

Clark School District No. 12-2

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2023**

Clark School District No. 12-2

School District Officials

June 30, 2023

Board Members

Robert Steffen ----- Board President

Todd Fjelland-----Vice President

Nathan Luvass ----- Member

Greg Marx----- Member

Malory McIntire ----- Member

Travis Ahrens-----Superintendent

Mary Nelson-----Business Manager

Clark School District No. 12-2

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clark School District No. 12-2, South Dakota (School District), as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated November 28, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Prior and Current Audit Findings as item 2023-001 to be a material weakness.

Report on Compliance and Other Matters

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

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit. The School District's response to the findings identified in our audit are described in the accompanying Schedule of Prior and 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.



Elk Point, South Dakota
November 28, 2023

Clark School District No. 12-2
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2023

Prior Audit Findings – Financial Statement Audit

Finding Number 2022-001

A material weakness in internal control was disclosed by our audit for a lack of proper segregation of duties for the revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2023-001.

Finding Number 2022-002

Compliance finding - A significant deficiency resulting from expenditures exceeding total amounts budgeted for the Capital Outlay Fund. This finding has been corrected.

Current Audit Findings – Financial Statement Audit

Finding Number 2023-001

A material weakness in internal control was disclosed by our audit for lack of proper segregation of duties for revenues and expenditures.

Criteria: The internal control system of a School District can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

Condition: The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

Cause: The limited size of the School District's staff and resources cause the inability to maintain proper segregation of duties.

Effect: As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Auditor's Recommendation: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Management's Response: The District agrees with the finding. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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 the Clark School District No. 12-2, Clark, South Dakota (School District), as of June 30, 2023, 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.

In our opinion, the accompanying 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 the Clark School District No. 12-2 as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), Schedule of School District Contributions, and Schedule of Changes in Total OPEB Liability listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CIO Prof LHC". The signature is written in a cursive, somewhat stylized font.

Elk Point, South Dakota
November 28, 2023

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

This section of Clark School District 12-2's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2023. 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 \$144,015 more than the governmental and business-type program expenditures.

Overview of the Financial Statements

This 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.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Fund and Other Enterprise Fund (Afterschool and Driver's Education).
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – 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.

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

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)	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, after school program, and drivers education.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary 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

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Government-Wide Statements

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

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

- Increases or decreases in the School's net position are 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 nonfinancial 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 School charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund and the Other Enterprise Fund (consisting of the after-school program and driver's education program) which are the only business-type activities of the School.

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 (like the Custodial Funds).

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

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 converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds 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’s 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 is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund, Drivers Education and the Preschool Fund are the only proprietary funds maintained by the School.
- **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 net position and a statement of changes in 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.

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

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 12-2
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 6,801,757	\$ 6,382,360	\$ 265,147	\$ 292,139	\$ 7,066,904	\$ 6,674,499	-5.55%
Capital Assets (Net of Depreciation)	6,052,295	7,295,383	26,969	30,457	6,079,264	7,325,840	20.51%
Total Assets	12,854,052	13,677,743	292,116	322,596	13,146,168	14,000,339	6.50%
Pension Related Deferred Outflows	1,256,975	1,097,457	--	--	1,256,975	1,097,457	-12.69%
Total Deferred Outflows or Resources	1,256,975	1,097,457	--	--	1,256,975	1,097,457	-12.69%
Long-Term Liabilities Outstanding	231,921	1,546,911	--	--	231,921	1,546,911	567.00%
Other Liabilities	452,048	778,869	28,772	33,858	480,820	812,727	69.03%
Total Liabilities	683,969	2,325,780	28,772	33,858	712,741	2,359,638	231.07%
Taxes Levied for Future Period	1,501,921	1,528,766	--	--	1,501,921	1,528,766	1.79%
Pension Related Deferred Inflows	1,772,381	649,279	--	--	1,772,381	649,279	-63.37%
Total Deferred Inflows of Resources	3,274,302	2,178,045	--	--	3,274,302	2,178,045	-33.48%
Net Investment in Capital Assets	5,853,667	5,774,250	26,969	30,457	5,880,636	5,804,707	-1.29%
Restricted	2,509,086	2,833,669	--	--	2,509,086	2,833,669	12.94%
Unrestricted	1,790,003	1,663,456	236,375	258,281	2,026,378	1,921,737	-5.16%
Total Net Position	10,152,756	10,271,375	263,344	288,738	10,416,100	10,560,113	1.38%
Beginning Net Position	9,666,516	10,152,756	169,971	263,344	9,836,487	10,416,100	5.89%
Increase (Decrease) in Net Position	\$ 486,240	\$ 118,619	\$ 93,373	\$ 25,394	\$ 579,613	\$ 144,013	75.15%
Percentage of Increase (Decrease) in Net Position	5.03%	1.17%	54.93%	9.64%	5.89%	1.38%	

The School's combined net position of approximately \$10.5 million is approximately \$145,000 or 1.38% larger than on June 30, 2022. The increase in the School's financial position was primarily in its governmental activities due in part to increased tax revenues.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 notes payable, leases, and OPEB have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Changes in Net Position

60he Clark School District’s total revenues (excluding transfers) in FY23 were \$6,260,639. More than 59% of the School’s revenue comes from property and other taxes, with approximately 26% coming from state aid. (See Table A-2).

Table A-2
Clark School District 12-2
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 3,721,299	59.45%
State Sources	1,599,596	25.55%
Operating Grants & Contributions	643,562	10.28%
Charges For Services	219,046	3.50%
Other General Revenues	65,558	1.05%
Unrestricted Investment Earnings	11,578	0.17%
Total Revenue	\$ 6,260,639	100.00%

Total expenditures of all programs and services increased by approximately 1.16%. The Clark School District expenses totaled \$6,116,626 (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, community service, co-curricular activities, nonprogrammed charges, food services, and driver’s education. (See Table A-3).

