

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

MUNICIPALITY OF CLARK

DECEMBER 31, 2023

MUNICIPALITY OF CLARK
MUNICIPAL OFFICIALS AND OFFICIAL NEWSPAPER
December 31, 2023

Mayor:

Kerry Kline

Municipal Council Members:

Andrew Zemlicka, President
Brandon Kottke, Vice President
Derrick Dohmann
Nick Dalton
Shane Hagstrom
Melissa Nesheim

Finance Officer:

Alaina Wellnitz

Attorney:

Chad Fjelland

Official Newspaper:

Clark County Courier

MUNICIPALITY OF CLARK
TABLE OF CONTENTS

Independent Auditor’s Report	1-3
Government-Wide Financial Statements:	
As of December 31, 2023:	
Statement of Net Position – Modified Cash Basis	4
For the Year Ended December 31, 2023:	
Statement of Activities – Modified Cash Basis	5
Fund Financial Statements:	
As of December 31, 2023:	
Balance Sheet – Modified Cash Basis – Governmental Funds	6
For the Year Ended December 31, 2023:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	7-8
As of December 31, 2023:	
Statement of Net Position – Modified Cash Basis – Proprietary Funds	9
For the Year Ended December 31, 2023:	
Statement of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis – Proprietary Funds	10
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	11
Notes to the Modified Cash Basis Financial Statements	12-24
Supplementary Information:	
Budgetary Comparison Schedule – General Fund	25-26
Notes to the Supplementary Information – Budgetary Comparison Schedule	27
Schedule of the Municipality’s Proportionate Share of the Net Pension Liability (Asset)	28
Notes to the Supplementary Information – Pension Schedule	29
Schedule of the Municipality’s Pension Contributions	30
Schedule of Changes in Long-Term Debt	31-32
Schedule of Expenditures of Federal Awards	33
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	36-38
Schedule of Prior Audit Findings	39
Schedule of Current Audit Findings and Questioned Costs	40-43
Corrective Action Plan	44



WILLIAM NEALE & CO., P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Municipal Council
Municipality of Clark, South Dakota

Report on the Audit of the Financial Statements

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Clark, South Dakota (Municipality), as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. We were not engaged to audit the financial statements of the discretely presented component unit.

We do not express an opinion on the accompanying financial statements of the Clark Housing and Redevelopment Commission. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the Municipality of Clark, South Dakota.

In our opinion, the accompanying modified cash basis of accounting 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 Municipality of Clark, South Dakota, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Disclaimer of Opinion

The financial statements of the Clark Housing and Redevelopment Commission have not been audited, and we were not engaged to audit the Clark Housing and Redevelopment Commission financial statements as part of our audit of the Municipality's basic financial statements. The Clark Housing and Redevelopment Commission's financial activities are included in the Municipality's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position, and revenues.

Basis for Unmodified 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 (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 Municipality 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.

Emphasis of Matter

As discussed in Note 1.c. of the financial statements, which describes the basis of accounting, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality'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 modified cash basis of accounting 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 Municipality'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 Municipality'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Budgetary Comparison Schedule, Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), Schedule of the Municipality Pension Contributions, and Schedule of Changes in Long-Term Debt are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, Budgetary Comparison Schedule, Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), Schedule of the Municipality Pension Contributions, and Schedule of Changes in Long-Term Debt is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of municipal officials and official newspaper but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2024 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Municipality'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 Municipality's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "William Neale & Co., P.C." The signature is written in a cursive, flowing style.

Watertown, South Dakota
October 25, 2024

MUNICIPALITY OF CLARK
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Clark Housing and Redevelopment Commission
Assets				
Cash and Cash Equivalents	\$ 1,585,725.82	\$ 204,078.58	\$ 1,789,804.40	\$ 35,847.91
Other Assets	-	-	-	5,756.00
Restricted Assets:				
Cash and Cash Equivalents	-	490,403.10	490,403.10	-
Capital Assets:				
Other Capital Assets, Net of Depreciation	-	-	-	509,146.70
Total Assets	\$ 1,585,725.82	\$ 694,481.68	\$ 2,280,207.50	\$ 550,750.61
Liabilities				
Other Current Liabilities	\$ 2,660.98	\$ 9,300.00	\$ 11,960.98	\$ 18,144.89
Noncurrent Liabilities:				
Due Within One Year	-	-	-	359.58
Due in More than One Year	-	-	-	227,770.67
Total Liabilities	2,660.98	9,300.00	11,960.98	246,275.14
Net Position				
Net Investment in Capital Assets	-	-	-	281,016.45
Restricted for:				
Debt Service	-	326,996.94	326,996.94	-
Replacement and Depreciation	-	156,176.96	156,176.96	-
Operation and Maintenance	-	7,229.20	7,229.20	-
Other Purposes	7,180.60	-	7,180.60	-
Unrestricted	1,575,884.24	194,778.58	1,770,662.82	23,459.02
Total Net Position	\$ 1,583,064.84	\$ 685,181.68	\$ 2,268,246.52	\$ 304,475.47

