Financial Statements
December 31, 2025

Town of Langford

Independent Auditor's Report

To the Town Board of Trustees
Town of Langford
Langford, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Langford (the Town), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2025, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 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 opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of net pension liability (asset) and schedule of pension contributions, budgetary comparison schedules, and schedule of changes in long-term debt*,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of net pension liability (asset) and schedule of pension contributions, budgetary comparison schedules, and schedule of changes in long-term debt are fairly stated, in all material respects, in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Eide Bailly LLP

Aberdeen, South Dakota
August 6, 2026

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 106,775	$ 196,014	$ 302,789
Investments	41,135	80,000	121,135
Restricted assets			
Cash and cash equivalents	9,201	25,013	34,214
Total assets	$ 157,111	$ 301,027	$ 458,138
Net Position			
Restricted			
Debt service	$ -	$ 23,953	$ 23,953
Asset replacement	-	1,060	1,060
Library	9,201	-	9,201
Unrestricted	147,910	276,014	423,924
Total net position	157,111	301,027	458,138
	$ 157,111	$ 301,027	$ 458,138

Town of Langford

Statement of Activities – Modified Cash Basis

Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position, Primary Government: Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	$ 108,783	$ 5,225	$ -	$ -	$ (103,558)	$ -	$ (103,558)
Public safety	145,550	-	-	-	(145,550)	-	(145,550)
Public works	465,234	61,632	37,602	-	(366,000)	-	(366,000)
Health and welfare	6,433	-	-	-	(6,433)	-	(6,433)
Culture and recreation	28,057	-	4,734	-	(23,323)	-	(23,323)
Conservation and development	300	-	-	-	(300)	-	(300)
Interest on long-term debt	2,391	-	-	-	(2,391)	-	(2,391)
Total governmental activities	756,748	66,857	42,336	-	(647,555)	-	(647,555)
Business-type activities							
Water	113,794	118,424	-	-	-	4,630	4,630
Electric	323,078	488,399	-	-	-	165,321	165,321
Sewer	106,039	111,599	-	-	-	5,560	5,560
Total business-type activities	542,911	718,422	-	-	-	175,511	175,511
Total primary government	$ 1,299,659	$ 785,279	$ 42,336	$ -	(647,555)	175,511	(472,044)
General Revenues							
Taxes							
Property taxes					45,146	-	45,146
Sales taxes					86,813	-	86,813
State shared revenues					2,308	-	2,308
Unrestricted investment earnings					4,599	-	4,599
Miscellaneous revenue					43,090	-	43,090
Sale of municipal property					5,688	-	5,688
Long-term debt issued					180,000	-	180,000
Transfers					229,591	(229,591)	-
Total general revenues					597,235	(229,591)	367,644
Change in Net Position					(50,320)	(54,080)	(104,400)
Net Position - Beginning					207,431	355,107	562,538
Net Position - Ending					$ 157,111	$ 301,027	$ 458,138

	General Fund	Other Governmental Funds: Library Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 106,775	$ -	$ 106,775
Restricted cash and cash equivalents	-	9,201	9,201
Investments	41,135	-	41,135
Total assets	$ 147,910	$ 9,201	$ 157,111
Fund Balances			
Restricted	$ -	$ 9,201	$ 9,201
Assigned	47,965	-	47,965
Unassigned	99,945	-	99,945
Total fund balance	147,910	9,201	157,111
	$ 147,910	$ 9,201	$ 157,111