Table A-3
Clark School District 12-2
Statement of Expenditures
Fiscal Year 2022-2023

Instruction	\$ 3,609,345	59.02%
Support Services	1,569,638	25.66%
Interest - on Long-Term Debt	33,021	0.54%
Community Services	77,068	1.26%
Cocurricular Activities	474,341	7.75%
Food Service	337,201	5.51%
Nonprogrammed Charges	3,623	0.06%
Other Enterprise	12,389	0.20%
Total Expenditures	\$ 6,116,626	100.00%

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School:

Table A-4

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 254,902	\$ 79,251	\$ 32,616	\$ 139,795	\$ 287,518	\$ 219,046	-23.81%
Operating Grants/ Contributions	675,259	409,107	387,088	234,455	1,062,347	643,562	-39.42%
General Revenues							
Taxes	3,698,568	3,721,299	--	--	3,698,568	3,721,299	0.61%
Revenue State Sources	1,452,261	1,599,596	--	--	1,452,261	1,599,596	10.15%
Other							
Other general revenues	69,784	65,558	--	--	69,784	65,558	-6.06%
Unrestricted Investment Earnings	1,098	10,844	44	734	1,142	11,578	913.84%
	<u>6,151,872</u>	<u>5,885,655</u>	<u>419,748</u>	<u>374,984</u>	<u>6,571,620</u>	<u>6,260,639</u>	<u>-4.73%</u>
Expenses							
Instruction	3,566,341	3,609,345	--	--	3,566,341	3,609,345	1.21%
Support Services	1,677,868	1,569,638	--	--	1,677,868	1,569,638	-6.45%
Community Services	19,656	77,068			19,656	77,068	292.08%
Non-programmed Charges	3,600	3,623	--	--	3,600	3,623	0.64%
Interest on long-term debt	5,975	33,021	--	--	5,975	33,021	452.65%
Co-curricular Activities	392,192	474,341	--	--	392,192	474,341	20.95%
Food Service	--	--	317,364	337,201	317,364	337,201	6.25%
Other Enterprise	--	--	9,011	12,389	9,011	12,389	37.49%
	<u>5,665,632</u>	<u>5,767,036</u>	<u>326,375</u>	<u>349,590</u>	<u>5,992,007</u>	<u>6,116,626</u>	<u>2.08%</u>
Increase (Decrease) in Net Position	486,240	118,619	93,373	25,394	579,613	144,013	-75.15%
Beginning Net Position	<u>9,666,516</u>	<u>10,152,756</u>	<u>169,971</u>	<u>263,344</u>	<u>9,836,487</u>	<u>10,416,100</u>	<u>5.89%</u>
Ending Net Position	<u>\$ 10,152,756</u>	<u>\$ 10,271,375</u>	<u>\$ 263,344</u>	<u>\$ 288,738</u>	<u>\$ 10,416,100</u>	<u>\$ 10,560,113</u>	<u>1.38%</u>

Governmental Activities

Revenues for the School's governmental activities decreased approximately 5.23% while expenses for governmental activities increased by approximately 0.8%. The larger revenue decreases occurred in charges for services and operating grants and contributions.

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Business-Type Activities

Expenditures of the School’s business-type activities (Food Service Operation and Other Enterprise) increased by 7.11% while revenues decreased by 10.66%.

Financial Analysis of the School’s Funds

The General Fund increased in fund balance from FY22 to FY23 by \$44,015 and the Capital Outlay fund balance increased by \$12,892. The Special Education Fund had an increase in fund balance of \$71,292, which was mostly caused by the increase in Special Education state aid.

General Fund Budgetary Highlights

Over the course of the year, the School Board can revise the School budget. These amendments fall into two categories:

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

Capital Asset Administration

By the end of FY23, the School had invested \$7,325,840 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$1,246,576.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 56,235	\$ 56,235	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	5,672,978	5,584,143	--	--	(88,835)	-1.57%
Machinery & Equipment	172,741	220,537	26,969	30,457	51,284	25.68%
Intangible Lease Assets	74,738	1,370,133	--	--	1,295,395	1733.25%
Library Books	75,603	64,335	--	--	(11,268)	-14.90%
Total Capital Assets	\$ 6,052,295	\$ 7,295,383	\$ 26,969	\$ 30,457	\$ 1,246,576	20.51%

Clark School District No. 12-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Major capital outlay purchases in FY23 included new lockers, Mac Books, new floor scrubber, new lights and fence at football field, new windows in elementary, bathroom remodel in the elementary, upgraded door lock system, a Ford Expedition, and an intangible bus contract.

Long-Term Debt

At year-end, the School had \$1,546,911 in general long-term obligations. This balance includes a note payable, intangible lease liabilities, and OPEB liabilities. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2022</u>	<u>2023</u>		
Note Payable	\$ 80,745	\$ 69,210	\$ (11,535)	-14.29%
Intangible Lease Liabilities	79,119	1,451,923	1,372,804	1735.11%
Other Post Employment Benefits	30,893	25,778	(5,115)	-16.56%
Early Retirement Payable	2,400	--	(2,400)	-100.00%
Note for Direct Borrowing	38,764	--	(38,764)	-100.00%
Total Outstanding Debt	<u>\$ 231,921</u>	<u>\$ 1,546,911</u>	<u>\$ 1,314,990</u>	<u>567.00%</u>

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’s Business Office, 220 N Clinton Street, Clark, SD 57225.

