

MUNICIPALITY OF CLARK
MUNICIPAL OFFICIALS AND OFFICIAL NEWSPAPER
December 31, 2017

Mayor:

John Pollock

City Council Members:

Louann Streff, President
Kerry Kline, Vice President
Belinda Hanson
Brian Cook
Dennis Larson
Andrew Zemlicka

Finance Officer:

Jackie Luttrell

Attorney:

Chad Fjelland

Official Newspaper:

Clark County Courier

MUNICIPALITY OF CLARK
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WILLIAM NEALE & CO., P.C.

Certified Public Accountants

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

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 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, 2017 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 September 28, 2018. 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.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2017-01 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Municipality's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
September 28, 2018



WILLIAM NEALE & CO., P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Municipal Council
Municipality of Clark, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Municipality of Clark, South Dakota's (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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Municipality's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Municipality's compliance.

Opinion on Each Major Federal Program

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, 2017.

Report on Internal Control Over Compliance

Management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Municipality's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 purpose. 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
September 28, 2018

MUNICIPALITY OF CLARK
SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2017

PRIOR AUDIT FINDINGS

2016-01

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 2017-01.

MUNICIPALITY OF CLARK
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

A. SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

Financial Statements

1. An unmodified opinion was issued on the financial statements for each opinion unit except for the discretely presented component unit. A disclaimer opinion was issued on the financial statements of the discretely presented component unit.
2. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties over the revenue function as discussed in finding number 2017-01.
3. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

4. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
5. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
6. The federal awards tested as a major program was the Capitalization Grants for Clean Water State Revolving Funds (66.458).
7. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
8. The Municipality of Clark did not qualify as a low-risk entity.

B. CURRENT FEDERAL AUDIT FINDINGS

There are no written current federal compliance audit findings to report.

C. CURRENT OTHER AUDIT FINDINGS

2017-01 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.

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

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: The Municipality's management agrees with the above finding and has responded to it in the corrective action plan.



CITY OF CLARK, SOUTH DAKOTA

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Corrective Action Plan – 10/17/2018

Cognizant or Oversight Agency for Audit

City of Clark respectfully submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent public accounting firm: William Neale & Co. P.C., 304 9th Ave SE Watertown, SD 57201

Audit Period: January 1 – December 31, 2017

The findings from the December 31, 2017 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

Material Weakness

2017-01

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.

Action Taken: We agree with the recommendation and will work to implement procedures when possible that may help with oversight. However, it is not practical for City of Clark to take significant enough steps to remove the weakness completely.

If the cognizant or oversight agency for audit has questions regarding this plan, please call Jackie Luttrell at 605-532-5665.

Sincerely,

Jackie Luttrell
Finance Officer

INDEPENDENT AUDITOR'S REPORT

Municipal Council
Municipality of Clark, South Dakota

Report on the Financial Statements

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, 2017 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.

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the "Basis for Disclaimer Opinion on Discretely Presented Component Unit" paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer Opinion on Discretely Presented Component Unit

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.

Disclaimer Opinion

Because of the significance of the matter described in the “Basis for Disclaimer Opinion on Discretely Presented Component Unit” paragraph, 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. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified basis of accounting 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, 2017, 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 I.c. to the financial statements.

Basis of Accounting

We draw attention to Note I.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.

Other Matters

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 the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Budgetary Comparison Schedules, the combining financial statements, the Schedule of Changes in Long-Term Debt, the Schedule of the Municipality’s Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality Contributions 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of the Municipality’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality’s internal control over financial reporting and compliance.

William Neale & Co., P.C.

Watertown, South Dakota
September 28, 2018

MUNICIPALITY OF CLARK
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2017

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Clark
	Activities	Activities		Housing and Redevelopment Commission
ASSETS:				
Cash and Cash Equivalents	\$ 506,572.49	\$ 137,433.46	\$ 644,005.95	\$ 50,732.70
Other Assets	-	-	-	5,756.00
Restricted Assets:				
Cash and Cash Equivalents	-	249,106.17	249,106.17	-
Capital Assets:				
Other Capital Assets, Net of Depreciation	-	-	-	497,309.70
Total Assets	506,572.49	386,539.63	893,112.12	553,798.40
LIABILITIES :				
Other Current Liabilities	269.25	8,600.00	8,869.25	17,676.33
Noncurrent Liabilities:				
Due Within One Year	-	-	-	359.58
Due in More than One Year	-	-	-	484,742.30
Total Liabilities	269.25	8,600.00	8,869.25	502,778.21
NET POSITION:				
Net Investment in Capital Assets	-	-	-	12,207.82
Restricted for:				
Debt Service	-	169,918.53	169,918.53	-
Replacement & Depreciation	-	71,207.19	71,207.19	-
Operation & Maintenance	-	7,980.45	7,980.45	-
Other Purposes	1,708.18	-	1,708.18	-
Unrestricted	504,595.06	128,833.46	633,428.52	38,812.37
Total Net Position	\$ 506,303.24	\$ 377,939.63	\$ 884,242.87	\$ 51,020.19