	General Fund	Other Governmental Funds Library Fund	Total Governmental Funds
Revenues			
310 Taxes			
311 General property taxes	$ 45,027	$ -	$ 45,027
313 General sales and use taxes	86,813	-	86,813
319 Penalties and interest on delinquent taxes	119	-	119
Total taxes	131,959	-	131,959
320 Licenses and permits	1,308	-	1,308
330 Intergovernmental revenue			
335 State shared revenue			
335.01 Bank franchise tax	418	-	418
335.02 Motor vehicle commercial prorate	2,131	-	2,131
335.03 Liquor tax reversion	1,890	-	1,890
335.04 Motor vehicle licenses (5%)	9,501	-	9,501
335.08 Local government highway and bridge fund	22,158	-	22,158
338 County shared revenue			
338.01 County road tax (25%)	200	-	200
338.02 County road and bridge tax (25%)	3,612	-	3,612
Total intergovernmental revenue	39,910	-	39,910
340 Charges for goods and services			
344 Sanitation	61,632	-	61,632
Total charges for goods and services	61,632	-	61,632
360 Miscellaneous revenue			
361 Investment earnings	4,599	-	4,599
362 Rentals	285	-	285
363 Special assessments	227	-	227
367 Contributions and donations from private sources	4,419	315	4,734
368 Liquor operating agreement income	3,405	-	3,405
369 Other	43,064	26	43,090
Total miscellaneous revenue	55,999	341	56,340
Total revenues	290,808	341	291,149

	General Fund	Other Governmental Funds Library Fund	Total Governmental Funds
Expenditures			
410 General government			
411 Legislative	8,730	-	8,730
413 Elections	35	-	35
414 Financial administration	46,173	-	46,173
419 Other	53,845	-	53,845
Total general government	108,783	-	108,783
420 Public safety			
421 Police	61,040	-	61,040
422 Fire	84,510	-	84,510
Total public safety	145,550	-	145,550
430 Public works			
431 Highways and streets	340,464	-	340,464
432 Sanitation	81,661	-	81,661
Total public works	422,125	-	422,125
440 Health and welfare			
441 Health	1,800	-	1,800
449 Other	4,633	-	4,633
Total health and welfare	6,433	-	6,433
450 Culture and recreation			
451 Recreation	941	-	941
452 Parks	11,197	-	11,197
455 Libraries	15,345	574	15,919
Total culture and recreation	27,483	574	28,057
460 Conservation and development			
465 Economic development and assistance	300	-	300
Total conservation and development	300	-	300
470 Debt service	45,500	-	45,500
Total expenditures	756,174	574	756,748
Other Financing Sources			
391.01 Transfers in	229,591	-	229,591
391.03 Sale of municipal property	5,688	-	5,688
391.20 Long-term debt issued	180,000	-	180,000
Total other financing sources	415,279	-	415,279
Net Change in Fund Balance	(50,087)	(233)	(50,320)
Fund Balance - Beginning	197,997	9,434	207,431
Fund Balance - Ending	$ 147,910	$ 9,201	$ 157,111

	Enterprise Funds			
	Water Fund	Electric Fund	Sewer Fund	Totals
Current Assets				
Cash and cash equivalents	$ 35,788	$ 107,771	$ 52,455	$ 196,014
Restricted cash and cash equivalents	17,012	-	8,001	25,013
Investments	-	80,000	-	80,000
Total current assets	52,800	187,771	60,456	301,027
Total assets	$ 52,800	$ 187,771	$ 60,456	$ 301,027
Net Position				
Restricted				
Debt service	$ 16,732	$ -	$ 7,221	$ 23,953
Asset replacement	280	-	780	1,060
Unrestricted	35,788	187,771	52,455	276,014
Total net position	52,800	187,771	60,456	301,027
	$ 52,800	$ 187,771	$ 60,456	$ 301,027

	Enterprise Funds			
	Water Fund	Electric Fund	Sewer Fund	Totals
Operating Revenue				
380 Charges for goods and services	$ 118,424	$ 488,399	$ 111,599	$ 718,422
Total operating revenue	118,424	488,399	111,599	718,422
Operating Expenses				
410 Personal services	47,395	52,901	47,589	147,885
420 Other current expense	40,177	228,879	10,370	279,426
426.2 Materials	10,398	41,298	4,768	56,464
Total operating expenses	97,970	323,078	62,727	483,775
Operating Income	20,454	165,321	48,872	234,647
Nonoperating Revenue (Expense)				
441 Debt service (principal)	(15,824)	-	(28,065)	(43,889)
442 Debt service (interest)	-	-	(15,247)	(15,247)
Total nonoperating revenue (expense)	(15,824)	-	(43,312)	(59,136)
Income (Loss) Before Transfers	4,630	165,321	5,560	175,511
391 Transfers in	-	-	-	-
511 Transfers out	(2,000)	(192,279)	(35,312)	(229,591)
Change in Net Position	2,630	(26,958)	(29,752)	(54,080)
Net Position - Beginning	50,170	214,729	90,208	355,107
Net Position - Ending	$ 52,800	$ 187,771	$ 60,456	$ 301,027