Clark School District No. 12-2
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 3,848,501	\$ 266,954	\$ 4,115,455
Investments-certificates of deposit	500,000	--	500,000
Taxes receivable	1,550,644	--	1,550,644
Inventories	--	12,410	12,410
Other assets	472,097	12,775	484,872
Net pension asset	11,118	--	11,118
Capital assets:			
Land and construction in progress	56,235	--	56,235
Other capital assets, net of depreciation	7,239,148	30,457	7,269,605
Total Assets	13,677,743	322,596	14,000,339
Deferred Outflows of Resources:			
Pension-related deferred outflows	1,097,457	--	1,097,457
Total Deferred Outflows of Resources	1,097,457	--	1,097,457
Liabilities:			
Unearned revenue	--	20,180	20,180
Other current liabilities	778,869	13,678	792,547
Long-term liabilities:			
Due within one year	347,391	--	347,391
Due in more than one year	1,199,520	--	1,199,520
Total Liabilities	2,325,780	33,858	2,359,638
Deferred Inflows of Resources:			
Taxes levied for future periods	1,528,766	--	1,528,766
Pension related deferred inflows	649,279	--	649,279
Total Deferred Inflows of Resources	2,178,045	--	2,178,045
Net Position:			
Net investment in capital assets	5,774,250	30,457	5,804,707
Restricted for:			
Capital outlay	907,881	--	907,881
Special education	1,466,492	--	1,466,492
SDRS pension purposes	459,296	--	459,296
Unrestricted	1,663,456	258,281	1,921,737
Total Net Position	\$ 10,271,375	\$ 288,738	\$ 10,560,113

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Statement of Activities – Government-Wide
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 3,609,345	\$ --	\$ 398,497	\$ (3,210,848)	\$ --	\$ (3,210,848)
Support services	1,569,638	57,251	10,610	(1,501,777)	--	(1,501,777)
Community services	77,068	--	--	(77,068)	--	(77,068)
Nonprogrammed charges	3,623	--	--	(3,623)	--	(3,623)
Interest on long-term debt	33,021	--	--	(33,021)	--	(33,021)
Cocurricular activities	474,341	22,000	--	(452,341)	--	(452,341)
Total Governmental Activities	<u>5,767,036</u>	<u>79,251</u>	<u>409,107</u>	<u>(5,278,678)</u>	<u>--</u>	<u>(5,278,678)</u>
Business-Type Activities:						
Food service	337,201	125,765	234,455	--	23,019	23,019
Afterschool	5,912	9,705	--	--	3,793	3,793
Driver's education	6,477	4,325	--	--	(2,152)	(2,152)
Total Business Type Activities	<u>349,590</u>	<u>139,795</u>	<u>234,455</u>	<u>--</u>	<u>24,660</u>	<u>24,660</u>
Total Primary Government	<u>\$ 6,116,626</u>	<u>\$ 219,046</u>	<u>\$ 643,562</u>	<u>(5,278,678)</u>	<u>24,660</u>	<u>(5,254,018)</u>
General Revenues:						
Taxes:						
Property taxes						
				3,478,117	--	3,478,117
Gross receipts taxes						
				243,182	--	243,182
Revenue from state sources:						
State aid						
				1,599,596	--	1,599,596
Unrestricted investment earnings						
				10,844	734	11,578
Other general revenues						
				65,558	--	65,558
Total General Revenues and Transfers						
				<u>5,397,297</u>	<u>734</u>	<u>5,398,031</u>
Change in Net Position				118,619	25,394	144,013
Net Position - Beginning of Year				<u>10,152,756</u>	<u>263,344</u>	<u>10,416,100</u>
Net Position - End of Year				<u>\$ 10,271,375</u>	<u>\$ 288,738</u>	<u>\$ 10,560,113</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Balance Sheet – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,278,810	\$ 1,074,001	\$ 1,495,690	\$ 3,848,501
Investments-certificates of deposit	500,000	--	--	500,000
Taxes receivable - current	958,526	303,419	266,821	1,528,766
Taxes receivable - delinquent	12,412	4,470	4,996	21,878
Due from other governments	280,874	191,223	--	472,097
Total Assets	<u>\$ 3,030,622</u>	<u>\$ 1,573,113</u>	<u>\$ 1,767,507</u>	<u>\$ 6,371,242</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 8,670	\$ 361,813	\$ 663	\$ 371,146
Contracts payable	297,434	--	27,434	324,868
Payroll deductions and withholding and employer matching payable	76,758	--	6,097	82,855
Total Liabilities	<u>382,862</u>	<u>361,813</u>	<u>34,194</u>	<u>778,869</u>
Deferred Inflows of Resources:				
Property taxes levied for future period	958,526	303,419	266,821	1,528,766
Unavailable revenue - property taxes	12,412	4,470	4,996	21,878
Total Deferred Inflows of Resources	<u>970,938</u>	<u>307,889</u>	<u>271,817</u>	<u>1,550,644</u>
Fund Balances:				
Restricted:				
For capital outlay	--	903,411	--	903,411
For special education	--	--	1,461,496	1,461,496
Assigned	6,423	--	--	6,423
Unassigned	1,670,399	--	--	1,670,399
Total Fund Balances	<u>1,676,822</u>	<u>903,411</u>	<u>1,461,496</u>	<u>4,041,729</u>
Total Liabilities and Fund Balances	<u>\$ 3,030,622</u>	<u>\$ 1,573,113</u>	<u>\$ 1,767,507</u>	<u>\$ 6,371,242</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023

Total Fund Balances - Governmental Funds \$ 4,041,729

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 7,295,383

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Intangible Lease Liabilities	(1,451,923)	
OPEB Liability	(25,778)	
Promissory Note	<u>(69,210)</u>	(1,546,911)

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

Delinquent Property Taxes Receivable 21,878

Proportionate Share of Net Pension Asset 11,118

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (649,279)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,097,457

Net Position - Governmental Activities \$ 10,271,375

Clark School District No. 12-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,102,029	\$ 678,726	\$ 672,017	\$ 3,452,772
Prior years' ad valorem taxes	8,800	2,138	2,708	13,646
Tax Deed Revenue	531	--	--	531
Utility taxes	243,182	--	--	243,182
Penalties and interest on taxes	5,168	1,687	1,910	8,765
Earnings on Investments and Deposits	10,844	--	--	10,844
Cocurricular Activities:				
Admissions	17,234	--	--	17,234
Student organization memberships	3,345	--	--	3,345
Other student activity income	1,421	--	--	1,421
Other Revenue from Local Sources:				
Rentals	5,375	--	--	5,375
Contributions and donations	10,610	--	--	10,610
Charges for services	2,194	--	2,189	4,383
Other	26,934	--	2,279	29,213
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	29,240	--	--	29,240
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,599,596	--	--	1,599,596
Restricted grants-in-aid	85	--	--	85
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	25,902	--	--	25,902
Restricted grants-in-aid received from federal government through the state	181,287	191,223	--	372,510
Total Revenues	<u>\$ 4,273,777</u>	<u>\$ 873,774</u>	<u>\$ 681,103</u>	<u>\$ 5,828,654</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023 (Continued)