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Clark
					Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Commission
Primary Government:								
Governmental Activities:								
General Government	\$ 167,220.42	\$ 13,958.73	\$ -	\$ -	\$ (153,261.69)	\$ -	\$ (153,261.69)	\$ -
Public Safety	184,019.35	6,277.59	1,300.60	-	(176,441.16)	-	(176,441.16)	-
Public Works	509,532.22	97,748.82	93,900.63	334.09	(317,548.68)	-	(317,548.68)	-
Health and Welfare	19,291.08	37,195.00	2,425.00	-	20,328.92	-	20,328.92	-
Culture and Recreation	424,246.58	147,962.40	337.07	-	(275,947.11)	-	(275,947.11)	-
Conservation and Development	10,639.08	-	-	-	(10,639.08)	-	(10,639.08)	-
Liquor Operating Agreements	389.78	26,878.96	-	-	26,489.18	-	26,489.18	-
* Debt Service	24,096.00	-	-	-	(24,096.00)	-	(24,096.00)	-
Total Governmental Activities	1,339,434.51	330,021.50	97,963.30	334.09	(911,115.62)	-	(911,115.62)	-
Business-Type Activities:								
Water	307,906.88	274,851.27	-	-	-	(33,055.61)	(33,055.61)	-
Sewer	2,519,910.47	312,042.05	-	848,429.46	-	(1,359,438.96)	(1,359,438.96)	-
Total Business-Type Activities	2,827,817.35	586,893.32	-	848,429.46	-	(1,392,494.57)	(1,392,494.57)	-
Total Primary Government	\$ 4,167,251.86	\$ 916,914.82	\$ 97,963.30	\$ 848,763.55	(911,115.62)	(1,392,494.57)	(2,303,610.19)	-
Component Units:								
Clark Housing and Redevelopment Commission	\$ 62,908.59	\$ 78,900.00	\$ -	\$ -				15,991.41
* The Municipality does not have interest expense related to the functions presented above.								
General Revenues:								
Taxes:								
Property Taxes					451,719.53	-	451,719.53	-
Sales Taxes					438,757.00	-	438,757.00	-
State Shared Revenues					10,326.76	-	10,326.76	-
Unrestricted Investment Earnings					996.26	489.51	1,485.77	21.10
Debt Issued					-	1,418,310.00	1,418,310.00	-
Other General Revenues					13,604.21	800.00	14,404.21	-
Transfers					(45,000.00)	45,000.00	-	-
Total General Revenues & Transfers					870,403.76	1,464,599.51	2,320,599.06	21.10
Change in Net Position					(40,711.86)	72,104.94	16,988.87	16,012.51
Net Position - Beginning					547,015.10	305,834.69	852,849.79	35,007.68
Net Position - Ending					\$ 506,303.24	\$ 377,939.63	\$ 884,242.87	\$ 51,020.19

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, 2017

	General Fund	Tax Increment Financing #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 504,792.42	\$ 25.63	\$ 1,754.44	\$ 506,572.49
Due from Other Funds	<u>2,000.00</u>	<u>-</u>	<u>-</u>	<u>2,000.00</u>
TOTAL ASSETS	<u>\$ 506,792.42</u>	<u>\$ 25.63</u>	<u>\$ 1,754.44</u>	<u>\$ 508,572.49</u>
LIABILITIES:				
Due to Other Funds	\$ -	\$ 2,000.00	\$ -	\$ 2,000.00
Accrued Taxes Payable	113.91	-	-	113.91
Amounts Held for Others	<u>155.34</u>	<u>-</u>	<u>-</u>	<u>155.34</u>
Total Liabilities	<u>269.25</u>	<u>2,000.00</u>	<u>-</u>	<u>2,269.25</u>
FUND BALANCES:				
Restricted for:				
Library Purposes	-	-	1,708.18	1,708.18
Assigned for:				
Capital Outlay	44,592.00	-	46.26	44,638.26
Unassigned	<u>461,931.17</u>	<u>(1,974.37)</u>	<u>-</u>	<u>459,956.80</u>
Total Fund Balances	<u>506,523.17</u>	<u>(1,974.37)</u>	<u>1,754.44</u>	<u>506,303.24</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 506,792.42</u>	<u>\$ 25.63</u>	<u>\$ 1,754.44</u>	<u>\$ 508,572.49</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, 2017