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

MUNICIPALITY OF CLARK
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Clark Housing and Redevelopment Commission	
						Business-Type Activities	Total		
Primary Government									
Governmental Activities									
General Government	\$ 194,459.23	\$ 17,730.88	\$ -	\$ -	\$ (176,728.35)	\$ -	\$ (176,728.35)	\$ -	-
Public Safety	234,444.12	5,378.70	5,731.18	-	(223,334.24)	-	(223,334.24)	-	-
Public Works	521,756.39	108,233.58	105,525.62	-	(307,997.19)	-	(307,997.19)	-	-
Health and Welfare	17,565.75	39,178.37	-	-	21,592.62	-	21,592.62	-	-
Culture and Recreation	456,156.33	327,905.96	9,774.00	-	(118,476.37)	-	(118,476.37)	-	-
Conservation and Development	28,750.00	-	-	-	(28,750.00)	-	(28,750.00)	-	-
Liquor Operating Agreements	1,375.86	29,716.76	-	-	28,340.90	-	28,340.90	-	-
* Debt Service	7,403.97	-	-	-	(7,403.97)	-	(7,403.97)	-	-
Total Governmental Activities	1,461,931.65	528,144.25	121,030.80	-	(812,756.60)	-	(812,756.60)	-	-
Business-Type Activities									
Water	3,066,449.11	413,803.16	-	1,969,185.71	-	(683,460.24)	(683,460.24)	-	-
Sewer	306,848.44	318,744.04	-	-	-	11,895.60	11,895.60	-	-
Total Business-Type Activities	3,373,297.55	732,547.20	-	1,969,185.71	-	(671,564.64)	(671,564.64)	-	-
Total Primary Government	\$ 4,835,229.20	\$ 1,260,691.45	\$ 121,030.80	\$ 1,969,185.71	(812,756.60)	(671,564.64)	(1,484,321.24)	-	-
Component Unit									
Clark Housing and Redevelopment Commission	\$ 39,867.21	\$ 96,417.35	\$ -	\$ -	-	-	-	56,550.14	-
General Revenues									
Taxes									
Property Taxes					457,396.24	-	457,396.24	-	-
Sales Taxes					638,068.62	-	638,068.62	-	-
State Shared Revenues					11,888.13	-	11,888.13	-	-
Unrestricted Investment Earnings					10,854.18	5,956.39	16,810.57	0.41	-
Debt Issued					-	566,000.00	566,000.00	-	-
Miscellaneous					6,564.64	16,489.06	23,053.70	-	-
Total General Revenues					1,124,771.81	588,445.45	1,713,217.26	0.41	-
Change in Net Position					312,015.21	(83,119.19)	228,896.02	56,550.55	-
Net Position - Beginning					1,271,049.63	768,300.87	2,039,350.50	247,924.92	-
Net Position - Ending					\$ 1,583,064.84	\$ 685,181.68	\$ 2,268,246.52	\$ 304,475.47	-

* The Municipality does not have principal and interest expense related to the functions presented above. This amount represents the principal and interest paid on general long-term debt.

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

MUNICIPALITY OF CLARK
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2023

	General Fund	Tax Increment Financing #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 1,575,489.10	\$ 3,056.12	\$ 7,180.60	\$ 1,585,725.82
Due from Other Funds	<u>11,710.00</u>	<u>-</u>	<u>-</u>	<u>11,710.00</u>
Total Assets	<u><u>\$ 1,587,199.10</u></u>	<u><u>\$ 3,056.12</u></u>	<u><u>\$ 7,180.60</u></u>	<u><u>\$ 1,597,435.82</u></u>
Liabilities				
Due to Other Funds	\$ -	\$ 11,710.00	\$ -	\$ 11,710.00
Accrued Taxes Payable	(234.36)	-	-	(234.36)
Amounts Held for Others	<u>2,895.34</u>	<u>-</u>	<u>-</u>	<u>2,895.34</u>
Total Liabilities	<u><u>2,660.98</u></u>	<u><u>11,710.00</u></u>	<u><u>-</u></u>	<u><u>14,370.98</u></u>
Fund Balances				
Restricted for:				
Library Purposes	-	-	7,180.60	7,180.60
Assigned for:				
Capital Outlay	147,165.00	-	-	147,165.00
Unassigned	<u>1,437,373.12</u>	<u>(8,653.88)</u>	<u>-</u>	<u>1,428,719.24</u>
Total Fund Balances	<u><u>1,584,538.12</u></u>	<u><u>(8,653.88)</u></u>	<u><u>7,180.60</u></u>	<u><u>1,583,064.84</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 1,587,199.10</u></u>	<u><u>\$ 3,056.12</u></u>	<u><u>\$ 7,180.60</u></u>	<u><u>\$ 1,597,435.82</u></u>

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

MUNICIPALITY OF CLARK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund	Tax Increment Financing #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
General Property Taxes	\$ 448,173.38	\$ 8,156.68	\$ -	\$ 456,330.06
General Sales and Use Taxes	638,068.62	-	-	638,068.62
Penalties and Interest on Taxes	1,066.18	-	-	1,066.18
Licenses and Permits	1,670.00	-	-	1,670.00
Intergovernmental Revenue:				
Federal Grants	5,731.18	-	-	5,731.18
State Shared Revenue	93,112.16	-	-	93,112.16
County Shared Revenue	16,586.59	-	-	16,586.59
Charges for Goods and Services:				
General Government	13,939.68	-	-	13,939.68
Public Safety	5,250.00	-	-	5,250.00
Highways and Streets	1,396.25	-	-	1,396.25
Sanitation	106,837.33	-	-	106,837.33
Culture and Recreation	324,119.92	-	508.10	324,628.02
Fines and Forfeits:				
Court Fines and Costs	128.70	-	-	128.70
Library	-	-	217.75	217.75
Miscellaneous Revenue:				
Investment Earnings	10,854.18	-	-	10,854.18
Rentals	44,359.76	-	-	44,359.76
Contributions and Donations	13,010.00	-	4,479.00	17,489.00
Liquor Operating Agreement Income	29,716.76	-	-	29,716.76
Other	109.53	-	-	109.53
Total Revenues	1,754,130.22	8,156.68	5,204.85	1,767,491.75
Expenditures				
General Government				
Legislative	27,174.84	-	-	27,174.84
Executive	8,709.28	-	-	8,709.28
Financial Administration	118,154.37	-	-	118,154.37
Other	40,420.74	-	-	40,420.74
Public Safety				
Police	208,276.39	-	-	208,276.39
Fire	26,167.73	-	-	26,167.73
Public Works				
Highways and Streets	395,829.03	-	-	395,829.03
Sanitation	105,191.88	-	-	105,191.88
Transit	20,735.48	-	-	20,735.48

