



Financial Statements
December 31, 2022 and 2021
Town of Langford

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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 years ended December 31, 2022 and 2021, 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, 2022 and 2021, and the respective changes in modified cash basis financial position, and, where applicable, modified cash basis cash flows thereof for each of the years in the two year period then ended in conformity with the 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.

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 employer's share 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 October 16, 2023, 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
October 16, 2023

Town of Langford
Statement of Net Position – Modified Cash Basis
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 79,318	\$ 217,094	\$ 296,412
Investments	45,447	180,750	226,197
Restricted assets:			
Cash and cash equivalents	6,948	25,476	32,424
Total assets	\$ 131,713	\$ 423,320	\$ 555,033
Net Position			
Restricted			
Debt service	\$ -	\$ 24,416	\$ 24,416
Asset replacement	-	1,060	1,060
Library	6,948	-	6,948
Unrestricted	124,765	397,844	522,609
Total net position	131,713	423,320	555,033
	\$ 131,713	\$ 423,320	\$ 555,033

Town of Langford
Statement of Net Position – Modified Cash Basis
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 28,734	\$ 146,825	\$ 175,559
Investments	44,989	180,750	225,739
Restricted assets:			
Cash and cash equivalents	7,183	31,966	39,149
Total assets	\$ 80,906	\$ 359,541	\$ 440,447
Net Position			
Restricted			
Debt service	\$ -	\$ 30,906	\$ 30,906
Asset replacement	-	1,060	1,060
Library	7,183	-	7,183
Unrestricted	73,723	327,575	401,298
Total net position	80,906	359,541	440,447
	\$ 80,906	\$ 359,541	\$ 440,447

Town of Langford
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 49,475	\$ 6,987	\$ 500	\$ -	\$ (41,988)	\$ -	\$ (41,988)
Public safety	59,730	350	-	29,807	(29,573)	-	(29,573)
Public works	184,663	59,359	35,250	-	(90,054)	-	(90,054)
Health and welfare	3,327	-	-	-	(3,327)	-	(3,327)
Culture and recreation	56,142	-	-	13,043	(43,099)	-	(43,099)
Conservation and development	161	-	-	-	(161)	-	(161)
Interest on long-term debt	7,105	-	-	-	(7,105)	-	(7,105)
Total governmental activities	<u>360,603</u>	<u>66,696</u>	<u>35,750</u>	<u>42,850</u>	<u>(215,307)</u>	<u>-</u>	<u>(215,307)</u>
Business-type activities							
Water	106,627	111,591	-	-	-	4,964	4,964
Electric	286,132	441,002	-	-	-	154,870	154,870
Sewer	103,920	109,865	-	-	-	5,945	5,945
Total business-type activities	<u>496,679</u>	<u>662,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,779</u>	<u>165,779</u>
Total primary government	<u>\$ 857,282</u>	<u>\$ 729,154</u>	<u>\$ 35,750</u>	<u>\$ 42,850</u>	<u>(215,307)</u>	<u>165,779</u>	<u>(49,528)</u>
General Revenues							
Taxes							
Property taxes					41,209	-	41,209
Sales taxes					87,704	-	87,704
State shared revenues					2,806	-	2,806
Unrestricted investment earnings					933	-	933
Miscellaneous revenue					31,425	-	31,425
Sale of municipal property					37	-	37
Transfers					102,000	(102,000)	-
Total general revenues					<u>266,114</u>	<u>(102,000)</u>	<u>164,114</u>
Change in Net Position					50,807	63,779	114,586
Net Position - Beginning					80,906	359,541	440,447
Net Position - Ending					<u>\$ 131,713</u>	<u>\$ 423,320</u>	<u>\$ 555,033</u>