	General Fund	Tax Increment Financing #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
General Property Taxes	\$ 440,226.82	\$ 6,905.80	\$ -	\$ 447,132.62
General Sales and Use Taxes	438,757.00	-	-	438,757.00
Amusement Taxes	60.00	-	-	60.00
Tax Deed Revenue	3,237.27	-	-	3,237.27
Penalties and Interest on Taxes	1,289.64	-	-	1,289.64
Licenses and Permits	1,224.50	-	-	1,224.50
Intergovernmental Revenue:				
Federal Grants	300.60	-	-	300.60
State Grants	3,425.00	-	-	3,425.00
State Shared Revenue	80,403.11	-	-	80,403.11
County Shared Revenue	17,370.28	-	-	17,370.28
Charges for Goods and Services:				
General Government	11,451.73	-	-	11,451.73
Public Safety	5,250.00	-	-	5,250.00
Highway and Streets	4,997.36	-	-	4,997.36
Sanitation	92,751.46	-	-	92,751.46
Culture and Recreation	146,962.84	-	114.98	147,077.82
Fines and Forfeits:				
Court Fines and Costs	1,027.59	-	-	1,027.59
Library	-	-	287.35	287.35
Miscellaneous Revenue:				
Investment Earnings	996.26	-	-	996.26
Rentals	39,437.23	-	-	39,437.23
Special Assessments	334.09	-	-	334.09
Contributions and Donations	6,654.00	-	137.07	6,791.07
Liquor Operating Agreement Income	26,516.46	-	-	26,516.46
Other	2,243.30	-	-	2,243.30
Total Revenues	1,324,916.54	6,905.80	539.40	1,332,361.74
Expenditures:				
General Government:				
Legislative	21,960.06	-	-	21,960.06
Executive	13,766.35	-	-	13,766.35
Election	538.69	-	-	538.69
Financial Administration	114,459.12	-	-	114,459.12
Other	16,496.20	-	-	16,496.20
Public Safety:				
Police	158,707.15	-	-	158,707.15
Fire	25,312.20	-	-	25,312.20