MUNICIPALITY OF CLARK
STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund	Tax Increment Financing #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Health and Welfare:				
Health	17,585.75	-	-	17,585.75
Culture and Recreation:				
Recreation	380,944.76	-	-	380,944.76
Parks	47,241.82	-	-	47,241.82
Libraries	26,085.83	-	1,883.92	27,969.75
Conservation and Development:				
Economic Development and Assistance	28,750.00	-	-	28,750.00
Debt Service	-	7,403.97	-	7,403.97
Miscellaneous:				
Liquor Operating Agreements	1,375.86	-	-	1,375.86
Total Expenditures	<u>1,452,643.76</u>	<u>7,403.97</u>	<u>1,883.92</u>	<u>1,461,931.65</u>
Excess of Revenues Over (Under) Expenditures	<u>301,486.46</u>	<u>752.71</u>	<u>3,320.93</u>	<u>305,560.10</u>
Other Financing Sources (Uses)				
Compensation for Loss or Damage to Capital Assets	6,455.11	-	-	6,455.11
Total Other Financing Sources (Uses)	<u>6,455.11</u>	<u>-</u>	<u>-</u>	<u>6,455.11</u>
Net Change in Fund Balance	307,941.57	752.71	3,320.93	312,015.21
Fund Balance - Beginning	<u>1,276,596.55</u>	<u>(9,406.59)</u>	<u>3,859.67</u>	<u>1,271,049.63</u>
Fund Balance - Ending	<u>\$ 1,584,538.12</u>	<u>\$ (8,653.88)</u>	<u>\$ 7,180.60</u>	<u>\$ 1,583,064.84</u>

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

MUNICIPALITY OF CLARK
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 86,651.35	\$ 117,427.23	\$ 204,078.58
Total Current Assets	<u>86,651.35</u>	<u>117,427.23</u>	<u>204,078.58</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	148,014.25	342,388.85	490,403.10
Total Noncurrent Assets	<u>148,014.25</u>	<u>342,388.85</u>	<u>490,403.10</u>
Total Assets	<u>\$ 234,665.60</u>	<u>\$ 459,816.08</u>	<u>\$ 694,481.68</u>
Liabilities			
Current Liabilities:			
Customer Deposits	\$ 9,300.00	\$ -	\$ 9,300.00
Total Current Liabilities	<u>9,300.00</u>	<u>-</u>	<u>9,300.00</u>
Total Liabilities	<u>9,300.00</u>	<u>-</u>	<u>9,300.00</u>
Net Position			
Restricted for:			
Debt Service	93,301.61	233,695.33	326,996.94
Replacement and Depreciation	54,712.64	101,464.32	156,176.96
Operation and Maintenance	-	7,229.20	7,229.20
Unrestricted	<u>77,351.35</u>	<u>117,427.23</u>	<u>194,778.58</u>
Total Net Position	<u>\$ 225,365.60</u>	<u>\$ 459,816.08</u>	<u>\$ 685,181.68</u>

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

MUNICIPALITY OF CLARK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenue			
Charges for Goods and Services	\$ 331,397.55	\$ 111,230.44	\$ 442,627.99
Revenue Dedicated to Servicing Debt	82,405.61	207,513.60	289,919.21
Total Operating Revenue	413,803.16	318,744.04	732,547.20
Operating Expenses			
Personal Services	56,549.42	56,589.14	113,138.56
Other Current Expense	36,208.98	73,498.93	109,707.91
Materials	182,608.40	-	182,608.40
Total Operating Expenses	275,366.80	130,088.07	405,454.87
Operating Income (Loss)	138,436.36	188,655.97	327,092.33
Nonoperating Revenue (Expense)			
Investment Earnings	2,529.27	3,427.12	5,956.39
Rental Revenue	-	16,489.06	16,489.06
Long-Term Debt Issued	566,000.00	-	566,000.00
Capital Assets	(2,780,186.31)	(21,297.99)	(2,801,484.30)
Debt Service	(10,896.00)	(155,462.38)	(166,358.38)
Total Nonoperating Revenue (Expense)	(2,222,553.04)	(156,844.19)	(2,379,397.23)
Income (Loss) Before Contributions	(2,084,116.68)	31,811.78	(2,052,304.90)
Capital Contributions	1,969,185.71	-	1,969,185.71
Change in Net Position	(114,930.97)	31,811.78	(83,119.19)
Net Position - Beginning	340,296.57	428,004.30	768,300.87
Net Position - Ending	\$ 225,365.60	\$ 459,816.08	\$ 685,181.68

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

MUNICIPALITY OF CLARK
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers	\$ 405,425.58	\$ 315,003.39	\$ 720,428.97
Receipts for Interfund Services Provided	9,077.58	3,740.65	12,818.23
Payments to Suppliers	(218,817.38)	(73,498.93)	(292,316.31)
Payments to Employees	(56,549.42)	(56,589.14)	(113,138.56)
Net Cash Provided (Used) by Operating Activities	<u>139,136.36</u>	<u>188,655.97</u>	<u>327,792.33</u>
Cash Flows from Noncapital Financing Activities			
Miscellaneous	-	16,489.06	16,489.06
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>16,489.06</u>	<u>16,489.06</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from Capital Debt	566,000.00	-	566,000.00
Capital Contributions	1,969,185.71	-	1,969,185.71
Purchase of Capital Assets	(2,780,186.31)	(21,297.99)	(2,801,484.30)
Principal Paid on Capital Debt	(4,345.41)	(88,298.65)	(92,644.06)
Interest Paid on Capital Debt	(6,550.59)	(67,163.73)	(73,714.32)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(255,896.60)</u>	<u>(176,760.37)</u>	<u>(432,656.97)</u>
Cash Flows from Investing Activities			
Investment Earnings	<u>2,529.27</u>	<u>3,427.12</u>	<u>5,956.39</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (114,230.97)</u>	<u>\$ 31,811.78</u>	<u>\$ (82,419.19)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 348,896.57	\$ 428,004.30	\$ 776,900.87
Cash and Cash Equivalents at End of Year	<u>234,665.60</u>	<u>459,816.08</u>	<u>694,481.68</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (114,230.97)</u>	<u>\$ 31,811.78</u>	<u>\$ (82,419.19)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 138,436.36	\$ 188,655.97	\$ 327,092.33
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Change in Assets and Liabilities:			
Customer Deposits	700.00	-	700.00
Net Cash Provided (Used) by Operating Activities	<u>\$ 139,136.36</u>	<u>\$ 188,655.97</u>	<u>\$ 327,792.33</u>