See Notes to Financial Statements

Town of Langford
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 82,079	\$ 5,058	\$ -	\$ -	\$ (77,021)	\$ -	\$ (77,021)
Public safety	70,440	400	-	34,761	(35,279)	-	(35,279)
Public works	450,327	50,733	34,916	-	(364,678)	-	(364,678)
Health and welfare	1,144	-	-	-	(1,144)	-	(1,144)
Culture and recreation	55,608	-	-	3,265	(52,343)	-	(52,343)
Interest on long-term debt	73	-	-	-	(73)	-	(73)
Total governmental activities	<u>659,671</u>	<u>56,191</u>	<u>34,916</u>	<u>38,026</u>	<u>(530,538)</u>	<u>-</u>	<u>(530,538)</u>
Business-type activities							
Water	302,817	107,373	-	-	-	(195,444)	(195,444)
Electric	346,652	396,413	-	-	-	49,761	49,761
Sewer	98,654	104,866	-	-	-	6,212	6,212
Total business-type activities	<u>748,123</u>	<u>608,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(139,471)</u>	<u>(139,471)</u>
Total primary government	<u>\$ 1,407,794</u>	<u>\$ 664,843</u>	<u>\$ 34,916</u>	<u>\$ 38,026</u>	<u>(530,538)</u>	<u>(139,471)</u>	<u>(670,009)</u>
General Revenues							
Taxes							
Property taxes					39,652	-	39,652
Sales taxes					76,375	-	76,375
State shared revenues					2,556	-	2,556
Unrestricted investment earnings					4,108	-	4,108
Long-term debt issued					209,288	193,086	402,374
Miscellaneous revenue					32,537	-	32,537
Transfers					102,000	(102,000)	-
Total general revenues					<u>466,516</u>	<u>91,086</u>	<u>557,602</u>
Change in Net Position					(64,022)	(48,385)	(112,407)
Net Position - Beginning					144,928	407,926	552,854
Net Position - Ending					<u>\$ 80,906</u>	<u>\$ 359,541</u>	<u>\$ 440,447</u>

See Notes to Financial Statements

Town of Langford
Balance Sheet – Modified Cash Basis – Governmental Funds
December 31, 2022

	General Fund	Other Governmental Funds Library Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 79,318	\$ -	\$ 79,318
Restricted cash and cash equivalents	-	6,948	6,948
Investments	45,447	-	45,447
Total assets	<u>\$ 124,765</u>	<u>\$ 6,948</u>	<u>\$ 131,713</u>
Fund Balances			
Restricted	\$ -	\$ 6,948	\$ 6,948
Assigned	47,993	-	47,993
Unassigned	76,772	-	76,772
Total fund balance	<u>124,765</u>	<u>6,948</u>	<u>131,713</u>
	<u>\$ 124,765</u>	<u>\$ 6,948</u>	<u>\$ 131,713</u>

Town of Langford
Balance Sheet – Modified Cash Basis – Governmental Funds
December 31, 2021

	<u>General Fund</u>	<u>Other Governmental Funds Library Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 28,734	\$ -	\$ 28,734
Restricted cash and cash equivalents	-	7,183	7,183
Investments	44,989	-	44,989
Total assets	<u>\$ 73,723</u>	<u>\$ 7,183</u>	<u>\$ 80,906</u>
Fund Balances			
Restricted	\$ -	\$ 7,183	\$ 7,183
Assigned	47,993	-	47,993
Unassigned	25,730	-	25,730
Total fund balance	<u>73,723</u>	<u>7,183</u>	<u>80,906</u>
	<u>\$ 73,723</u>	<u>\$ 7,183</u>	<u>\$ 80,906</u>