<u>Expenditures</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Instructional Services:				
Regular Programs				
Elementary	\$ 1,008,848	\$ 229,176	\$ --	\$ 1,238,024
Middle/junior high	554,698	21,100	--	575,798
High school	622,590	40,502	--	663,092
Preschool	51,605	--	--	51,605
Special Programs				
Programs for special education	--	--	505,576	505,576
Educationally deprived	187,218	--	--	187,218
Support Services:				
Students				
Guidance	67,195	--	--	67,195
Health	600	--	--	600
Psychological	--	--	15,721	15,721
Speech pathology	--	--	27,116	27,116
Student therapy services	--	--	18,557	18,557
Instructional Staff				
Educational media	83,332	1,906	--	85,238
General Administration				
Board of education	41,738	--	--	41,738
Executive administration	129,138	--	--	129,138
School Administration				
Office of the principal	200,349	--	--	200,349
Other	146	--	--	146
Business				
Fiscal services	108,969	--	--	108,969
Operation and maintenance of plant	492,613	44,191	--	536,804
Student transportation	92,354	--	--	92,354
Other	17,925	--	--	17,925
Special Education				
Administrative costs	--	--	42,841	42,841

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Community Services:				
Nonpublic school	27,981	--	--	27,981
Other	--	49,087	--	49,087
Nonprogrammed Charges:				
Early retirement payments	3,623	--	--	3,623
Debt Services	281,639	71,477	--	353,116
Cocurricular Activities:				
Combined activities	258,931	17,326	--	276,257
Capital Outlay	1,642,600	386,117	--	2,028,717
Total Expenditures	<u>5,874,092</u>	<u>860,882</u>	<u>609,811</u>	<u>7,344,785</u>
Excess of Revenue Over (Under) Expenditures	(1,600,315)	12,892	71,292	(1,516,131)
Other Financing Sources				
General long-term debt issued	1,642,600	--	--	1,642,600
Sale of Surplus Property	1,730	--	--	1,730
Total Other Financing Sources	<u>1,644,330</u>	<u>--</u>	<u>--</u>	<u>1,644,330</u>
Net Change in Fund Balances	44,015	12,892	71,292	128,199
Fund Balance, Beginning of Year	1,838,631	684,695	1,390,204	3,913,530
Restatement - Note 15	(205,824)	205,824	--	--
Restated Fund Balance, Beginning of Year	<u>1,632,807</u>	<u>890,519</u>	<u>1,390,204</u>	<u>3,913,530</u>
Fund Balance, End of Year	<u>\$ 1,676,822</u>	<u>\$ 903,411</u>	<u>\$ 1,461,496</u>	<u>\$ 4,041,729</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 128,199

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 2,028,717

The amount represents the current year depreciation and amortization expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (785,629)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

Promissory Note	11,535	
Direct Borrowing Note	38,764	
OPEB Liability	5,115	
Intangible Lease Liability	<u>269,796</u>	325,210

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 2,403

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (1,642,600)

Governmental funds do not reflect the change in early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses. 2,400

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 59,919

Change in net position of governmental activities \$ 118,619

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 229,392	\$ 37,562	\$ 266,954
Due from other government	12,775	--	12,775
Inventory- supplies	2,511	--	2,511
Inventory - stores for resale	6,720	--	6,720
Inventory of donated food	3,179	--	3,179
Total Current Assets	<u>254,577</u>	<u>37,562</u>	<u>292,139</u>
Noncurrent Assets:			
Machinery and equipment - local funds	136,518	--	136,518
Less accumulated depreciation	(106,061)	--	(106,061)
Total Noncurrent Assets	<u>30,457</u>	<u>--</u>	<u>30,457</u>
Total Assets	<u>\$ 285,034</u>	<u>\$ 37,562</u>	<u>\$ 322,596</u>
Liabilities:			
Current Liabilities:			
Contracts payable	\$ 411	\$ --	\$ 411
Accounts payable	6,068	350	6,418
Deposits payable	6,849	--	6,849
Unearned revenue	20,180	--	20,180
Total Current Liabilities	<u>33,508</u>	<u>350</u>	<u>33,858</u>
Net Position:			
Net investment in capital assets	30,457	--	30,457
Unrestricted net position	221,069	37,212	258,281
Total Net Position	<u>\$ 251,526</u>	<u>\$ 37,212</u>	<u>\$ 288,738</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Food Sales:			
Student	\$ 114,832	\$ --	\$ 114,832
Adult	7,023	--	7,023
Ala carte	2,875	--	2,875
Other charges for goods and services	1,035	14,030	15,065
Total Operating Revenue	125,765	14,030	139,795
Operating Expenses:			
Food Service:			
Salaries	94,759	10,537	105,296
Employee benefits	32,554	1,438	33,992
Purchased services	6,619	391	7,010
Supplies	10,477	23	10,500
Cost of sales - purchased	168,220	--	168,220
Cost of sales - donated	15,087	--	15,087
Other	3,814	--	3,814
Depreciation	5,671	--	5,671
Total Operating Expenses	337,201	12,389	349,590
Operating Income (Loss)	(211,436)	1,641	(209,795)
Nonoperating Revenues:			
Investment Earnings	734	--	734
State grants	723	--	723
Federal grants	215,815	--	215,815
Donated food	17,917	--	17,917
Total Nonoperating Revenue	235,189	--	235,189
Change in Net Position	23,753	1,641	25,394
Net Position - Beginning of Year	227,773	35,571	263,344
Net Position - End of year	\$ 251,526	\$ 37,212	\$ 288,738