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

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity

The reporting entity of the Municipality of Clark (Municipality), 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's 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 Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Clark Housing and Redevelopment Commission is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Municipal Council, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Municipal Council, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Municipal Council the ability to impose its will on the Commission. Separately issued financial statements of the Clark Housing and Redevelopment Commission may be obtained from the entity's secretary/treasurer at PO Box 252, Clark, South Dakota 57225.

b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely-presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely-presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality'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.

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

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 two major categories: governmental and proprietary. 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 Municipality 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 Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

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

Tax Increment Financing #1 Debt Service Fund – the fund is used to account for the property taxes that can only be used for the payment of the debt principal, interest, and related costs. This is a major fund.

Other Governmental Funds is a summarization of all of the Municipality's nonmajor governmental funds, which only includes the Library Fines Special Revenue Fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

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

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

Water Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

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.

The Municipality’s basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

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 within the limitations of the modified cash basis of accounting as defined below, and the component unit 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 or the “economic resources” measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting, and the component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets 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).

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

- a. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.
- b. Recording deferred revenue related to cash received in advance of providing a good or service to a customer in the ordinary course of business (customer deposits).

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Municipality applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Interfund Eliminations and Reclassifications:

Governmental-wide Financial Statements:

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

e. Deposits:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts.

f. Capital Assets:

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the Municipality and the related depreciation/amortization are not reported on the financial statements of the Municipality.

g. Long-Term Liabilities:

The long-term liabilities primarily consist of State Revolving Fund loans, revenue bonds, Consolidated Water Facilities Construction Fund loan, and bank loan.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term debt or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments is reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The Municipality has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding long-term debt.

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories as follows:

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

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Net Position, revenues and expenses are classified as operating or nonoperating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

j. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in two components:

1. 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.
2. Unrestricted Net Position – All other net position that does not meet the definition of Restricted Net Position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

l. Application of Net Position:

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

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

m. Fund Balance Classification Policies and Procedures:

In accordance with Governmental Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Municipality 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, which is the Municipal Council, 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 Municipal Council.

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 Municipality 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 Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

n. Restricted Cash and Cash Equivalents

The restricted cash and cash equivalents reported on the financial statements are due to restrictions imposed by debt covenants.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality 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 Municipality’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. 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 Municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2023, the Municipality did not have any investments.

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

Credit Risk

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

Custodial Credit Risk – Deposits

The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk. As of December 31, 2023 the Municipality's deposits in financial institutions were not exposed to any custodial credit risk.

Interest Rate Risk

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

Assignment of Investment Income

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and investments to the fund making the investment.

3. **PROPERTY TAXES**

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

4. **PLEDGED REVENUES**

The Municipality has pledged future property tax revenues to repay the \$83,000 tax incremental notes issued to finance the public improvements of the tax incremental district #1. The note is payable through December 2024 solely from the property taxes generated from property located within the tax incremental district. The balance as of December 31, 2023 is \$2,360.23. For the current year, principal and interest paid and total property tax revenues were \$7,403.97 and \$8,156.68, respectively.

5. **DEBT SERVICE GUARANTEE**

The Housing and Redevelopment Commission of the Municipality of Clark, South Dakota (Commission), a discretely-presented component unit, has issued \$300,000 of Essential Function Housing Development Revenue Bonds, Series 2004. The Municipality has a debt service agreement with the Commission to guarantee \$75,000, which is 25% of the original principal amount of the bonds. If the Municipality pays any amounts to the Commission pursuant to the debt service agreement, the Commission agrees to repay said amounts to the Municipality.

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

6. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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 judicial 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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

Legislation enacted in 2017 established the current COLA process. At 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% to 0%.

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

MUNICIPALITY OF CLARK
 NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
 December 31, 2023

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 Municipality's share of contributions to the SDRS for the calendar years ended December 31, 2023, 2022, and 2021 were \$23,859.88, \$23,570.08, and \$22,524.10, respectively, equal to the required contributions each year.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2023, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the Municipality as of this measurement period ending June 30, 2023 and reported by the Municipality as of December 31, 2023 are as follows:

Proportionate share of total pension liability	\$ 2,243,593.94
Less proportionate share of net position restricted for pension benefits	2,245,105.15
Proportionate share of net pension asset	\$ <u>(1,511.21)</u>

The net pension asset was measured as of June 30, 2023, and the total pension liability used to calculate the net pension asset was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was .015483%, which is a decrease of .000547% from its proportion measured as of June 30, 2022.

Actuarial Assumptions:

The total pension asset in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	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	1.91%

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

Beneficiaries:

- PubG-2010 contingent survivor mortality table

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

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, 2023, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

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, 2023 (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>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%

Total	100%	
	=====	

Discount Rate:

The discount rate used to measure the total pension liability 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 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 asset.