Town of Langford
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2022

	General Fund	Other Governmental Funds Library Fund	Total Governmental Funds
Revenues			
310 Taxes			
311 General property taxes	\$ 40,921	\$ -	\$ 40,921
313 General sales and use taxes	87,704	-	87,704
319 Penalties and interest on delinquent taxes	288	-	288
Total taxes	<u>128,913</u>	<u>-</u>	<u>128,913</u>
320 Licenses and permits	<u>404</u>	<u>-</u>	<u>404</u>
330 Intergovernmental revenue			
331 Federal grants	29,807	-	29,807
334 State grants	500	-	500
335 State shared revenue			
335.01 Bank franchise tax	823	-	823
335.02 Motor vehicle commercial prorata	2,126	-	2,126
335.03 Liquor tax reversion	1,983	-	1,983
335.04 Motor vehicle licenses (5%)	9,423	-	9,423
335.08 Local government highway and bridge fund	20,707	-	20,707
338 County shared revenue			
338.01 County road tax (25%)	200	-	200
338.02 County road and bridge tax (25%)	2,794	-	2,794
Total intergovernmental revenue	<u>68,363</u>	<u>-</u>	<u>68,363</u>
340 Charges for goods and services			
344 Sanitation	<u>59,359</u>	<u>-</u>	<u>59,359</u>
Total charges for goods and services	<u>59,359</u>	<u>-</u>	<u>59,359</u>
350 Fines and forfeits			
359 Other	<u>350</u>	<u>-</u>	<u>350</u>
Total fines and forfeits	<u>350</u>	<u>-</u>	<u>350</u>
360 Miscellaneous revenue			
361 Investment earnings	873	60	933
362 Rentals	25	-	25
363 Special assessments	3,050	-	3,050
367 Contributions and donations from private sources	11,793	1,250	13,043
368 Liquor operating agreement income	3,508	-	3,508
369 Other	30,442	983	31,425
Total miscellaneous revenue	<u>49,691</u>	<u>2,293</u>	<u>51,984</u>
Total revenues	<u>307,080</u>	<u>2,293</u>	<u>309,373</u>

Town of Langford

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2022

	General Fund	Other Governmental Funds Library Fund	Total Governmental Funds
Expenditures			
410 General government			
411 Legislative	7,541	-	7,541
414 Financial administration	32,671	-	32,671
419 Other	9,263	-	9,263
Total general government	<u>49,475</u>	<u>-</u>	<u>49,475</u>
420 Public safety			
421 Police	41,588	-	41,588
422 Fire	18,142	-	18,142
Total public safety	<u>59,730</u>	<u>-</u>	<u>59,730</u>
430 Public works			
431 Highways and streets	45,832	-	45,832
432 Sanitation	99,936	-	99,936
Total public works	<u>145,768</u>	<u>-</u>	<u>145,768</u>
440 Health and welfare			
449 Other	3,327	-	3,327
Total health and welfare	<u>3,327</u>	<u>-</u>	<u>3,327</u>
450 Culture and recreation			
451 Recreation	556	-	556
452 Parks	4,702	-	4,702
455 Libraries	48,356	2,528	50,884
Total culture and recreation	<u>53,614</u>	<u>2,528</u>	<u>56,142</u>
460 Conservation and development			
465 Economic development and assistance	161	-	161
Total conservation and development	<u>161</u>	<u>-</u>	<u>161</u>
470 Debt service	46,000	-	46,000
Total expenditures	<u>358,075</u>	<u>2,528</u>	<u>360,603</u>
Other Financing Sources			
391.01 Transfers in	102,000	-	102,000
391.03 Sale of municipal property	37	-	37
Total other financing sources	<u>102,037</u>	<u>-</u>	<u>102,037</u>
Net Change in Fund Balance	51,042	(235)	50,807
Fund Balance - Beginning	<u>73,723</u>	<u>7,183</u>	<u>80,906</u>
Fund Balance - Ending	<u>\$ 124,765</u>	<u>\$ 6,948</u>	<u>\$ 131,713</u>