MUNICIPALITY OF CLARK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General Fund	Tax Increment Financing #1 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Public Works:				
Highways and Streets	362,695.78	-	-	362,695.78
Sanitation	92,298.42	-	-	92,298.42
Transit	54,538.02	-	-	54,538.02
Health and Welfare:				
Health	19,291.08	-	-	19,291.08
Culture and Recreation:				
Recreation	349,271.94	-	5,000.00	354,271.94
Parks	47,729.44	-	-	47,729.44
Libraries	21,658.22	-	586.98	22,245.20
Conservation and Development:				
Economic Development and Assistance	10,639.08	-	-	10,639.08
Debt Service	15,550.00	8,546.00	-	24,096.00
Miscellaneous:				
Liquor Operating Agreements	389.78	-	-	389.78
Total Expenditures	<u>1,325,301.53</u>	<u>8,546.00</u>	<u>5,586.98</u>	<u>1,339,434.51</u>
Excess of Revenues Over (Under) Expenditures	<u>(384.99)</u>	<u>(1,640.20)</u>	<u>(5,047.58)</u>	<u>(7,072.77)</u>
Other Financing Sources (Uses):				
Sale of Surplus Property	7,295.00	-	-	7,295.00
Compensation for Loss or Damage to Capital Assets	4,065.91	-	-	4,065.91
Transfers Out	<u>(45,000.00)</u>	<u>-</u>	<u>-</u>	<u>(45,000.00)</u>
Total Other Financing Sources (Uses)	<u>(33,639.09)</u>	<u>-</u>	<u>-</u>	<u>(33,639.09)</u>
Net Change in Fund Balances	<u>(34,024.08)</u>	<u>(1,640.20)</u>	<u>(5,047.58)</u>	<u>(40,711.86)</u>
Fund Balance - Beginning	<u>540,547.25</u>	<u>(334.17)</u>	<u>6,802.02</u>	<u>547,015.10</u>
FUND BALANCE - ENDING	<u>\$ 506,523.17</u>	<u>\$ (1,974.37)</u>	<u>\$ 1,754.44</u>	<u>\$ 506,303.24</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, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 89,749.44	\$ 47,684.02	\$ 137,433.46
Total Current Assets	<u>89,749.44</u>	<u>47,684.02</u>	<u>137,433.46</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	29,358.66	219,747.51	249,106.17
Total Noncurrent Assets	<u>29,358.66</u>	<u>219,747.51</u>	<u>249,106.17</u>
Total Assets	<u>119,108.10</u>	<u>267,431.53</u>	<u>386,539.63</u>
LIABILITIES:			
Current Liabilities:			
Customer Deposits	8,600.00	-	8,600.00
Total Current Liabilities	<u>8,600.00</u>	<u>-</u>	<u>8,600.00</u>
Total Liabilities	<u>8,600.00</u>	<u>-</u>	<u>8,600.00</u>
NET POSITION:			
Restricted for:			
Debt Service	10,896.00	159,022.53	169,918.53
Replacement & Depreciation	18,462.66	52,744.53	71,207.19
Operation & Maintenance	-	7,980.45	7,980.45
Unrestricted	<u>81,149.44</u>	<u>47,684.02</u>	<u>128,833.46</u>
Total Net Position	<u>\$ 110,508.10</u>	<u>\$ 267,431.53</u>	<u>\$ 377,939.63</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, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenue:			
Charges for Goods and Services	\$ 274,851.27	\$ 108,847.05	\$ 383,698.32
Revenue Dedicated to Servicing Debt	-	203,195.00	203,195.00
Total Operating Revenue	274,851.27	312,042.05	586,893.32
Operating Expenses:			
Personal Services	47,546.78	47,402.51	94,949.29
Materials (Cost of Goods Sold)	219,963.30	63,987.74	283,951.04
Capital Assets	29,500.80	2,353,123.72	2,382,624.52
Total Operating Expenses	297,010.88	2,464,513.97	2,761,524.85
Operating Income (Loss)	(22,159.61)	(2,152,471.92)	(2,174,631.53)
Nonoperating Revenue (Expense):			
Investment Earnings	235.11	254.40	489.51
Rental Revenue	-	800.00	800.00
Debt Service	(10,896.00)	(55,396.50)	(66,292.50)
Long-Term Debt Issued	-	1,418,310.00	1,418,310.00
Total Nonoperating Revenue (Expense)	(10,660.89)	1,363,967.90	1,353,307.01
Income (Loss) Before Transfers	(32,820.50)	(788,504.02)	(821,324.52)
Capital Contributions	-	848,429.46	848,429.46
Transfers In	-	45,000.00	45,000.00
Change in Net Position	(32,820.50)	104,925.44	72,104.94
Net Position - Beginning	143,328.60	162,506.09	305,834.69
NET POSITION - ENDING	\$ 110,508.10	\$ 267,431.53	\$ 377,939.63

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, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 264,273.67	\$ 307,393.40	\$ 571,667.07
Receipts for Interfund Services Provided	11,727.60	4,648.65	16,376.25
Payments to Suppliers	(249,464.10)	(2,417,111.46)	(2,666,575.56)
Payments to Employees	(47,546.78)	(47,402.51)	(94,949.29)
Net Cash Provided (Used) by Operating Activities	<u>(21,009.61)</u>	<u>(2,152,471.92)</u>	<u>(2,173,481.53)</u>
Cash Flows from Noncapital Financing Activities:			
Miscellaneous	-	800.00	800.00
Transfers In	-	45,000.00	45,000.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>45,800.00</u>	<u>45,800.00</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Capital Debt	-	1,418,310.00	1,418,310.00
Capital Contributions	-	848,429.46	848,429.46
Principal Paid on Capital Debt	(3,318.89)	(33,392.62)	(36,711.51)
Interest Paid on Capital Debt	(7,577.11)	(22,003.88)	(29,580.99)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(10,896.00)</u>	<u>2,211,342.96</u>	<u>2,200,446.96</u>
Cash Flows from Investing Activities:			
Investment Earnings	235.11	254.40	489.51
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (31,670.50)</u>	<u>\$ 104,925.44</u>	<u>\$ 73,254.94</u>
Cash and Cash Equivalents at Beginning of Year	\$ 150,778.60	\$ 162,506.09	\$ 313,284.69
Cash and Cash Equivalents at End of Year	<u>119,108.10</u>	<u>267,431.53</u>	<u>386,539.63</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (31,670.50)</u>	<u>\$ 104,925.44</u>	<u>\$ 73,254.94</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (22,159.61)	\$ (2,152,471.92)	\$ (2,174,631.53)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Change in Assets and Liabilities:			
Customer Deposits	1,150.00	-	1,150.00
Net Cash Provided (Used) by Operating Activities	<u>\$ (21,009.61)</u>	<u>\$ (2,152,471.92)</u>	<u>\$ (2,173,481.53)</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, 2017

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 City Council for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other employees. The City Council, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the City 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 310 N Dakota St, 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.