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$309,745.00	(\$1,511.21)	(\$256,059.41)

MUNICIPALITY OF CLARK
 NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
 December 31, 2023

Pension Plan Fiduciary Net Position:

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

7. RISK MANAGEMENT

The Municipality 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 year ended December 31, 2023, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for general liability, automobile liability and physical damage, public officials' liability, property and inland marine, and cyber liability.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

The Municipality carries the following deductibles for the insurance coverages:

General Liability	\$ -
Governmental (Other than Employment Related)	-
Governmental (Employment Related)	0/5,000
Auto Liability	-
Auto Damage	500
Property	500/1,000
Employee Dishonesty	-
Equipment Breakdown	1,500
Earthquake & Flood	10,000
Law Enforcement Operations	2,000
Cyber Liability	100,000

The Municipality 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 during the past three years.

MUNICIPALITY OF CLARK
 NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
 December 31, 2023

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The Municipality 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 during the past three years.

Unemployment Benefits:

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

The Municipality has used all of its assigned fund balance in the General Fund and will budget an amount for the payment of future unemployment benefits on an as needed basis.

During the year ended December 31, 2023, no claims for unemployment benefits were paid. At December 31, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

8. LITIGATION

At December 31, 2023, the Municipality was not involved in any litigation.

9. LEASES

The Municipality leases space in the clinic building to a tenant under a ten (10) year operating lease. The rent is \$2,500.00 per month during the first five (5) years of the lease and \$2,575.00 per month for the second five (5) years of the lease. The tenant shall have the option to renew this lease for two additional five (5) year terms. In 2017 the tenant exercised the first option to renew for an additional five (5) year term at \$2,575.00 per month. In 2022 the tenant exercised the second option to renew for an additional five (5) year term at \$2,700.00 per month. The cost, carrying amount, and accumulated depreciation of the clinic building is \$963,465.44, \$835,003.34, and \$128,462.10, respectively. The rental income received under the lease during the year ended December 31, 2023 was \$35,100.00.

The following is a schedule by years of future minimum rentals under existing operating leases as of December 31, 2023:

<u>Year</u>	<u>General Fund</u>
2024	\$ 32,400.00
2025	32,400.00
2026	32,400.00
2027	<u>5,400.00</u>
Total	<u>\$102,600.00</u>

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2023

10. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

	Year Ended <u>12/31/23</u>
Library Fines Special Revenue Fund:	
<u>Activity</u>	
Library Administration	\$ 383.92
Water Enterprise Fund:	
<u>Activity</u>	
Water	\$220,067.11

SUPPLEMENTARY INFORMATION

MUNICIPALITY OF CLARK
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
General Property Taxes	\$ 455,682.00	\$ 455,682.00	\$ 448,173.38	\$ (7,508.62)
General Sales and Use Taxes	570,000.00	570,000.00	638,068.62	68,068.62
Amusement Taxes	48.00	48.00	-	(48.00)
Penalties and Interest on Taxes	2,000.00	2,000.00	1,066.18	(933.82)
License and Permits	1,800.00	1,800.00	1,670.00	(130.00)
Intergovernmental Revenue:				
Federal Grants	13,575.00	13,575.00	5,731.18	(7,843.82)
State Grants	3,000.00	3,000.00	-	(3,000.00)
State Shared Revenue	88,700.00	88,700.00	93,112.16	4,412.16
County Shared Revenue	13,530.00	13,530.00	16,586.59	3,056.59
Charges for Goods and Services:				
General Government	112,600.00	112,600.00	13,939.68	(98,660.32)
Public Safety	5,250.00	5,250.00	5,250.00	-
Highway and Streets	500.00	500.00	1,396.25	896.25
Sanitation	100,900.00	100,900.00	106,837.33	5,937.33
Culture and Recreation	262,000.00	262,000.00	324,119.92	62,119.92
Fines and Forfeits:				
Court Fines and Costs	300.00	300.00	128.70	(171.30)
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	10,854.18	9,854.18
Rentals	44,620.00	44,620.00	44,359.76	(260.24)
Contributions & Donations	58,200.00	58,200.00	13,010.00	(45,190.00)
Liquor Operating Agreement Income	27,750.00	27,750.00	29,716.76	1,966.76
Other	-	-	109.53	109.53
Total Revenues	1,761,455.00	1,761,455.00	1,754,130.22	(7,324.78)
Expenditures				
General Government:				
Legislative	115,925.00	70,379.99	27,174.84	43,205.15
Executive	10,239.00	10,239.00	8,709.28	1,529.72
Elections	725.00	725.00	-	725.00
Financial Administration	123,000.00	123,000.00	118,154.37	4,845.63
Other	39,835.00	39,835.00	40,420.74	(585.74)
Public Safety:				
Police	210,650.00	212,650.00	208,276.39	4,373.61
Fire	26,400.00	26,400.00	26,167.73	232.27
Other Protection	500.00	1,467.01	-	1,467.01
Public Works:				
Highways and Streets	447,550.00	447,550.00	395,829.03	51,720.97
Sanitation	105,300.00	107,300.00	105,191.88	2,108.12
Transit	20,100.00	21,600.00	20,735.48	864.52
Health and Welfare:				
Health	16,556.00	17,884.00	17,585.75	298.25