	Enterprise Funds			
	Water Fund	Electric Fund	Sewer Fund	Totals
Cash Flows from (used for) Operating Activities				
Receipts from customers	$ 118,424	$ 488,399	$ 111,599	$ 718,422
Payments to suppliers	(50,575)	(270,177)	(15,138)	(335,890)
Payments to employees	(47,395)	(52,901)	(47,589)	(147,885)
Net Cash from Operating Activities	20,454	165,321	48,872	234,647
Cash Flows used for Noncapital Financing Activities				
Net transfers to other funds	(2,000)	(192,279)	(35,312)	(229,591)
Net Cash used for Noncapital Financing Activities	(2,000)	(192,279)	(35,312)	(229,591)
Cash Flows used for Capital and Related Financing Activities				
Principal and interest payments on long-term debt	(15,824)	-	(43,312)	(59,136)
Purchase of capital assets	-	-	-	-
Net Cash used for Capital and Related Financing Activities	(15,824)	-	(43,312)	(59,136)
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments	-	67,438	33,312	100,750
Net Cash from Investing Activities	-	67,438	33,312	100,750
Net Change in Cash and Cash Equivalents	2,630	40,480	3,560	46,670
Cash and Cash Equivalents - Beginning	50,170	67,291	56,896	174,357
Cash and Cash Equivalents - Ending	$ 52,800	$ 107,771	$ 60,456	$ 221,027
Cash and Cash Equivalents consists of				
Cash and cash equivalents	$ 35,788	$ 107,771	$ 52,455	$ 196,014
Restricted cash and cash equivalents	17,012	-	8,001	25,013
	$ 52,800	$ 107,771	$ 60,456	$ 221,027
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	$ 20,454	$ 165,321	$ 48,872	$ 234,647
Adjustment to reconcile operating income to net cash from operating activities				
Purchase of capital assets	-	-	-	-
Net Cash from Operating Activities	$ 20,454	$ 165,321	$ 48,872	$ 234,647

Note 1 - Summary of Significant Accounting Policies

As discussed further in Note 1C., the financial statements are presented in accordance with the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Financial Reporting Entity

The reporting entity of the Town of Langford (the Town), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal 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 Town’s financial statements to be misleading or incomplete.

The reporting entity is comprised of the primary government, the Town of Langford.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Town 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 Town (primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town. Based upon the application of these criteria, the Town does not have any component units.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the Town as a whole within the limitations of the modified cash basis of accounting. They include all funds of the Town except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function of the Town’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 Town 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. The Town presently has no fiduciary funds. 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 Town 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% 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% 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 Town are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the Town. 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.

- Library Fund – This fund is used to account for certain operations and functions of the public library. This is not a major fund.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- Water Fund – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (South Dakota Codified Laws (SDCL) 9-47-1) This is a major fund.
- Electric Fund – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, and administrative expenses, including capital assets specific to the systems that deliver the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 applied.

Measurement Focus

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.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is applied within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report, in the statements of net position or balance sheets, cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such report balances include restricted cash and cash equivalents, investments in certificates of deposit (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash accounts at cost, and inter-fund advances and borrowing arising from the use of a pooled cash account.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event that would be reported in GAAP basis financial statements (such as donated assets) are not reported in this modified cash basis presentation, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

D. Deposits and Investments

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months and/or those types of investment authorized by SDCL 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

E. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

- The Town did not have any interfund receivables and payables that needed to be eliminated as of December 31, 2025.
- The Town did not have internal service fund activity which required elimination as of December 31, 2025.