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2017

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.

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 – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is a major fund.

Capital Projects Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Other Governmental Funds is a summarization of all of the Municipality's nonmajor governmental funds. These include the Library Fines Special Revenue Fund and Clubhouse/Event Center Capital Projects 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.

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2017

- 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).*

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).

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2017

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).

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.

e. Deposits:

For the purpose of financial reporting, "cash and cash equivalents" includes demand and savings accounts.

f. Long-Term Liabilities:

The long-term liabilities primarily consist of State Revolving Fund loans, revenue bonds, Consolidated Water Facilities Construction Fund loan, bank loan, and financing (capital acquisition) leases.

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 the modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is 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 are 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, 2017

g. 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.

h. 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.

i. 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.

j. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

k. 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 positions are available.

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2017

l. 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 City 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 or committed. Fund balance may be assigned by the City 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.

m. 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, 2017, the Municipality did not have any investments.

MUNICIPALITY OF CLARK
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
December 31, 2017

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, 2017 the Municipality's deposits in financial institutions were not exposed to any custodial credit risk.

Custodial Credit Risk -- Investments

The risk that, in the event of the failure of the counterparty to a transaction, the Municipality will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

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 City 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 solely from the property taxes generated from property located within the tax incremental district. Total principal and interest remaining on the note is \$41,310.49, payable through December 2021. For the current year, principal and interest paid and total property tax revenues were \$8,546.00 and \$6,905.80, 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, 2017

6. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017 were as follows:

	<u>Transfers to:</u>
	<u>Sewer Fund</u>
<u>Transfers from:</u>	
General Fund	<u>\$ 45,000.00</u>

The Municipality transferred funds from the General Fund to the Sewer Fund for improvements of the sewer system.

7. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and 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 South Dakota Codified Law 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 three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

MUNICIPALITY OF CLARK
 NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
 December 31, 2017

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- 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.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2017, 2016, and 2015 were \$20,944.71, \$20,440.57, and \$20,690.61, respectively, equal to the required contributions each year.

Pension Liability (Asset):

At June 30, 2017, 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, 2017 are as follows:

Proportionate share of net pension liability	\$ 1,971,230.42
Less proportionate share of net pension restricted for pension benefits	<u>1,972,767.95</u>
Proportionate share of net pension asset	\$ <u>(1,537.53)</u>

The net pension asset was measured as of June 30, 2017 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, 2017, the Municipality's proportion was .0169423%, which is a decrease of .0011361% from its proportion measured as of June 30, 2016.

Actuarial Assumptions:

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00%
Discount Rate	6.50% net of plan investment expense

MUNICIPALITY OF CLARK
 NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
 December 31, 2017

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%

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 from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Municipality's proportionate share of net pension liability (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)	\$ 281,598.57	(\$ 1,537.53)	(\$232,102.39)

Pension Plan Fiduciary Net Position:

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

MUNICIPALITY OF CLARK
 NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
 December 31, 2017

8. 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, 2017, 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 an annual premium, to provide liability coverage detailed below, under a claims-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, and property and inland marine.

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of Municipality's First Full Year	50%
End of Municipality's Second Full Year	60%
End of Municipality's Third Full Year	70%
End of Municipality's Fourth Full Year	80%
End of Municipality's Fifth Full Year	90%
End of Municipality's Sixth Full Year and Thereafter	100%

As of December 31, 2017, the Municipality has a vested balance in the cumulative reserve fund of \$31,869.48.

The Municipality carries the following deductibles for the insurance coverages:

General Liability	\$ -
Governmental (Other than Employment Related)	-
Governmental (Employment Related)	5,000
Auto Liability	-
Auto Damage	100
Property	250/1,000
Employee Dishonesty	-
Equipment Breakdown	1,500
Earthquake & Flood	10,000
Law Enforcement Operations	2,000
Cyber Liability	10,000

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, 2017

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 as needed basis.

During the year ended December 31, 2017, one outstanding claim resulted in the payment of benefits in the amount of \$3,874.69. No new claims for unemployment benefits were filed during the year. At December 31, 2017, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

9. LITIGATION

At December 31, 2017, the Municipality was not involved in any litigation.

10. 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. 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, 2017 was \$33,475.00.