MUNICIPALITY OF CLARK
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Culture and Recreation:				
Recreation	565,525.00	591,525.00	380,944.76	210,580.24
Parks	44,000.00	48,000.00	47,241.82	758.18
Libraries	23,200.00	30,200.00	26,085.83	4,114.17
Conservation and Development:				
Economic Development and Assistance	29,500.00	30,250.00	28,750.00	1,500.00
Miscellaneous:				
Liquor Operating Agreements	2,450.00	2,450.00	1,375.86	1,074.14
Total Expenditures	<u>1,781,455.00</u>	<u>1,781,455.00</u>	<u>1,452,643.76</u>	<u>328,811.24</u>
Excess of Revenues Over (Under) Expenditures	<u>(20,000.00)</u>	<u>(20,000.00)</u>	<u>301,486.46</u>	<u>321,486.46</u>
Other Financing Sources (Uses)				
Compensation for Loss or Damage to Capital Assets	-	-	6,455.11	6,455.11
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>6,455.11</u>	<u>6,455.11</u>
Net Change in Fund Balances	(20,000.00)	(20,000.00)	307,941.57	327,941.57
Fund Balance - Beginning	<u>1,276,596.55</u>	<u>1,276,596.55</u>	<u>1,276,596.55</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,256,596.55</u>	<u>\$ 1,256,596.55</u>	<u>\$ 1,584,538.12</u>	<u>\$ 327,941.57</u>

MUNICIPALITY OF CLARK
NOTES TO THE SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
December 31, 2023

1. BUDGETS AND BUDGETARY ACCOUNTING

The Municipality follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Municipal Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Municipal Council, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Municipal Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Municipal Council.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

2. OTHER COMPREHENSIVE BASIS OF ACCOUNTING MODIFIED CASH BASIS/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CLARK
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Municipality's proportion of the net pension liability (asset)	0.0166106%	0.0180139%	0.0180784%	0.0169423%	0.0172126%	0.0167041%	0.0173791%	0.0167830%	0.0160300%	0.0154830%
Municipality's proportionate share of net pension liability (asset)	\$ (119,672.58)	\$ (76,402.10)	\$ 61,067.06	\$ (1,537.53)	\$ (401.44)	\$ (1,770.18)	\$ (754.77)	\$ (128,529.06)	\$ (1,514.93)	\$ (1,511.21)
Municipality's covered payroll	\$ 274,745.41	\$ 303,158.75	\$ 315,950.65	\$ 317,116.68	\$ 328,694.83	\$ 326,132.91	\$ 353,017.31	\$ 348,708.41	\$ 349,248.36	\$ 364,531.22
Municipality's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-43.56%	-25.20%	19.33%	-0.48%	-0.12%	-0.54%	-0.21%	-36.86%	-0.43%	-0.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%	100.04%	105.53%	100.10%	100.10%

Note: The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

MUNICIPALITY OF CLARK
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Changes from Prior Valuation

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

Benefit Provision Changes

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety Members.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% 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%.

As of June 30, 2022 the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023 the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CLARK
SCHEDULE OF THE MUNICIPALITY'S PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Contractually required contribution	\$ 18,882.60	\$ 20,690.61	\$ 20,440.57	\$ 20,944.71	\$ 22,346.63	\$ 21,512.83	\$ 22,918.70	\$ 22,524.10	\$ 23,570.08	\$ 23,859.88
Contributions in relation to the contractually required contribution	18,882.60	20,690.61	20,440.57	20,944.71	22,346.63	21,512.83	22,918.70	22,524.10	23,570.08	23,859.88
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipality's covered payroll	\$ 294,229.95	\$ 315,572.44	\$ 314,420.59	\$ 320,873.43	\$ 341,312.82	\$ 331,964.23	\$ 351,317.05	\$ 342,585.06	\$ 358,729.56	\$ 361,321.84
Contributions as a percentage of covered payroll	6.4%	6.6%	6.5%	6.5%	6.5%	6.5%	6.5%	6.6%	6.6%	6.6%

MUNICIPALITY OF CLARK
SCHEDULE OF CHANGES IN LONG-TERM DEBT
December 31, 2023

	Beginning Balance 1/1/2023	Additions	Deletions	Ending Balance 12/31/2023	Due Within One Year
SRF Loan #C461124-01	\$ 59,814.94	\$ -	\$ 26,006.32	\$ 33,808.62	\$ 26,928.74
SRF Loan #C461124-02	1,641,643.09	-	47,284.87	1,594,358.22	48,840.46
SRF Loan #C462124-01	-	566,000.00	-	566,000.00	-
2003 Water Utility Revenue Bonds	147,550.43	-	4,345.41	143,205.02	4,527.19
2004 Sewer Utility Revenue Bonds	132,017.80	-	3,742.93	128,274.87	3,909.21
2010 Sewer Project Revenue Bonds	212,315.54	-	9,443.96	202,871.58	9,730.81
CWFCP Loan #2012L-206	23,344.20	-	1,820.57	21,523.63	1,875.60
Dacotah Bank Loan #5469688	9,673.67	-	7,313.44	2,360.23	2,360.23
	<u>\$ 2,226,359.67</u>	<u>\$ 566,000.00</u>	<u>\$ 99,957.50</u>	<u>\$ 2,692,402.17</u>	<u>\$ 98,172.24</u>

Long-term debt at December 31, 2023 consists of the following:

State Revolving Fund Loan; original amount of \$400,000; maturing January 15, 2025; interest rate 3.50%; payable by the Sewer Fund	\$ 33,808.62
State Revolving Fund Loan; original amount of \$2,485,000; maturing August 15, 2046; interest rate 3.25%; payable by the Sewer Fund	1,594,358.22
State Revolving Fund Loan; original amount of \$3,315,316; maturing May 15, 2055; interest rate 1.875%; payable by the Water Fund	566,000.00
Water Utility Revenue Bonds, Series 2003; original amount of \$200,000; maturing December 22, 2043; interest rate 4.50%; payable by the Water Fund	143,205.02
Sewer Utility Revenue Bonds, Series 2004; original amount of \$176,250; maturing October 7, 2044; interest rate 4.375%; payable by the Sewer Fund	128,274.87
Sewer Project Revenue Bonds, Series 2010; original amount of \$365,000; maturing May 28, 2040; interest rate 3.00%; payable by the Sewer Fund	202,871.58
Consolidated Water Facilities Construction Fund; original amount of \$37,504; maturing November 1, 2033; interest rate 3.00%; payable by the Sewer Fund	21,523.63