See Notes to Financial Statements

Town of Langford
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2021

	General Fund	Other Governmental Funds Library Fund	Total Governmental Funds
Revenues			
310 Taxes			
311 General property taxes	\$ 39,499	\$ -	\$ 39,499
313 General sales and use taxes	76,375	-	76,375
319 Penalties and interest on delinquent taxes	153	-	153
Total taxes	<u>116,027</u>	<u>-</u>	<u>116,027</u>
320 Licenses and permits	<u>565</u>	<u>-</u>	<u>565</u>
330 Intergovernmental revenue			
331 Federal grants	34,761	-	34,761
335 State shared revenue			
335.01 Bank franchise tax	320	-	320
335.02 Motor vehicle commercial prorata	2,082	-	2,082
335.03 Liquor tax reversion	2,236	-	2,236
335.04 Motor vehicle licenses (5%)	9,485	-	9,485
335.08 Local government highway and bridge fund	20,543	-	20,543
338 County shared revenue			
338.01 County road tax (25%)	200	-	200
338.02 County road and bridge tax (25%)	2,606	-	2,606
Total intergovernmental revenue	<u>72,233</u>	<u>-</u>	<u>72,233</u>
340 Charges for goods and services			
344 Sanitation	50,375	-	50,375
349 Other	358	-	358
Total charges for goods and services	<u>50,733</u>	<u>-</u>	<u>50,733</u>
350 Fines and forfeits			
359 Other	400	-	400
Total fines and forfeits	<u>400</u>	<u>-</u>	<u>400</u>
360 Miscellaneous revenue			
361 Investment earnings	4,049	59	4,108
362 Rentals	140	-	140
367 Contributions and donations from private sources	-	3,265	3,265
368 Liquor operating agreement income	4,353	-	4,353
369 Other	32,504	33	32,537
Total miscellaneous revenue	<u>41,046</u>	<u>3,357</u>	<u>44,403</u>
Total revenues	<u>281,004</u>	<u>3,357</u>	<u>284,361</u>

Town of Langford

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2021

	General Fund	Other Governmental Funds Library Fund	Total Governmental Funds
Expenditures			
410 General government			
411 Legislative	9,113	-	9,113
414 Financial administration	70,115	-	70,115
419 Other	2,851	-	2,851
Total general government	<u>82,079</u>	<u>-</u>	<u>82,079</u>
420 Public safety			
421 Police	51,142	-	51,142
422 Fire	19,298	-	19,298
Total public safety	<u>70,440</u>	<u>-</u>	<u>70,440</u>
430 Public works			
431 Highways and streets	324,001	-	324,001
432 Sanitation	80,899	-	80,899
Total public works	<u>404,900</u>	<u>-</u>	<u>404,900</u>
440 Health and welfare			
449 Other	1,144	-	1,144
Total health and welfare	<u>1,144</u>	<u>-</u>	<u>1,144</u>
450 Culture and recreation			
452 Parks	12,443	-	12,443
455 Libraries	38,966	4,199	43,165
Total culture and recreation	<u>51,409</u>	<u>4,199</u>	<u>55,608</u>
470 Debt service	45,500	-	45,500
Total expenditures	<u>655,472</u>	<u>4,199</u>	<u>659,671</u>
Other Financing Sources			
391.01 Transfers in	102,000	-	102,000
391.2 Long-term debt issued	209,288	-	209,288
Total other financing sources	<u>311,288</u>	<u>-</u>	<u>311,288</u>
Net Change in Fund Balance	(63,180)	(842)	(64,022)
Fund Balance - Beginning	136,903	8,025	144,928
Fund Balance - Ending	<u>\$ 73,723</u>	<u>\$ 7,183</u>	<u>\$ 80,906</u>

Town of Langford
Balance Sheet – Modified Cash Basis – Proprietary Funds
December 31, 2022

	Enterprise Funds			
	Water Fund	Electric Fund	Sewer Fund	Totals
Current Assets				
Cash and cash equivalents	\$ 33,408	\$ 126,334	\$ 57,352	\$ 217,094
Restricted cash and cash equivalents	13,933	-	11,543	25,476
Investments	-	147,438	33,312	180,750
Total current assets	<u>47,341</u>	<u>273,772</u>	<u>102,207</u>	<u>423,320</u>
Total assets	<u>\$ 47,341</u>	<u>\$ 273,772</u>	<u>\$ 102,207</u>	<u>\$ 423,320</u>
Net Position				
Restricted:				
Debt service	\$ 13,653	\$ -	\$ 10,763	\$ 24,416
Asset replacement	280	-	780	1,060
Unrestricted	<u>33,408</u>	<u>273,772</u>	<u>90,664</u>	<u>397,844</u>
Total net position	<u>47,341</u>	<u>273,772</u>	<u>102,207</u>	<u>423,320</u>
	<u>\$ 47,341</u>	<u>\$ 273,772</u>	<u>\$ 102,207</u>	<u>\$ 423,320</u>