F. Capital Assets

Under the modified cash basis of accounting, capital assets are expensed when the cash transaction occurs.

G. Long-Term Liabilities

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. Under the modified cash basis, the accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

H. Program Revenues

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

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

I. Proprietary Funds Revenue and Expense Classifications

In the proprietary funds' statements of revenues, expenses and changes in fund net position, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

J. Cash and Cash Equivalents

The Town pools the cash resources of its funds for cash management purposes. The Water, Electric and Sewer 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.

K. Equity Classifications

Government-Wide Statements

Equity is classified as net position and is comprised of three components: net investment in capital assets, restricted net position and unrestricted net position. Because capital assets are not reported by the Town under the modified cash basis of accounting, only the following components are displayed:

1. Restricted Net Position – Consists of net position with constraints places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net positions that do not meet the definition of "restricted."

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.

L. Application of Net Position and Fund Balance

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

M. Fund Balance Classification Policies and Procedures

The following classifications describe the relative strength of the spending constraints, as applicable, within the fund balance sheets:

- Nonspendable Fund Balance – Amounts that are not in spendable form or are required to be maintained intact.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Town Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Board of Trustees or by an official or body to which the Town Board of Trustees delegates the authority.
- Unassigned Fund Balance – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

Note 2 - Deposits and Investments

The Town 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 Town'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.

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2025, the Town maintained their deposits in in-state financial institutions which were properly collateralized.

The actual bank balances at December 31, 2025, are as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 454,430
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	29,117
	$ 483,547

The Town's carrying amount of deposits at December 31, 2025, are as follows:

Cash and cash equivalents	$ 337,003
Investments	121,135
	$ 458,138

Investments

In general, SDCL 4-5-6 permits the Town's 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 (c) 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.

At December 31, 2025, the Town's investments consisted solely of certificates of deposit or deposits in an external investment pool. Under the modified cash basis of accounting, investments in certificates of deposit are stated at cost. The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis

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

Credit Risk – State law limits eligible investments for the municipality, as discussed above. The Town has no investment policy that would further limit its investment choices.

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 Town's policy is to credit all income from deposits and investments to the General Fund.

Note 3 - Restricted Cash

Assets restricted to use for a specific purpose through segregation of balances are as follows at December 31, 2025:

- $23,953 for debt service reserves, required by loan agreements.
- $1,060 for asset replacement reserves, required by loan agreements.
- $9,201 for library operations and acquisition of books.

Note 4 - 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 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 Town is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the Town.

Note 5 - Restricted Net Position

Restricted net position for the year ended December 31, 2025, was as follows:

Fund	Restricted By	Amount
Library Fund	Statute	$ 9,201
Water Fund	Contractual	17,012
Sewer Fund	Contractual	8,001

Note 6 - Retirement Plan

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan-type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. 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 https://sdrs.sd.gov/publications.aspx or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota, 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than 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, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Town's share of contributions to the SDRS for the years ended December 31, 2025, 2024 and 2023, were $9,134, $9,865 and $9,851, respectively, equal to the required contributions each year.

Pension Plan Fiduciary Net Position

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

Note 7 - Significant Contingencies

Litigation

At December 31, 2025, the Town was not involved in any litigation that would be material to the financial statements.

Debt Covenant Compliance

The Town's Water Fund long-term debt held with the South Dakota Department of Agriculture and Natural Resources (SD DANR) have certain rate covenants to which project income must be at least 110% of the debt service payments on the debt. For one of the SD DANR Water Fund loans, the Town was not in compliance with this rate covenant for the year ended December 31, 2025. Under the modified cash basis of accounting, no long-term debt is recorded as outstanding liabilities on the financial statements of the Town.