MUNICIPALITY OF CLARK
SCHEDULE OF CHANGES IN LONG-TERM DEBT
December 31, 2023

Dacotah Bank; original amount of \$15,972.37; maturing December 20, 2024; interest rate 5.00%; unsecured; payable by the TIF District #1 Debt Service Fund 2,360.23

The annual requirements to amortize all debt outstanding, except for SRF Loan #462124-01, as of December 31, 2023 are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2023

Year Ending December 31,	SRF Loan		Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 75,769.20	\$ 52,057.84	\$ 18,167.21	\$ 17,849.71
2025	57,327.11	49,679.06	18,845.68	17,171.24
2026	52,106.85	47,959.03	19,550.48	16,466.44
2027	53,821.08	46,244.80	20,282.65	15,734.27
2028	55,591.70	44,474.18	21,043.38	14,973.54
2029-2033	306,624.91	193,704.49	117,708.77	62,375.83
2034-2038	360,491.60	139,837.80	141,724.38	38,360.22
2039-2043	423,821.35	76,508.05	110,927.09	12,550.23
2044-2048	242,613.04	11,130.06	6,101.83	112.29
	<u>\$ 1,628,166.84</u>	<u>\$ 661,595.31</u>	<u>\$ 474,351.47</u>	<u>\$ 195,593.77</u>

Year Ending December 31,	Loans/Notes Payable		Total	
	Principal	Interest	Principal	Interest
2024	\$ 4,235.83	\$ 730.40	\$ 98,172.24	\$ 70,637.95
2025	1,932.28	575.06	78,105.07	67,425.36
2026	1,990.68	516.66	73,648.01	64,942.13
2027	2,050.85	456.49	76,154.58	62,435.56
2028	2,112.85	394.49	78,747.93	59,842.21
2029-2033	11,561.37	975.09	435,895.05	257,055.41
2034-2038	-	-	502,215.98	178,198.02
2039-2043	-	-	534,748.44	89,058.28
2044-2048	-	-	248,714.87	11,242.35
	<u>\$ 23,883.86</u>	<u>\$ 3,648.19</u>	<u>\$ 2,126,402.17</u>	<u>\$ 860,837.27</u>

The Municipality is currently drawing down on SRF Loan #462124-01. The amount drawn down during the year was \$566,000. The repayment of the loan begins in 2025.

MUNICIPALITY OF CLARK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures Amount 2023</u>
Department of Transportation:			
Indirect Federal Funding:			
SD Department of Public Safety, Office of Highway Safety,			
State & Community Highway Safety	20.600	-	\$ 4,333
National Priority Safety Programs	20.616	-	<u>1,398</u>
Total Department of Transportation			<u>5,731</u>
Department of the Treasury:			
Direct Federal Funding:			
Coronavirus State & Local Fiscal Recovery Funds – Major Program	21.027	-	<u>1,969,186</u>
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency, Donation of Federal Surplus Personal Property – Note 3	39.003	-	<u>178</u>
GRAND TOTAL			<u>\$ 1,975,095</u>

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Municipality has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the Municipality.



WILLIAM NEALE & CO., P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Municipal Council
Municipality of 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Clark, South Dakota (Municipality), as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated October 25, 2024. We did not express an opinion on the discretely presented component unit because the financial statements of the Clark Housing and Redevelopment Commission have not been audited, and we were not engaged to audit the Clark Housing and Redevelopment Commission financial statements as part of our audit of the Municipality's basic financial statements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality'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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 Current Audit Findings and Questioned Costs as items 2023-01 and 2023-02 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2023-03 and 2023-04.

Municipality's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality'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.

William Neale & Co., P.C.

Watertown, South Dakota
October 25, 2024



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Municipal Council
Municipality of Clark, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Municipality of Clark, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2023. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Municipality of Clark, South Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Municipality's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipality's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipality's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Municipality's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Municipality's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2023-04. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in

internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

William Neale & Co., P.C.

Watertown, South Dakota
October 25, 2024

MUNICIPALITY OF CLARK
SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2023

PRIOR AUDIT FINDINGS

2022-01

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function resulting in decreased reliability of reported financial data and increased potential for loss of public assets. The finding has not been corrected and has been restated as current audit finding number 2023-01.

2022-02

Finding: A material weakness was reported because the Municipality's internal control system was not designed to provide for the preparation of the financial statements and related notes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with the modified cash basis of accounting resulting in increased potential for material misstatement of the Municipality's financial statements. The finding has not been corrected and has been restated as current audit finding number 2023-02.

2022-03

Finding: The Municipality's annual appropriation ordinance adopted during the year didn't include a budget for the Tax Increment Financing #1 Debt Service Fund. The Municipality didn't refrain from spending in excess of the amount appropriated for any purpose or any department for each year except as otherwise specially provided for in statute as required by SDCL 9-21-9. The finding has not been corrected and has been restated as current audit finding number 2023-03.

MUNICIPALITY OF CLARK
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

A. SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. A disclaimer of opinion was issued on the financial statements of the discretely presented component unit.
- b. Material weaknesses were disclosed by our audit of the financial statements for a lack of segregation of duties over the revenue function and the Municipality's internal control system was not designed to provide for the preparation of the financial statements and related notes as discussed below as current other audit finding number 2023-01 and 2023-02.
- c. Our audit did disclose instances of noncompliance that were material to the financial statements, which is discussed below as current other audit finding number 2023-03 and 2023-04.

Federal Awards

- d. No material weaknesses or significant deficiencies were disclosed by our audit of the major federal award programs.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
- g. The federal awards tested as a major program were the Coronavirus State and Local Fiscal Recovery Funds (21.027).
- h. The threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Municipality of Clark did not qualify as a low-risk entity.