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2023

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 131,600	\$ 14,030	\$ 145,630
Cash payments to suppliers	(193,102)	(580)	(193,682)
Cash payments to employees	(126,965)	(11,975)	(138,940)
Net Cash Provided (Used) by Operating Activities	<u>(188,467)</u>	<u>1,475</u>	<u>(186,992)</u>
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	723	--	723
Cash reimbursements - federal	216,787	--	216,787
Net Cash Provided by Noncapital Financing Activities	<u>217,510</u>	<u>--</u>	<u>217,510</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(9,159)	--	(9,159)
Cash Flows from Investing Activities:			
Investment Earnings	734	--	734
Net Change in Cash and Cash Equivalents	20,618	1,475	22,093
Cash and Cash Equivalents, Beginning of Year	208,774	36,087	244,861
Cash and Cash Equivalents, End of Year	<u>\$ 229,392</u>	<u>\$ 37,562</u>	<u>\$ 266,954</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (211,436)	\$ 1,641	\$ (209,795)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	5,671	--	5,671
Value of commodities used	15,087	--	15,087
Change in Assets and Liabilities:			
Inventory	(3,041)	--	(3,041)
Deferred revenue	5,835	--	5,835
Contracts payable	348	--	348
Accounts payable	(931)	(166)	(1,097)
Net cash provided (used) by operating activities:	<u>\$ (188,467)</u>	<u>\$ 1,475</u>	<u>\$ (186,992)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 17,917</u>	<u>\$ --</u>	<u>\$ 17,917</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Private Purpose Trust Fund	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 48,776	\$ 36,373
Total Assets	\$ 48,776	\$ 36,373
Net Position:		
Student Activities	\$ --	\$ 23,921
Flex Account	--	12,452
Held in Trust for Scholarship	48,776	--
Total Net Position	\$ 48,776	\$ 36,373

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended June 30, 2023

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Flex Revenues	\$ --	\$ 17,477
Collections for student activities	--	754,885
	--	772,362
Total Additions	--	772,362
Deductions:		
Trust deductions for scholarships awarded	4,500	--
Flex Payments	--	13,358
Payments for student activities	--	754,044
	4,500	767,402
Total Deductions	4,500	767,402
Change in Net Position	(4,500)	4,960
Net Position - Beginning	53,276	31,413
Net Position - End	\$ 48,776	\$ 36,373

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

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 District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organizations governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The School District participates in a cooperative service unit with several other School Districts. See detailed note entitled "Consortium Information" for specific disclosures. Consortia do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the 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 the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, 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, liabilities, 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 Funds:

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 the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

Proprietary Funds:

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

1. 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.)
2. 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.
3. 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 driver’s education and the after school program. This 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 – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains several private-purpose trust funds; their purposes are for scholarships and memorials.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Custodial Fund Types – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The district maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

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 funds.

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).

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Clark School District 12-2, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2023 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

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

All proprietary and fiduciary funds are accounted for using 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, as follows:

1. 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.

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.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity to 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 acquisition 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. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

The total June 30, 2023 balance of capital assets for governmental activities includes less than 3% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2023 balance of capital assets for business-type activities were determined by the original cost.

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for the portion related to common use assets for which allocation would be unduly complex, and which is reported as unallocated depreciation/amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land*	All Land	--	--
Buildings	\$ 50,000	Straight-line	50 years
Improvements	10,000	Straight-line	15-25 years
Equipment	1,000/5,000	Straight-line	5-20 years

*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 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 statements. The long-term liabilities consist of direct borrowing note, early retirement benefits payable, notes payable, OPEB liability, and leases.

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

h. Leases:

The School District is a lessee for a noncancellable lease of copiers and a bus contract. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

At the commencement of a lease, the School District initially measure the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payment to present value, (2) lease term, and (3) lease payments.

- The School District use the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

i. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a subscription, the School District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Key estimates and judgments related to subscription include how the School District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

j. 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.

k. 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 nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

l. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of 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, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

m. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

n. 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 may distinguish 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 is reported as net position held in trust for other purposes.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

o. 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 is available.

p. 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 nor 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 Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The School District’s assigned fund balance of \$6,423 consists of amounts assigned for unemployment in the General Fund as of June 30, 2023.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund ---- Revenue Source</u>	
Capital Outlay Fund-----	Taxes
Special Education Fund-----	Taxes

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

q. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

r. 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.

s. Implementation of Accounting Standard:

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. The implementation of this standard had no effect on beginning net position.

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 funds to be invested 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); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits.

Custodial Credit Risk – Deposits – The risk that, in the event of depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the District’s deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

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.

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.

Concentrations of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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. The District’s policy is to credit all income from deposits and investment to the General Fund, except for the private purpose trust funds which retains its investments income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund 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.

3. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is actual cost. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements and in the enterprise fund financial statements, Food Service Fund 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 in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. No material inventories were on hand at June 30, 2023.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

4. Property Tax:

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 intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

5. Due from other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$484,872 due from various county, school, state and federal governments.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

6. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2023 is as follows:

	6/30/2022	Increases	Decreases	6/30/2023
	Balance			Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 56,235	\$ --	\$ --	\$ 56,235
Total capital assets not being depreciated/amortized	56,235	--	--	56,235
Capital assets being depreciated/amortized:				
Buildings & Improvements	11,656,048	289,429	--	11,945,477
Machinery & Equipment	1,109,742	90,748	--	1,200,490
Intangible Assets	93,423	1,642,600	--	1,736,023
Library Books	332,236	5,940	--	338,176
Total capital assets being depreciated/amortized	13,191,449	2,028,717	--	15,220,166
Less accumulated depreciation/amortization for:				
Buildings & Improvements	5,983,070	378,264	--	6,361,334
Machinery & Equipment	937,001	42,952	--	979,953
Intangible Assets	18,685	347,205	--	365,890
Library Books	256,633	17,208	--	273,841
Total accumulated depreciation/amortization	7,195,389	785,629	--	7,981,018
Total capital assets being depreciated/amortized, net	5,996,060	1,243,088	--	7,239,148
Net Capital Assets	\$ 6,052,295	\$ 1,243,088	\$ --	\$ 7,295,383

Depreciation/Amortization expense was charged to functions as follows:

Instruction	\$ 388,032
Support services	199,513
Co-curricular activities	198,084
Total Depreciation/Amortization Expense	\$ 785,629

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

6. Changes in Capital Assets: (Continued)

	<u>Balance 6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 128,240	\$ 9,159	\$ 881	\$ 136,518
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>101,271</u>	<u>5,671</u>	<u>881</u>	<u>106,061</u>
Total capital assets being depreciated, net	<u>\$ 26,969</u>	<u>\$ 3,488</u>	<u>\$ --</u>	<u>\$ 30,457</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 5,671</u>

7. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Other Liabilities:					
Early Retirement Payable	\$ 2,400	\$ --	\$ 2,400	\$ --	\$ --
Note Payable	80,745	--	11,535	69,210	11,535
OPEB Liability	30,893	--	5,115	25,778	--
Direct Borrowing Note	38,764	--	38,764	--	--
Leases	<u>79,119</u>	<u>1,642,600</u>	<u>269,796</u>	<u>1,451,923</u>	<u>335,856</u>
Total Long-Term Liabilities	<u>\$ 231,921</u>	<u>\$ 1,642,600</u>	<u>\$ 327,610</u>	<u>\$ 1,546,911</u>	<u>\$ 347,391</u>

Early Retirement Benefits payable for governmental activities have typically been liquidated from the General Fund.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

7. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2023 is comprised of the following:

Leases

Access Copier Lease; Original amount \$93,423; maturing September 01, 2026; interest rate 4.00; Payable by the Capital outlay fund \$ 61,262

Duenwald Transportation Bus Contract; Original amount \$1,642,600; maturing August 2027; imputed interest rate 2.33%; Payable from General fund \$ 1,390,661

Promissory Note

South Dakota Energy Management Office; maturing July 31, 2029; interest free; Payable by the Capital Outlay Fund \$ 69,210

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2023 are as follows:

Year Ending June 30,	Promissory Note		Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 11,535	\$ --	\$ 335,856	\$ 31,159	\$ 347,391	\$ 31,159
2025	11,535	--	345,798	22,896	357,333	22,896
2026	11,535	--	359,518	14,376	371,053	14,376
2027	11,535	--	351,875	5,803	363,410	5,803
2028	11,535	--	58,876	171	70,411	171
2029	11,535	--	--	--	11,535	--
Totals	<u>\$ 69,210</u>	<u>\$ --</u>	<u>\$ 1,451,923</u>	<u>\$ 74,405</u>	<u>\$ 1,521,133</u>	<u>\$ 74,405</u>

8. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2023 was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 907,881
Special Education	Law	1,466,492
SDRS Pension Purposes	Law	459,296
Total		<u>\$ 2,833,669</u>

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

9. Pension Plan:

a. 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 hybrid 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 survivor 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://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

b. Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

9. Pension Plan: (Continued)

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

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022 and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 175,216
2022	168,164
2021	163,040

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

9. Pension Plan: (Continued)

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

At June 30, 2022, SDRS is 100.1% 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, 2023 are as follows:

Proportionate share of pension liability	\$ 16,606,367
Less proportionate share of net pension restricted for pension benefits	16,617,485
Proportionate share of net pension (asset)	<u><u>\$ (11,118)</u></u>

At June 30, 2023, the School District reported an (asset) of (\$11,118) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.11763700%, which is an increase of 0.0076037% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of (\$59,921). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 211,629	\$ 722
Changes in assumption	706,588	619,232
Net difference between projected and actual earnings on pension plan investments	--	26,643
Changes in proportion and difference between district contributions and proportionate share of contributions	4,024	2,682
District contributions subsequent to the measurement date	175,216	--
Total	<u><u>\$ 1,097,457</u></u>	<u><u>\$ 649,279</u></u>

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

9. Pension Plan: (Continued)

\$175,216 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, 2024. 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,	
2024	\$ 73,065
2025	154,585
2026	(175,260)
2027	220,572
Total	<u>\$ 272,962</u>

e. Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010, 102% of rates at all ages

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

9. Pension Plan: (Continued)

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	<u>2.7%</u>

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member 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).

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

9. Pension Plan: (Continued)

g. Sensitivity of Liability (Asset) to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	\$ 2,308,433	\$ (11,118)	\$ (1,906,803)

h. Pension Plan Fiduciary Net Position:

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

10. Early Retirement Benefits:

Only certified, full-time employees with fifteen (15) years of full-time service with the School District who have attained the minimum age of fifty-five (55) and will not be older than age sixty-two (62), and who have complied with the term and conditions of the School District’s policy are eligible to receive the early retirement benefits. The employee will be eligible if the 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’s year immediately following the effective retirement date, and the sum of \$300 per month beginning in September of the school year immediately following the effective retirement date and continuing through the August of the school in which the retiree reaches age sixty-two (62) payable on the regularly scheduled paydays. As of June 30 2023, there were no employees that were owed early retirement.

11. Postemployment Medical Plan:

Plan Description: Clark School District has a pooled defined benefit medical plan administered by either Sanford Health of South Dakota or DakotaCare. 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 subside of costs of the benefits to retirees of the district. The 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 N Clinton Street, Clark, SD 57225.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

11. Postemployment Medical Plan: (Continued)

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.

Employees covered by benefit terms: At June 30, 2023, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	1
Active employees	<u>71</u>
	<u><u>72</u></u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS) as provided in the June 30, 2021 Actuarial Valuation Report.