Note 8 - Risk Management

The Town 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, 2025, the Town managed its risks as follows:

Employee Health Insurance

The Town joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Town pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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

Liability Insurance

The Town 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 Town'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 Town. The Town pays a members' annual operating contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience-to-date of the SDPAA member, based on their exposure or type of coverage. The Town pays an annual premium to the pool to provide coverage for general liability, automobile liability and official's liability.

The Town 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.

Workers' Compensation

The Town joined the South Dakota Municipal League Workers' 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Town'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 workers' compensation claims. The Town pays an annual premium to provide workers' 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 Town does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The Town provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During the year ended December 31, 2025, no claims for unemployment benefits were paid. At December 31, 2025, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 9 - Interfund Transactions

During 2025, the Water, Electric, and Sewer funds transferred $2,000, $192,279, and $35,312, respectively of funds to the General Fund to supplement indispensable fund operations. The Town typically budgets transfers from the Electric Fund to other funds of the Town to continue to conduct the indispensable functions of the Town.

Note 10 - Related Party Transactions

During 2025, the Town purchased $11,752 of supplies from the local lumber yard which is owned by a Trustee of the Town.

Supplementary Information
December 31, 2025

Town of Langford

Schedule of Net Pension Liability (Asset)

Pension Plan	Fiscal Year Ending	Town's Proportion of the Net Pension Liability (Asset)	Town's Proportionate Share of the Net Pension Liability (Asset) (a)	Town's Covered Payroll (b)	Town's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2025	0.0052%	$ (443)	$ 155,041	0.29%	100.1%
SDRS	6/30/2024	0.0615%	(249)	171,073	0.15%	100.0%
SDRS	6/30/2023	0.0059%	(573)	151,512	0.38%	100.1%
SDRS	6/30/2022	0.0072%	(682)	170,551	0.40%	100.1%
SDRS	6/30/2021	0.0075%	(57,766)	171,164	33.75%	105.5%
SDRS	6/30/2020	0.0062%	(270)	136,391	0.20%	100.0%
SDRS	6/30/2019	0.0069%	(735)	150,450	0.49%	100.1%
SDRS	6/30/2018	0.0064%	(148)	132,330	0.11%	100.02%
SDRS	6/30/2017	0.0066%	(595)	133,260	0.45%	100.10%
SDRS	6/30/2016	0.0065%	22,116	123,913	-17.85%	96.89%

Schedule of Pension Contributions

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2025	$ 9,134	$ 9,134	$ -	$ 152,240	6.0%
SDRS	12/31/2024	9,865	9,865	-	164,418	6.0%
SDRS	12/31/2023	9,851	9,851	-	164,183	6.0%
SDRS	12/31/2022	9,492	9,492	-	158,198	6.0%
SDRS	12/31/2021	10,335	10,335	-	172,246	6.0%
SDRS	12/31/2020	9,071	9,071	-	150,638	6.0%
SDRS	12/31/2019	8,794	8,794	-	149,559	5.9%
SDRS	12/31/2018	8,217	8,217	-	136,957	6.0%
SDRS	12/31/2017	7,922	7,922	-	132,038	6.0%
SDRS	12/31/2016	7,775	7,775	-	129,004	6.0%

Indebtedness	Long-Term Debt 1/1/25	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/25
Governmental Long-Term Debt				
Other long-term liabilities	$ 43,109	$ -	$ 43,109	$ -
DB Promissory Note - Street Project	-	180,000	-	180,000
Enterprise Long-Term Debt				
Revenue bonds (sewer)	618,481	-	28,065	590,416
Revenue bonds (water #1)	327,609	-	13,104	314,505
Revenue bonds (water #2)	71,389	-	2,720	68,669
	$ 1,060,588	$ 180,000	$ 86,998	$ 1,153,590