The following is a schedule by years of future minimum rentals under existing operating leases as of December 31, 2017:

<u>Year</u>	<u>General Fund</u>
2018	\$ 30,900.00
2019	30,900.00
2020	30,900.00
2021	30,900.00
2022	<u>2,575.00</u>
Total	<u>\$126,175.00</u>

SUPPLEMENTARY INFORMATION

MUNICIPALITY OF CLARK
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	\$ 445,902.00	\$ 445,902.00	\$ 440,226.82	\$ (5,675.18)
General Sales and Use Taxes	427,242.00	427,242.00	438,757.00	11,515.00
Amusement Taxes	36.00	36.00	60.00	24.00
Tax Deed Revenue	-	-	3,237.27	3,237.27
Penalties and Interest on Taxes	1,200.00	1,200.00	1,289.64	89.64
License and Permits	1,400.00	1,400.00	1,224.50	(175.50)
Intergovernmental Revenue:				
Federal Grants	-	-	300.60	300.60
State Grants	2,425.00	2,425.00	3,425.00	1,000.00
State Shared Revenue	85,180.00	85,180.00	80,403.11	(4,776.89)
County Shared Revenue	3,085.00	3,085.00	17,370.28	14,285.28
Charges for Goods and Services:				
General Government	12,250.00	12,250.00	11,451.73	(798.27)
Public Safety	5,250.00	5,250.00	5,250.00	-
Highway and Streets	3,500.00	3,500.00	4,997.36	1,497.36
Sanitation	88,920.00	88,920.00	92,751.46	3,831.46
Culture and Recreation	170,060.00	170,060.00	146,962.84	(23,097.16)
Fines and Forfeits:				
Court Fines and Costs	250.00	250.00	1,027.59	777.59
Miscellaneous Revenue:				
Investment Earnings	850.00	850.00	996.26	146.26
Rentals	36,890.00	36,890.00	39,437.23	2,547.23
Special Assessments	500.00	500.00	334.09	(165.91)
Contributions & Donations	7,350.00	7,350.00	6,654.00	(696.00)
Liquor Operating Agreement Income	29,675.00	29,675.00	26,516.46	(3,158.54)
Other	-	-	2,243.30	2,243.30
Total Revenues	<u>1,321,965.00</u>	<u>1,321,965.00</u>	<u>1,324,916.54</u>	<u>2,951.54</u>
Expenditures:				
General Government:				
Legislative	88,057.00	21,972.00	21,960.06	11.94
Executive	9,098.00	14,098.00	13,766.35	331.65
Elections	575.00	575.00	538.69	36.31
Financial Administration	114,357.00	115,007.00	114,459.12	547.88
Other	14,320.00	16,620.00	16,496.20	123.80
Public Safety:				
Police	143,868.00	160,714.20	158,707.15	2,007.05
Fire	26,950.00	26,950.00	25,312.20	1,637.80

MUNICIPALITY OF CLARK
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Highways and Streets	340,933.00	376,116.00	362,695.78	13,420.22
Sanitation	92,917.00	92,917.00	92,298.42	618.58
Transit	60,740.00	60,740.00	54,538.02	6,201.98
Health and Welfare:				
Health	14,127.00	19,736.33	19,291.08	445.25
Culture and Recreation:				
Recreation	274,884.00	372,469.00	349,271.94	23,197.06
Parks	47,635.00	47,835.00	47,729.44	105.56
Libraries	21,604.00	21,854.00	21,658.22	195.78
Conservation and Development:				
Economic Development and Assistance	6,250.00	10,640.00	10,639.08	0.92
Debt Service	-	-	15,550.00	(15,550.00)
Miscellaneous:				
Liquor Operating Agreements	650.00	650.00	389.78	260.22
Total Expenditures	<u>1,256,965.00</u>	<u>1,358,893.53</u>	<u>1,325,301.53</u>	<u>33,592.00</u>
Excess of Revenues Over (Under) Expenditures	<u>65,000.00</u>	<u>(36,928.53)</u>	<u>(384.99)</u>	<u>36,543.54</u>
Other Financing Sources (Uses):				
Sale of Surplus Property	-	-	7,295.00	7,295.00
Compensation for Loss or Damage to Capital Assets	-	-	4,065.91	4,065.91
Transfers Out	<u>(45,000.00)</u>	<u>(45,000.00)</u>	<u>(45,000.00)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(45,000.00)</u>	<u>(45,000.00)</u>	<u>(33,639.09)</u>	<u>11,360.91</u>
Net Change in Fund Balances	20,000.00	(81,928.53)	(34,024.08)	47,904.45
Fund Balance - Beginning	<u>540,547.25</u>	<u>540,547.25</u>	<u>540,547.25</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 560,547.25</u>	<u>\$ 458,618.72</u>	<u>\$ 506,523.17</u>	<u>\$ 47,904.45</u>

MUNICIPALITY OF CLARK
NOTES TO THE SUPPLEMENTARY INFORMATION
December 31, 2017

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 City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City 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 City 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 City 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.