Sensitivity of liability (asset) to changes in the discount rate: The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.75%

Changes in the Total OPEB Liability:	6/30/2023
Beginning of Year Balances	\$ 30,893
Interest	613
Effect on assumptions changes or inputs	(740)
Benefit payments	<u>(4,988)</u>
End of Year Balances	<u><u>\$ 25,778</u></u>

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 26,311	\$ 25,778	\$ 25,264

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

12. Joint Venture Information:

The School District participates in the Northeast Educational Services Cooperative for the purpose of providing educational services to the member School Districts. The members of the Co-op are as follows with each member district having a determined allocation:

Arlington School District No. 38-1	3%	Florence School District No. 14-1	4%
Britton-Hecla School District No. 45-4	6%	Hamlin School District No. 28-3	9%
Castlewood School District No. 28-1	4%	Henry School District No. 14-2	2%
Clark School District No. 12-2	6%	Iroquois School District No. 2-3	3%
DeSmet School District No. 38-2	4%	Lake Preston School District No. 38-3	2%
Deubrook School District No. 5-6	5%	Oldham-Ramona School District No. 39-5	2%
Deuel School District No. 19-4	7%	Rosholt School District No. 54-4	3%
Elkton School District No. 5-3	5%	Rutland School District No. 39-4	2%
Enemy Swim Day School	2%	Sioux Valley School District No. 5-5	8%
Estelline School District No. 28-2	3%	Summit School District No. 54-6	2%
Waubay School District No. 18-3	2%	Willow Lake School District No. 12-3	4%
Waverly School District No. 14-5	3%	Wilmot School District No. 54-7	3%
Webster Area School District No. 18-5	6%		

The co-op's governing board is composed of one school board member representative from each 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 Position 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 Area Cooperative.

At June 30, 2023, this joint venture had the following:

	June 30, 2023
Total Assets and Deferred Outflows	\$ 3,512,631
Total Liabilities and Deferred Inflows	\$ 1,205,091
Total Net Position	\$ 2,307,540

13. Subsequent Events:

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

14. Risk Management:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2023, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members. The coverage includes the option of four different plans with a deductible from \$1,000 to \$2,000.

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 carrier. The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over 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 Balances in the amount of \$6,423 for the payment of future unemployment benefits.

During the year ended June 30, 2023, there were no claims filed for unemployment benefits. At June 30, 2023, no additional claims had been filed nor were there any outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

Clark School District No. 12-2
Notes to the Financial Statements
June 30, 2023

15. Restatement:

During 2023, it was discovered ESSER III funds were recorded in the general fund in FY22 when they should have been recorded in the capital outlay fund. This restatement decreases general fund balance by \$205,824 and increases capital outlay fund balance by \$205,824.

16. Violations of Finance Related Legal and Contractual Provisions:

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

General Fund: \$1,581,021

The addition of the new bus contract caused this excess spending, and is offset by the general long-term debt issued for the bus contract in the general fund.

Required Supplementary Information

Clark School District No. 12-2

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,975,556	\$ 1,975,556	\$ 2,102,029	\$ 126,473
Prior years' ad valorem taxes	10,000	10,000	8,800	(1,200)
Tax deed revenue	--	--	531	531
Utility taxes	185,000	185,000	243,182	58,182
Penalties and interest on taxes	6,500	6,500	5,168	(1,332)
Earnings on Investments and Deposits	2,500	2,500	10,844	8,344
Cocurricular Activities:				
Admissions	16,000	16,000	17,234	1,234
Student organization memberships	3,000	3,000	3,345	345
Other student activity income	2,300	2,300	1,421	(879)
Other Revenue from Local Sources:				
Rentals	4,000	4,000	5,375	1,375
Contributions and donations	200	200	10,610	10,410
Charges for services	2,500	2,500	2,194	(306)
Other	15,000	15,000	26,934	11,934
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	20,000	20,000	29,240	9,240
Revenue in lieu of taxes	200	200	--	(200)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,774,993	1,774,993	1,599,596	(175,397)
Restricted grants-in-aid	--	--	85	85
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	21,952	21,952	25,902	3,950
Restricted grants-in-aid received from federal government through the state	160,444	160,444	181,287	20,843
Total Revenues	\$ 4,200,145	\$ 4,200,145	\$ 4,273,777	\$ 73,632

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Clark School District No. 12-2

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Expenditures				
Instructional Services:				
Regular Programs				
Elementary	\$ 1,035,527	\$ 1,035,527	\$ 1,008,848	\$ 26,679
Middle/junior high	560,458	560,458	554,698	5,760
High school	625,848	625,848	622,590	3,258
Preschool	53,124	53,124	51,605	1,519
Special Programs				
Educationally deprived	195,248	195,248	187,218	8,030
Support Services:				
Students				
Guidance	69,047	69,047	67,195	1,852
Health	1,500	1,500	600	900
Instructional Staff				
Educational media	97,922	97,922	83,332	14,590
General Administration				
Board of education	37,850	37,850	41,738	(3,888)
Executive administration	129,198	129,198	129,138	60
School Administration				
Office of the principal	212,580	212,580	200,349	12,231
Other	400	400	146	254
Business				
Fiscal services	103,731	103,731	108,969	(5,238)
Operation and maintenance of plant	468,103	468,103	492,613	(24,510)
Student transportation	385,000	385,000	1,734,954	(1,349,954)
Other	11,410	11,410	17,925	(6,515)
Community Services:				
Nonpublic school	26,503	26,503	27,981	(1,478)
Nonprogrammed Charges:				
Early retirement payments	3,800	3,800	3,623	177
Debt Service	--	--	281,639	(281,639)
Cocurricular Activities:				
Combined activities	275,822	275,822	258,931	16,891
Total Expenditures	<u>4,293,071</u>	<u>4,293,071</u>	<u>5,874,092</u>	<u>(1,581,021)</u>
Excess of Revenues Over Expenditures	<u>(92,926)</u>	<u>(92,926)</u>	<u>(1,600,315)</u>	<u>(1,507,389)</u>
Other Financing Sources				
General long-term debt issued	--	--	1,642,600	1,642,600
Sale of surplus property	800	800	1,730	930
Total Other Financing Sources	<u>800</u>	<u>800</u>	<u>1,644,330</u>	<u>1,643,530</u>
Net Change in Fund Balances	(92,126)	(92,126)	44,015	136,141
Fund Balance, Beginning of Year	1,838,631	1,838,631	1,838,631	--
Restatement - Note 15	--	--	(205,824)	(205,824)
Restated Fund Balance, Beginning of Year	<u>1,838,631</u>	<u>1,838,631</u>	<u>1,632,807</u>	<u>(205,824)</u>
Fund Balance, End of Year	<u>\$ 1,746,505</u>	<u>\$ 1,746,505</u>	<u>\$ 1,676,822</u>	<u>\$ (69,683)</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Clark School District No. 12-2