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
310 Taxes				
311 General property taxes	$ 45,000	$ 45,000	$ 45,027	$ 27
313 General sales and use taxes	70,000	70,000	86,813	16,813
319 Penalties and interest on delinquent taxes	-	-	119	119
Total taxes	115,000	115,000	131,959	16,959
320 Licenses and permits	-	-	1,308	1,308
330 Intergovernmental revenue				
335 State shared revenue				
335.01 Bank franchise tax	1,000	1,000	418	(582)
335.02 Motor vehicle commercial prorate	2,000	2,000	2,131	131
335.03 Liquor tax reversion	2,000	2,000	1,890	(110)
335.04 Motor vehicle licenses (5%)	8,000	8,000	9,501	1,501
335.08 Local government highway and bridge fund	20,000	20,000	22,158	2,158
338 County shared revenue				
338.01 County road tax (25%)	200	200	200	-
338.02 County road and bridge tax (25%)	5,000	5,000	3,612	(1,388)
Total intergovernmental revenue	38,200	38,200	39,910	1,710
340 Charges for goods and services				
344 Sanitation	59,000	59,000	61,632	2,632
Total charges for goods and services	59,000	59,000	61,632	2,632
360 Miscellaneous revenue				
361 Investment earnings	2,000	2,000	4,599	2,599
362 Rentals	-	-	285	285
363 Special assessments	-	-	227	227
367 Contributions and donations from private sources	-	1,500	4,419	2,919
368 Liquor operating agreement income	4,000	4,000	3,405	(595)
369 Other	38,000	38,000	43,064	5,064
Total miscellaneous revenue	44,000	45,500	55,999	10,499
Total revenues	256,200	257,700	290,808	33,108

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures				
410 General government				
411 Legislative	12,530	12,625	8,730	3,895
411.5 Contingency	25,000	25,000		
Amount transferred		(25,000)	-	-
413 Elections	975	975	35	940
414 Financial administration	68,307	68,347	46,173	22,174
419 Other	65,000	65,080	53,845	11,235
Total general government	171,812	147,027	108,783	38,244
420 Public safety				
421 Police	62,000	62,000	61,040	960
422 Fire	16,550	36,265	84,510	(48,245)
Total public safety	78,550	98,265	145,550	(47,285)
430 Public works				
431 Highways and streets	80,590	305,181	340,464	(35,283)
432 Sanitation	86,810	87,100	81,661	5,439
Total public works	167,400	392,281	422,125	(29,844)
440 Health and welfare				
441 Health	-	-	1,800	(1,800)
449 Other	5,400	5,400	4,633	767
Total health and welfare	5,400	5,400	6,433	(1,033)
450 Culture and recreation				
451 Recreation	1,000	1,000	941	59
452 Parks	16,400	16,400	11,197	5,203
455 Libraries	25,550	27,090	15,345	11,745
Total culture and recreation	42,950	44,490	27,483	17,007
460 Conservation and development				
465 Economic development and assistance	300	300	300	-
Total conservation and development	300	300	300	-
470 Debt service	50,000	50,000	45,500	4,500
Total expenditures	516,412	737,763	756,174	(18,411)
Other Financing Sources				
391.01 Transfers in	77,868	117,719	229,591	111,872
391.03 Sale of municipal property	-	-	5,688	5,688
391.20 Long-term debt issued	-	180,000	180,000	-
Total other financing sources	77,868	297,719	415,279	117,560
Excess of Revenue over (under) Expenditures	(182,344)	(182,344)	(50,087)	132,257
Fund Balance - Beginning	197,997	197,997	197,997	-
Fund Balance - Ending	$ 15,653	$ 15,653	$ 147,910	$ 132,257

Note 1 - Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular Town Board of Trustees (Town Board) meeting in September of each year, or within ten days thereafter, the Town Board introduces the annual appropriation ordinance for the ensuing fiscal year.

2. After adoption by the Town Board, 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% of the total municipal budget and may be transferred by resolution of the Town Board 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 the adoption of supplemental budgets.

5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the Town Board.

   Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

   The Town did not encumber any amounts at December 31, 2025.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

7. Budgets for the General Fund and any major special revenue funds are adopted on a basis consistent with a modified cash basis of accounting.