Town of Langford
Balance Sheet – Modified Cash Basis – Proprietary Funds
December 31, 2021

	Enterprise Funds			
	Water Fund	Electric Fund	Sewer Fund	Totals
Current Assets				
Cash and cash equivalents	\$ 17,578	\$ 85,464	\$ 43,783	\$ 146,825
Restricted cash and cash equivalents	12,799	-	19,167	31,966
Investments	-	147,438	33,312	180,750
Total current assets	30,377	232,902	96,262	359,541
Total assets	\$ 30,377	\$ 232,902	\$ 96,262	\$ 359,541
Net Position				
Restricted:				
Debt service	\$ 12,519	\$ -	\$ 18,387	\$ 30,906
Asset replacement	280	-	780	1,060
Unrestricted	17,578	232,902	77,095	327,575
Total net position	30,377	232,902	96,262	359,541
	\$ 30,377	\$ 232,902	\$ 96,262	\$ 359,541

Town of Langford

Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds Year Ended December 31, 2022

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sewer Fund	
Operating Revenue				
380 Charges for goods and services	\$ 111,302	\$ 441,002	\$ 109,865	\$ 662,169
369 Miscellaneous	289	-	-	289
Total operating revenue	<u>111,591</u>	<u>441,002</u>	<u>109,865</u>	<u>662,458</u>
Operating Expenses				
410 Personal services	34,660	35,548	34,747	104,955
420 Other current expense	43,469	227,164	16,971	287,604
426.2 Materials	11,484	23,145	8,890	43,519
430 Capital assets	1,190	275	-	1,465
Total operating expenses	<u>90,803</u>	<u>286,132</u>	<u>60,608</u>	<u>437,543</u>
Operating Income	<u>20,788</u>	<u>154,870</u>	<u>49,257</u>	<u>224,915</u>
Nonoperating Revenue (Expense)				
441 Debt service (principal)	(15,824)	-	(26,270)	(42,094)
442 Debt service (interest)	-	-	(17,042)	(17,042)
Total nonoperating revenue (expense)	<u>(15,824)</u>	<u>-</u>	<u>(43,312)</u>	<u>(59,136)</u>
Income (Loss) Before Transfers				
391 Transfers in	12,000	-	-	12,000
511 Transfers out	-	(114,000)	-	(114,000)
Change in Net Position	16,964	40,870	5,945	63,779
Net Position - Beginning	<u>30,377</u>	<u>232,902</u>	<u>96,262</u>	<u>359,541</u>
Net Position - Ending	<u>\$ 47,341</u>	<u>\$ 273,772</u>	<u>\$ 102,207</u>	<u>\$ 423,320</u>

Town of Langford

Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds Year Ended December 31, 2021