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 701,296	\$ 701,296	\$ 678,726	\$ (22,570)
Prior years' ad valorem taxes	2,000	2,000	2,138	138
Penalties and interest on taxes	2,000	2,000	1,687	(313)
Other Revenue from Local Sources:				
Other	7,187	7,187	--	(7,187)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	440,771	440,771	191,223	(249,548)
Total Revenues	<u>1,153,254</u>	<u>1,153,254</u>	<u>873,774</u>	<u>(279,480)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	147,686	147,686	229,176	(81,490)
Middle/junior high	91,124	91,124	21,100	70,024
High school	210,898	210,898	131,666	79,232
Support Services:				
Instructional Staff:				
Educational media	7,910	7,910	7,846	64
Business:				
Facilities acquisition and construction	197,000	197,000	--	197,000
Operation and maintenance of plant	297,500	297,500	280,154	17,346
Student transportation	58,000	58,000	53,050	4,950
Community Services:				
Other	50,000	50,000	49,087	913
Debt Services	71,736	71,736	71,477	259
Cocurricular Activities:				
Combined activities	17,400	17,400	17,326	74
Total Expenditures	<u>1,149,254</u>	<u>1,149,254</u>	<u>860,882</u>	<u>288,372</u>
Net Change in Fund Balances	<u>4,000</u>	<u>4,000</u>	<u>12,892</u>	<u>8,892</u>
Fund Balance, Beginning of Year	684,695	684,695	684,695	--
Restatement - Note 15	--	--	205,824	205,824
Restated Fund Balance, Beginning of Year	<u>684,695</u>	<u>684,695</u>	<u>890,519</u>	<u>205,824</u>
Fund Balance, End of Year	<u>\$ 688,695</u>	<u>\$ 688,695</u>	<u>\$ 903,411</u>	<u>\$ 214,716</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Clark School District No. 12-2
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 594,520	\$ 594,520	\$ 672,017	\$ 77,497
Prior years' ad valorem taxes	2,000	2,000	2,708	708
Penalties and interest on taxes	2,500	2,500	1,910	(590)
Other Revenue from Local Sources:				
Charges for services	2,000	2,000	2,189	189
Other Revenue	--	--	2,279	2,279
Total Revenues	<u>601,020</u>	<u>601,020</u>	<u>681,103</u>	<u>80,083</u>
Expenditures				
Instructional Services:				
Special Programs				
Programs for special education	618,927	618,927	505,576	113,351
Support Services:				
Students				
Guidance services	500	500	--	500
Psychological	22,000	22,000	15,721	6,279
Speech pathology	36,000	36,000	27,116	8,884
Student therapy services	32,000	32,000	18,557	13,443
Special Education				
Administrative costs	42,945	42,945	42,841	104
Total Expenditures	<u>752,372</u>	<u>752,372</u>	<u>609,811</u>	<u>142,561</u>
Net Change in Fund Balance	(151,352)	(151,352)	71,292	222,644
Fund Balance, Beginning of Year	<u>1,390,204</u>	<u>1,390,204</u>	<u>1,390,204</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,238,852</u>	<u>\$ 1,238,852</u>	<u>\$ 1,461,496</u>	<u>\$ 222,644</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Clark School District No. 12-2

Notes to the Required Supplementary Information – Budgetary Comparison Schedules June 30, 2023

1. Basis of Presentation:

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present Capital outlay expenditures as a separate function.

2. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- f. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (h).
- g. 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 School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

Clark School District No. 12-2
Schedule of Changes in Total OPEB Liability
June 30, 2023

Changes in the Total OPEB Liability:	6/30/2023	6/30/2022
Beginning of Year Balances	\$ 30,893	\$ 34,863
Interest	613	718
Effect on assumptions changes or inputs	(740)	40
Benefit payments	(4,988)	(4,728)
End of Year Balances	<u>\$ 25,778</u>	<u>\$ 30,893</u>

Clark School District No. 12-2

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1176370%	0.1194500%	0.1100333%	0.1057385%	0.1080256%	0.1072074%	0.1129574%	0.1084634%	0.1119253%
District's proportionate share of net pension liability (asset)	\$ (11,118)	\$ (914,783)	\$ (4,779)	\$ (11,205)	\$ (2,519)	\$ (9,729)	\$ 381,559	\$ (460,024)	\$ (806,376)
District's covered-employee payroll	\$ 2,802,746	\$ 2,717,325	\$ 2,414,896	\$ 2,239,213	\$ 2,255,353	\$ 2,178,300	\$ 2,105,451	\$ 1,979,632	\$ 1,957,264
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.66%	0.20%	0.50%	0.11%	0.45%	18.12%	23.24%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.02%	100.02%	100.10%	96.89%	104.10%	107.30%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years which information is available.

Note: The information disclosed for each fiscal year is reported as the measurement date of the collective net pension liability (asset) which is June 30 of the preceding year.

Clark School District No. 12-2
Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 175,216	\$ 168,164	\$ 163,040	\$ 144,894	\$ 134,353	\$ 135,321	\$ 130,698	\$ 126,327	\$ 118,778	\$ 117,436
Contributions in relation to the contractually-required contribution	<u>175,216</u>	<u>168,164</u>	<u>163,040</u>	<u>144,894</u>	<u>134,353</u>	<u>135,321</u>	<u>130,698</u>	<u>126,327</u>	<u>118,778</u>	<u>117,436</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,920,270	\$ 2,802,746	\$ 2,717,325	\$ 2,414,896	\$ 2,239,213	\$ 2,255,353	\$ 2,178,300	\$ 2,105,451	\$ 1,979,632	\$ 1,957,264
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years which information is available.

Clark School District No. 12-2

Notes to Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023

Changes from Prior Valuation

The June 30, 2022, Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

Clark School District No. 12-2

Notes to Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions

For the Year Ended June 30, 2023 (Continued)

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.