				
Special Programs:				
Programs for Special Education	428,525.00	428,525.00	355,312.74	73,212.26
Support Services:				
Pupils:				
Guidance	820.00	820.00	609.48	210.52
Psychological	13,900.00	13,900.00	9,771.00	4,129.00
Speech Pathology	25,380.00	25,380.00	18,609.29	6,770.71
Student Therapy Services	20,000.00	20,000.00	14,818.32	5,181.68
Support Services - Special Education				
Administrative Costs	41,430.00	41,430.00	29,510.20	11,919.80
Other Health Costs	4,100.00	4,100.00	<u>11,476.18</u>	<u>(7,376.18)</u>
Total Expenditures	<u>534,155.00</u>	<u>534,155.00</u>	<u>440,107.21</u>	<u>94,047.79</u>
Net Change in Fund Balances	31,840.00	31,840.00	111,594.57	79,754.57
Fund Balance Beginning	<u>468,900.32</u>	<u>468,900.32</u>	<u>468,900.32</u>	
ENDING FUND BALANCE	<u>\$ 500,740.32</u>	<u>\$ 500,740.32</u>	<u>\$ 580,494.89</u>	<u>\$ 79,754.57</u>

REQUIRED SUPPLEMENTARY INFORMATION
CLARK SCHOOL DISTRICT 12-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary	Positive
			Basis)	(Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 48,400.00	\$ 48,400.00	\$ 51,875.45	\$ 3,475.45
Prior Years' Ad Valorem Taxes			47.24	47.24
Penalties and Interest on Taxes	300.00	300.00	96.58	(203.42)
Total Revenue	<u>48,700.00</u>	<u>48,700.00</u>	<u>52,019.27</u>	<u>3,319.27</u>
Expenditures:				
Instruction:				
Elementary	23,850.00	23,850.00	19,747.80	4,102.20
Middle/Junior High	26,700.00	26,700.00	14,172.70	12,527.30
High School	23,250.00	23,250.00	19,105.76	4,144.24
Other Regular Programs	2,000.00	2,000.00	1,660.30	339.70
Special Programs				
Educationally Deprived	7,100.00	7,100.00	6,656.67	443.33
Support Services:				
Guidance	2,210.00	2,210.00	1,839.00	371.00
Support Services - Instructional Staff:				
Educational Media	3,030.00	3,030.00	2,962.57	67.43
Support Services - General Administration:				
Executive Administration	1,900.00	1,900.00	1,830.14	69.86
Support Services - School Administration:				
Office of the Principal	6,900.00	6,900.00	6,167.80	732.20
Support Services - Business:				
Fiscal Services	2,980.00	2,980.00	2,744.49	235.51
Operation and Maintenance of Plant	5,180.00	5,180.00	4,896.98	283.02
Cocurricular Activities				
Combined Activities	8,010.00	8,010.00	6,458.67	1,551.33
Total Expenditures	<u>113,110.00</u>	<u>113,110.00</u>	<u>88,242.88</u>	<u>24,867.12</u>
Net Change in Fund Balances	(64,410.00)	(64,410.00)	(36,223.61)	28,186.39
Fund Balance Beginning	210,001.18	210,001.18	210,001.18	
ENDING FUND BALANCE	<u>\$145,591.18</u>	<u>\$145,591.18</u>	<u>\$173,777.57</u>	<u>\$ 28,186.39</u>

**REQUIRED SUPPLEMENTARY INFORMATION
 CLARK SCHOOL DISTRICT 12-2
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2015	0.00	\$ 187,808	\$ 187,808	0.0%	\$ 996,571	18.85%

Schedule of Required Supplementary Information
CLARK SCHOOL DISTRICT 12-2
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

	2015
District's proportion of the net pension liability (asset)	0.1119253%
District's proportionate share of net pension liability (asset)	\$ (806,376)
District's covered-employee payroll	\$ 1,957,264
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%

* 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

Schedule of Required Supplementary Information
CLARK SCHOOL DISTRICT 12-2
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
Contractually required contribution	<u>\$ 117,436</u>	<u>\$ 118,778</u>
Contributions in relation to the contractually required contribution	<u>\$ 117,436</u>	<u>\$ 118,778</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 1,957,264	\$ 1,979,632
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

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.

QUAM & BERGLIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

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, 2015 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 18, 2016.

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 2015-001 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, P.C.

Quam & Berglin, P.C.
Certified Public Accountants

February 18, 2016

**CLARK SCHOOL DISTRICT NO. 12-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2015**

PRIOR AUDIT FINDINGS:

Audit Finding Number 2014-001:

A material weakness was reported for a lack of segregation of duties over the revenue function. 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 2015-001.

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings – Significant Deficiency

Audit Finding Number 2015-001:

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:

The Board of Education has prepared a response to the audit finding and that response is found in the Corrective Action Plan on the Table of Contents.

Clark School District

220 North Clinton Street

Clark, SD 57225

Mary Nelson, Business Manager
Dan Duenwald, Transportation Director
605-532-3836 (Bus Garage)

Luanne Warren
Superintendent/Elem principal
605-532-3606 and 605-532-3605

Jerry Hartley
middle/high school principal
605-532-3605

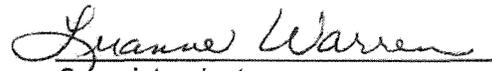
CORRECTIVE PLAN OF ACTION JUNE 30, 2015

Clark School District No. 12-2 has considered the lack of segregation of duties. 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.

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.



Business Manager



Superintendent