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sewer Fund	
Operating Revenue				
380 Charges for goods and services	\$ 105,291	\$ 396,215	\$ 104,742	\$ 606,248
369 Miscellaneous	2,082	198	124	2,404
Total operating revenue	<u>107,373</u>	<u>396,413</u>	<u>104,866</u>	<u>608,652</u>
Operating Expenses				
410 Personal services	42,123	42,607	40,886	125,616
420 Other current expense	240,080	208,612	15,322	464,014
426.2 Materials	4,789	14,009	4,656	23,454
430 Capital assets	707	81,424	478	82,609
Total operating expenses	<u>287,699</u>	<u>346,652</u>	<u>61,342</u>	<u>695,693</u>
Operating Income (Loss)	<u>(180,326)</u>	<u>49,761</u>	<u>43,524</u>	<u>(87,041)</u>
Nonoperating Revenue (Expense)				
391.29 Long-term debt issued	193,086	-	-	193,086
441 Debt service (principal)	(15,118)	-	(19,858)	(34,976)
442 Debt service (interest)	-	-	(17,454)	(17,454)
Total nonoperating revenue (expense)	<u>177,968</u>	<u>-</u>	<u>(37,312)</u>	<u>140,656</u>
Income (Loss) Before Transfers				
511 Transfers out	-	(102,000)	-	(102,000)
Change in Net Position	(2,358)	(52,239)	6,212	(48,385)
Net Position - Beginning	<u>32,735</u>	<u>285,141</u>	<u>90,050</u>	<u>407,926</u>
Net Position - Ending	<u>\$ 30,377</u>	<u>\$ 232,902</u>	<u>\$ 96,262</u>	<u>\$ 359,541</u>

Town of Langford
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2022

	Enterprise Funds			
	Water Fund	Electric Fund	Sewer Fund	Totals
Cash Flows from (used for) Operating Activities				
Receipts from customers	\$ 111,591	\$ 441,002	\$ 109,865	\$ 662,458
Payments to suppliers	(54,953)	(250,309)	(25,861)	(331,123)
Payments to employees	(34,660)	(35,548)	(34,747)	(104,955)
Net Cash from Operating Activities	<u>21,978</u>	<u>155,145</u>	<u>49,257</u>	<u>226,380</u>
Cash Flows from (used for) Noncapital Financing Activities				
Net transfers from (to) other funds	12,000	(114,000)	-	(102,000)
Net Cash from (used for) Noncapital Financing Activities	<u>12,000</u>	<u>(114,000)</u>	<u>-</u>	<u>(102,000)</u>
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	(1,190)	(275)	-	(1,465)
Net Cash used for Capital and Related Financing Activities	<u>(17,014)</u>	<u>(275)</u>	<u>(43,312)</u>	<u>(60,601)</u>
Net Change in Cash and Cash Equivalents	16,964	40,870	5,945	63,779
Cash and Cash Equivalents - Beginning	<u>30,377</u>	<u>85,464</u>	<u>62,950</u>	<u>178,791</u>
Cash and Cash Equivalents - Ending	<u>\$ 47,341</u>	<u>\$ 126,334</u>	<u>\$ 68,895</u>	<u>\$ 242,570</u>
Cash and Cash Equivalents consist of:				
Cash and cash equivalents	\$ 33,408	\$ 126,334	\$ 57,352	\$ 217,094
Restricted cash and cash equivalents	13,933	-	11,543	25,476
	<u>\$ 47,341</u>	<u>\$ 126,334</u>	<u>\$ 68,895</u>	<u>\$ 242,570</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 20,788	\$ 154,870	\$ 49,257	\$ 224,915
Adjustment to reconcile operating income to net cash from operating activities:				
Purchase of capital assets	1,190	275	-	1,465
Net Cash from Operating Activities	<u>\$ 21,978</u>	<u>\$ 155,145</u>	<u>\$ 49,257</u>	<u>\$ 226,380</u>