MUNICIPALITY OF CLARK
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2017

	<u>Library Fines Special Revenue Fund</u>	<u>Clubhouse/ Event Center Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,708.18	\$ 46.26	\$ 1,754.44
 TOTAL ASSETS	 <u>\$ 1,708.18</u>	 <u>\$ 46.26</u>	 <u>\$ 1,754.44</u>
 FUND BALANCES:			
Restricted for:			
Library Purposes	\$ 1,708.18	\$ -	\$ 1,708.18
Assigned for:			
Capital Outlay	<u>-</u>	<u>46.26</u>	<u>46.26</u>
Total Fund Balances	<u>1,708.18</u>	<u>46.26</u>	<u>1,754.44</u>
 TOTAL FUND BALANCES	 <u>\$ 1,708.18</u>	 <u>\$ 46.26</u>	 <u>\$ 1,754.44</u>

MUNICIPALITY OF CLARK
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2017

	Library Fines Special Revenue Fund	Clubhouse/ Event Center Capital Projects Fund	Total Governmental Funds
Revenues:			
Charges for Goods and Services:			
Culture and Recreation	\$ 114.98	\$ -	\$ 114.98
Fines and Forfeits:			
Library	287.35	-	287.35
Miscellaneous Revenue:			
Contributions and Donations	136.07	1.00	137.07
Total Revenues	538.40	1.00	539.40
Expenditures:			
Culture and Recreation:			
Recreation	-	5,000.00	5,000.00
Libraries	586.98	-	586.98
Total Expenditures	586.98	5,000.00	5,586.98
Excess of Revenues Over (Under) Expenditures	(48.58)	(4,999.00)	(5,047.58)
Net Change in Fund Balances	(48.58)	(4,999.00)	(5,047.58)
Fund Balance - Beginning	1,756.76	5,045.26	6,802.02
FUND BALANCE - ENDING	\$ 1,708.18	\$ 46.26	\$ 1,754.44

MUNICIPALITY OF CLARK
SCHEDULE OF CHANGES IN LONG-TERM DEBT
December 31, 2017

	Beginning Balance <u>1/1/2017</u>	Additions	Deletions	Ending Balance <u>12/31/2017</u>	Due Within <u>One Year</u>
SRF Loan #C461124-01	\$ 198,181.84	\$ -	\$ 21,099.71	\$ 177,082.13	\$ 21,847.96
SRF Loan #C461124-02	347,862.00	1,418,310.00	-	1,766,172.00	-
2003 Water Utility Revenue Bonds	169,895.74	-	3,318.89	166,576.85	3,457.73
2004 Sewer Utility Revenue Bonds	151,345.92	-	2,880.16	148,465.76	3,008.10
2010 Sewer Project Revenue Bonds	263,404.83	-	7,890.05	255,514.78	8,129.69
CWFCP Loan #2012L-206	33,199.20	-	1,522.70	31,676.50	1,568.72
Dacotah Bank Loan #5297184	47,041.72	-	5,731.23	41,310.49	6,062.52
Financing (Capital Acquisition) Lease	-	73,532.00	15,385.22	58,146.78	13,802.76
	<u>\$ 1,210,931.25</u>	<u>\$ 1,491,842.00</u>	<u>\$ 57,827.96</u>	<u>\$ 2,644,945.29</u>	<u>\$ 57,877.48</u>

Long-term debt at December 31, 2017 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	\$ 177,082.13
State Revolving Fund Loan; original amount of \$2,485,000; maturing November 15, 2048; interest rate 3.25%; payable by the Sewer Fund	1,766,172.00
Water Utility Revenue Bonds, Series 2003; original amount of \$200,000; maturing December 22, 2043; interest rate 4.50%; payable by the Water Fund	166,576.85
Sewer Utility Revenue Bonds, Series 2004; original amount of \$176,250; maturing October 7, 2044; interest rate 4.375%; payable by the Sewer Fund	148,465.76
Sewer Project Revenue Bonds, Series 2010; original amount of \$365,000; maturing May 28, 2040; interest rate 3.00%; payable by the Sewer Fund	255,514.78
Consolidated Water Facilities Construction Fund; original amount of \$37,504; maturing November 1, 2033; interest rate 3.00%; payable by the Sewer Fund	31,676.50
Dacotah Bank; original amount of \$83,000; maturing December 15, 2021; interest rate 6.00%; unsecured; payable by the TIF District #1 Debt Service Fund	41,310.49

MUNICIPALITY OF CLARK
SCHEDULE OF CHANGES IN LONG-TERM DEBT
December 31, 2017

Financing (Capital Acquisition) Leases:

Mowers; original amount of \$73,532; maturing June 2021; interest rate 3.41%; payable by the General Fund

58,146.78

The annual requirements to amortize all debt outstanding as of December 31, 2017, except for SRF loan #C461124-02, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2017

Year Ending December 31,	SRF Loan		Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 21,847.96	\$ 5,913.20	\$ 14,595.52	\$ 21,421.40
2019	22,622.73	5,138.43	15,135.89	20,881.03
2020	23,424.98	4,336.18	15,697.09	20,319.83
2021	24,255.68	3,505.48	16,279.97	19,736.95
2022	25,115.84	2,645.32	16,885.30	19,131.62
2023-2027	59,814.94	2,647.67	94,360.12	85,724.48
2028-2032	-	-	113,435.54	66,649.06
2033-2037	-	-	136,543.85	43,540.75
2038-2042	-	-	122,061.26	17,100.06
2043-2047	-	-	25,562.85	984.19
	<u>\$ 177,082.13</u>	<u>\$ 24,186.28</u>	<u>\$ 570,557.39</u>	<u>\$ 315,489.37</u>

Year Ending December 31,	Loans/Notes Payable		Financing (Capital Acquisition) Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 7,631.24	\$ 3,422.10	\$ 13,802.76	\$ 1,747.24	\$ 57,877.48	\$ 32,503.94
2019	8,042.41	3,010.93	14,280.94	1,269.06	60,081.97	30,299.45
2020	8,472.10	2,581.24	14,775.62	774.38	62,369.79	28,011.63
2021	23,729.89	2,198.46	15,287.46	262.54	79,553.00	25,703.43
2022	1,767.15	740.19	-	-	43,768.29	22,517.13
2023-2027	9,669.98	2,866.72	-	-	163,845.04	91,238.87
2028-2032	11,222.42	1,314.28	-	-	124,657.96	67,963.34
2033-2037	2,451.80	55.30	-	-	138,995.65	43,596.05
2038-2042	-	-	-	-	122,061.26	17,100.06
2043-2047	-	-	-	-	25,562.85	984.19
	<u>\$ 72,986.99</u>	<u>\$ 16,189.22</u>	<u>\$ 58,146.78</u>	<u>\$ 4,053.22</u>	<u>\$ 878,773.29</u>	<u>\$ 359,918.09</u>

The Municipality has drawn down funds totaling \$1,766,172.00 from the \$2,485,000 State Revolving Fund (SRF) loan for the payment of expenditures related to the retention bond project. Repayment of the SRF loan is not scheduled to begin until November 2018.

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

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Municipality's proportion of the net pension liability (asset)	0.0166106%	0.0180139%	0.0180784%	0.0169423%
Municipality's proportionate share of net pension liability (asset)	\$ (119,672.58)	\$ (76,402.10)	\$ 61,067.06	\$ (1,537.53)
Municipality's covered-employee payroll	\$ 274,745.41	\$ 303,158.75	\$ 315,950.65	\$ 317,116.68
Municipality's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	-43.56%	-25.20%	19.33%	-0.48%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	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.

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

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Contractually required contribution	\$ 18,882.60	\$ 20,690.61	\$ 20,440.57	\$ 20,944.71
Contributions in relation to the contractually required contribution	<u>18,882.60</u>	<u>20,690.61</u>	<u>20,440.57</u>	<u>20,944.71</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 294,229.95	\$ 315,572.44	\$ 314,420.59	\$ 320,873.43
Contributions as a percentage of covered-employee payroll	6.4%	6.6%	6.5%	6.5%

MUNICIPALITY OF CLARK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures Amount 2017</u>
Department of Housing & Urban Development: Indirect Federal Funding: SD Governor's Office of Economic Development, Community Development Block Grant	14.228	1313-106	\$ <u>131,698</u>
Department of Justice: Direct Federal Funding: Bureau of Justice Assistance, Bulletproof Vest Partnership Program	16.607	--	<u>301</u>
General Services Administration: Indirect Federal Funding: SD Federal Property Agency, Donation of Federal Surplus Personal Property - Note 3	39.003	--	<u>5</u>
Environmental Protection Agency: Indirect Federal Funding: SD Department of Environment and Natural Resources, Capitalization Grants for Clean Water State Revolving Funds – Major Program	66.458	C461124-02	<u>650,000</u>
Homeland Security: Indirect Federal Funding: SD Department of Public Safety, Office of Homeland Security, Homeland Security Grant Program	97.067	2017-SS-00001-S01	<u>13,605</u>
GRAND TOTAL			\$ <u>795,609</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, 2017. 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 accrual/accrual 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.