B. CURRENT OTHER AUDIT FINDINGS

2023-01 Lack of Segregation of Duties

Material Weakness

Criteria: A good system of internal controls, which provides for the proper segregation of duties, results in increased reliability of reported financial data and decreased potential for loss of public assets.

Condition: Because the finance officer and assistant finance officer initiated, recorded, processed, and reported all transactions from the beginning of the year to the end of the year, there is inadequate segregation of duties over the revenue function.

Cause: The Municipality has an insufficient number of employees to adequately separate duties.

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

MUNICIPALITY OF CLARK
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

Recommendation: We recommend that the municipal officials be cognizant of this lack of segregation of duties over the revenue function and attempt to provide compensating internal controls whenever and wherever possible and practical.

Management's Response: Management agrees with this finding. The governing board has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Municipality is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

2023-02 Preparation of Financial Statements and Related Notes and Significant Journal Entries, Including GASB 68 Calculations

Material Weakness

Criteria: The Municipality's internal control system should be designed to provide for the preparation of the financial statements and related notes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with the modified cash basis of accounting.

Condition: The Municipality requested that the external auditors assist in the preparation of the financial statements and related notes for the year ended December 31, 2022. As part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the Municipality's existing internal controls and, therefore, could result in a misstatement of the Municipality's financial statements.

Cause: The limited size of the Municipality's staff and resources cause the inability to prepare the financial statements and related notes and could cause the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the Municipality's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure that the modified cash basis of accounting has been followed for each fund type, especially for transaction types infrequent in occurrence.

Management's Response: Management agrees with this finding.

MUNICIPALITY OF CLARK
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

2023-03 Annual Appropriation

Compliance and Other Matters

Criteria: South Dakota Codified Law (SDCL) 9-21-2 states that the annual appropriation ordinance appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality and specify the function and subfunction and the amounts appropriated for each function and subfunction by fund. In the event that there was a failure to provide by the annual appropriation ordinance, sufficient revenue to enable the municipality to conduct the indispensable functions of government in any department, or to discharge any duty which it is the lawful duty of the municipality to discharge and which requires the incurring of liabilities or expenditures of funds for a purpose or object for which no provision was made in the annual appropriation ordinance, SDCL 9-21-7 allows the governing body to properly make, approve, and adopt a supplemental appropriation ordinance. SDCL 9-21-9 refrains the Municipality from spending in excess of the amount appropriated for any purpose or any department for each year except as otherwise specially provided for in statute.

Condition: The Municipality didn't refrain from spending in excess of the amount appropriated for any purpose or any department for each year except as otherwise specially provided for in statute as required by SDCL 9-21-9.

Cause: The Municipality didn't supplement the budget for the Library Fines Special Revenue Fund and Water Enterprise Fund.

Effect: The Municipality spending in excess of the amount appropriated for any purpose or any department would be a violation of State statute (SDCL 9-21-9).

Recommendation: We recommend that the Municipality supplement the budget, if necessary, to ensure that the amount spent is not excess of the amount appropriated for any purpose or any department for each year except as otherwise specially provided for in statute as required by SDCL 9-21-9.

Management's Response: Management agrees with this finding. Management will monitor the amounts spent to the amounts appropriated throughout the year and adopt a supplemental budget, if necessary.

2023-04 Procurement

Compliance and Other Matters

Criteria: South Dakota Codified Law (SDCL) 5-18A-14 requires that the Municipality advertise for competitive bids contracts for public improvements involving expenditures of \$100,000 or more or contracts for the purchase of supplies or services, other than professional services, that involves expenditures of \$50,000 or more.

Condition: The Municipality didn't advertise for competitive bids contracts for public improvements involving expenditures of \$100,000 or more or contracts for the purchase of supplies or services, other than professional services, that involves expenditures of \$50,000 or more as required by SDCL 5-18A-14.

MUNICIPALITY OF CLARK
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

Cause: The Municipality was under the assumption that the contract met one of the exemptions from procurement allowed by SDCL 5-18A-22.

Effect: The Municipality didn't comply with State statute (SDCL 5-18A-14).

Recommendation: We recommend that the Municipality advertise for competitive bids for contracts in accordance with the amounts specified in SDCL 5-18A-14.

Management's Response: Management agrees with this finding. Management will review all purchases to ensure that the Municipality advertises for competitive bids for those contracts required by State statute.

C. CURRENT FEDERAL AUDIT FINDINGS

There are no written current federal audit findings to report.



CITY OF CLARK, SOUTH DAKOTA

120 North Commercial Street, Clark, SD 57225 | Phone: (605) 532-5665 | Fax: (605) 532-5668
www.cityofclark.com

Corrective Action Plan – 12/31/23

City of Clark respectfully submits the following corrective action plan for the year ended December 31, 2023.

The audit was performed by independent public accounting firm: William Neale & Co, PC, 304 9th Ave SE, Watertown, SD 57201 for the fiscal year ended December 31, 2023

Audit period: January 1, 2023 – December 31, 2023

The findings from the December 31, 2023 schedule of current audit findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – CURRENT OTHER AUDIT FINDINGS

2023-01. Lack of Segregation of Duties

Action: Management agrees with this finding. The governing board has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The City is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

2023-02. Preparation of Financial Statements and Related Notes and Significant Journal Entries, Including GASB 68 Calculations

Action: We agree that there is a material weakness in internal controls due to the limited size of the City's staff and resources. We will try to record the necessary journal entries throughout the year to eliminate the need for the auditor to propose any material journal entries.

2023-03. Annual Appropriations

Action: The City will monitor the amounts spent to the amounts appropriated throughout the year and adopt a supplemental budget, if necessary.

2023-04. Procurement

Action: Management will review all purchases to ensure that the City advertises for bids for those contracts required by state statute.

Sincerely,

Rae Jean Flora
Finance Officer