Town of Langford
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2021

	Enterprise Funds			
	Water Fund	Electric Fund	Sewer Fund	Totals
Cash Flows from (used for) Operating Activities				
Receipts from customers	\$ 107,373	\$ 396,413	\$ 104,866	\$ 608,652
Payments to suppliers	(244,869)	(222,621)	(19,978)	(487,468)
Payments to employees	(42,123)	(42,607)	(40,886)	(125,616)
Net Cash from (used for) Operating Activities	<u>(179,619)</u>	<u>131,185</u>	<u>44,002</u>	<u>(4,432)</u>
Cash Flows used for Noncapital Financing Activities				
Net transfers to other funds	-	(102,000)	-	(102,000)
Net Cash used for Noncapital Financing Activities	<u>-</u>	<u>(102,000)</u>	<u>-</u>	<u>(102,000)</u>
Net Cash from (used for) Capital and Related Financing Activities				
Proceeds from long-term debt	193,086	-	-	193,086
Payments on long-term debt	(15,118)	-	(37,312)	(52,430)
Purchase of capital assets	(707)	(81,424)	(478)	(82,609)
Net Cash from (used for) Capital and Related Financing Activities	<u>177,261</u>	<u>(81,424)</u>	<u>(37,790)</u>	<u>58,047</u>
Net Change in Cash and Cash Equivalents	(2,358)	(52,239)	6,212	(48,385)
Cash and Cash Equivalents - Beginning	<u>32,735</u>	<u>137,703</u>	<u>56,738</u>	<u>227,176</u>
Cash and Cash Equivalents - Ending	<u>\$ 30,377</u>	<u>\$ 85,464</u>	<u>\$ 62,950</u>	<u>\$ 178,791</u>
Cash and Cash Equivalents Consist of:				
Cash and cash equivalents	\$ 17,578	\$ 85,464	\$ 43,783	\$ 146,825
Restricted cash and cash equivalents	12,799	-	19,167	31,966
	<u>\$ 30,377</u>	<u>\$ 85,464</u>	<u>\$ 62,950</u>	<u>\$ 178,791</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities				
Operating income	\$ (180,326)	\$ 49,761	\$ 43,524	\$ (87,041)
Adjustment to reconcile operating income (loss) to net cash from (used for) operating activities:				
Purchase of capital assets	707	81,424	478	82,609
Net Cash from (used for) Operating Activities	<u>\$ (179,619)</u>	<u>\$ 131,185</u>	<u>\$ 44,002</u>	<u>\$ (4,432)</u>

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 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, 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 statements 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 statements of activities present a comparison between direct expenses and program revenues for each segment of the business-type activities of Town of Langford 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 statements 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, 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, 2022 and 2021.
- The Town did not have internal service fund activity which required elimination as of December 31, 2022 and 2021.

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 statements 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 statements 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 placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net 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, 2022, the Town maintained their deposits in in-state financial institutions which were properly collateralized.

The actual bank balances at December 31, 2022, are as follows:

	2022 Bank Balance	2021 Bank Balance
Insured (FDIC/NCUA)	\$ 500,000	\$ 500,000
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	63,845	29,092
	\$ 563,845	\$ 529,092

The Town's carrying amount of deposits at December 31, 2022, are as follows:

Cash and cash equivalents	\$ 328,836	\$ 214,708
Investments	226,197	225,739
	\$ 555,033	\$ 440,447

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, 2022 and 2021, the Town's investments consisted solely of certificates of deposit. Under the modified cash basis of accounting, investments are stated at cost.

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 further 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, 2022 and 2021, respectively:

- \$24,416 and \$30,906 for debt service reserves, required by loan agreements.
- \$1,060 and \$1,060 for asset replacement reserves, required by loan agreements.
- \$6,948 and \$7,183 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, 2022, was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>2022</u>	<u>2021</u>
Library Fund	Statute	\$ 6,948	\$ 7,183
Water Fund	Contractual	13,933	12,799
Sewer Fund	Contractual	11,543	19,167

Note 6 - Retirement Plan

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, hybrid defined-benefit plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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

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

Legislation enacted in 2017 enacted 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 0.0% 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% of salary; Class B judicial members, 9% of salary; and Class B public safety members, 8% 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, 2022, 2021, and 2020, were \$9,492, \$10,335, and \$9,071, 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, 2022, 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 years ended December 31, 2022 and 2021. 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 years ended December 31, 2022 and 2021, 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.

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

The Town carries varying deductibles for the coverage specified above.

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.

Note 9 - Interfund Transactions

During 2022, the Electric Fund transferred \$102,000 and \$12,000 to the General Fund and Water fund, respectively, to supplement indispensable fund operations.