Note 2 - Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements presented on the modified cash basis of accounting and budgetary basis of accounting are reporting capital outlay expenditures under the function to which they relate.

Note 3 - Schedule of Net Pension Liability (Asset) and Pension Contributions

Changes from Prior Valuation

The June 30, 2025, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024, actuarial valuation.

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

Benefit Provision Changes

During the 2025 legislative session, no significant SDRS benefit changes were made.

Actuarial Method Changes

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

Actuarial Assumption Changes

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

As of June 30, 2024, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

As of June 30, 2025, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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

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*

The Town Board of Trustees
Town of Langford
Langford, 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 *(Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Langford (the Town) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 6, 2026. The statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 accompany schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002 to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Langford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2025-003.

Town of Langford's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by SDCL 4-11-11, this report is a matter of public record and its distribution is not limited.

Eide Bailly LLP

Aberdeen, South Dakota
August 6, 2026

2025-001 Auditor Preparation of Financial Statements, Footnotes and Audit Adjustments

Material Weakness

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

Condition: The Town requested the external auditors to prepare the financial statements and related notes to the financial statements. As a part of the financial statement preparation process, we proposed audit adjustments that were not identified as a result of the Town's existing internal controls and, therefore, could result in a material misstatement of the Town's financial statements if not recorded.

Cause: The Town does not have adequate staff trained to prepare financial statements and the related footnotes, which could cause the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The need for proposed audit adjustments indicates that the Town's interim financial information might not be materially correct, which may affect management decisions made during the course of the year.

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

Views of Responsible Officials: Management agrees with the finding.

2025-002 Lack of Segregation of Duties

Material Weakness

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The Town of Langford has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties.

Cause: The Town has an insufficient number of staff to adequately separate duties.

Effect: This condition increases the risk of fraud or errors that might occur in the financial reporting process and not be detected.

Recommendation: Although it is recognized that number of office staff may not be large enough to permit adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the Town Board of Trustees exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.

2025-003 Violations of South Dakota Codified Law (SDCL) and Loan Covenant

Significant Deficiency and Non-Compliance

Criteria: A good system of internal controls ensures that all laws and regulations, including loan covenants, pertaining to the Town of Langford are monitored and followed to ensure the Town remains in compliance. South Dakota Codified Law (SDCL) sets forth the laws and regulations governing municipalities within the state of South Dakota, and certain indebtedness of the Town carries loan covenants that the Town must comply with.

Condition: Based on our audit procedures, the Town violated SDCLs related to (1) did not obtain a certified audit or a financial statement from a nonprofit organizations to which the Town gave funds to promote the town, (2) failure to publish minutes of the Board of Trustees within required twelve business days or not at all in the official newspaper, (3) material overspending of budgeted appropriations within the General Fund departments of Fire and Highways and Streets, (4) interfund transfers of surplus money between funds were made without documented two-thirds vote of the Board of Trustees per board minutes, (5) the 2024 annual report was not documented within the board minutes as given to the Board of Trustees during the May 2025 meeting, and was not published in the official newspaper within thirty days of being presented to the Board of Trustees. Additionally, one of the Town's loans with the South Dakota Department of Agriculture and Natural Resources has a rate covenant which the Town did not meet in 2025.

Cause: Lack of oversight of management and the Board of Trustees of the Town and failure in monitoring controls that did not ensure compliance with these provisions and requirements of SDCL and loan covenants.

Effect: Known noncompliance with these requirements and provisions of SDCL could result in potential fine or penalty, or potential impact to future funding provided to the Town. Loan covenant noncompliance could result in penalties or acceleration of indebtedness.

Recommendation: We recommend that management of the Town and the Board of Trustees review and revise existing controls in place for monitoring the ongoing compliance with all applicable SDCLs, including the requisite loan covenants related to the Town's indebtedness, and to increase the levels of oversight over compliance with these matters, particularly in the compliance areas where noncompliance was noted in our audit.

Views of Responsible Officials: Management agrees with the finding.