During 2021, the Electric Fund transferred \$102,000 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 - Violations of Finance Related Legal and Contractual Provisions

The Town is prohibited from spending in excess of appropriated amounts at the fund department level. The following departments had significant overdrafts of the expenditures compared to appropriations for the years ended December 31, 2022 and 2021:

2022

- 410 General government - 419 Other – \$2,263
- 430 Public works - 432 Sanitation – \$3,077
- 450 Culture and recreation - 451 Recreation – \$556
- 450 Culture and recreation - 452 Parks – \$202
- 450 Culture and recreation - 455 Libraries – \$861
- 460 Conservation and development - 465 Economic development and assistance – \$161

2021

- 430 Public works - 431 Highways and streets – \$149,001
- 470 Debt service – \$45,500

The Town plans to exercise more strict budgetary oversight through the budget process and throughout the year to ensure no overspending of appropriations and approve supplemental appropriation ordinances as necessary.



Supplementary Information
December 31, 2022 and 2021
Town of Langford

Town of Langford
 Schedule of Net Pension Liability (Asset) and Schedule of Pension Contributions
 December 31, 2022 and 2021

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	6/30/2022	0.0072%	\$ (682)	\$ 170,551	-0.4%	100.1%
SDRS	6/30/2021	0.0075%	(57,766)	171,164	-33.7%	105.5%
SDRS	6/30/2020	0.0062%	(270)	136,391	-0.2%	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%
SDRS	6/30/2015	0.0069%	(29,407)	126,587	-23.23%	104.10%

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	12/31/2022	\$ 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%
SDRS	12/31/2015	7,392	7,392	-	123,200	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Langford
Schedule of Changes in Long-Term Debt
Years Ended December 31, 2022 and 2021

Indebtedness	Long-Term Debt 1/1/22	Add New Debt	Less Principal Forgiveness	Less Debt Retired	Long-Term Debt 12/31/22
Governmental Long-Term Debt					
Other long-term liabilities	\$ 163,861	\$ -	\$ -	\$ 38,895	\$ 124,966
Enterprise Long-Term Debt					
Revenue bonds (sewer)	689,278	-	-	26,270	663,008
Revenue bonds (water #1)	366,921	-	-	13,104	353,817
Revenue bonds (water #2)	79,548	-	-	2,720	76,828
	<u>\$ 1,299,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,989</u>	<u>\$ 1,218,619</u>
Indebtedness	Long-Term Debt 1/1/21	Add New Debt	Less Principal Forgiveness	Less Debt Retired	Long-Term Debt 12/31/21
Governmental Long-Term Debt					
Other long-term liabilities	\$ -	\$ 209,288	\$ -	\$ 45,427	\$ 163,861
Enterprise Long-Term Debt					
Revenue bonds (sewer)	709,136	-	-	19,858	689,278
Revenue bonds (water #1)	380,000	-	-	13,079	366,921
Revenue bonds (water #2)	47,798	193,086	159,296	2,040	79,548
	<u>\$ 1,136,934</u>	<u>\$ 402,374</u>	<u>\$ 159,296</u>	<u>\$ 80,404</u>	<u>\$ 1,299,608</u>

Town of Langford
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 40,650	\$ 40,650	\$ 40,921	\$ 271
313 General sales and use taxes	82,000	82,000	87,704	5,704
319 Penalties and interest on delinquent taxes	-	-	288	288
Total taxes	122,650	122,650	128,913	6,263
320 Licenses and permits	800	800	404	(396)
330 Intergovernmental revenue				
331 Federal grants	-	-	29,807	29,807
334 State grants	-	-	500	500
335 State shared revenue:				
335.01 Bank franchise tax	300	300	823	523
335.02 Motor vehicle commercial prorate	1,500	1,500	2,126	626
335.03 Liquor tax reversion	1,500	1,500	1,983	483
335.04 Motor vehicle licenses (5%)	7,000	7,000	9,423	2,423
335.08 Local government highway and bridge fund	15,000	15,000	20,707	5,707
338 County shared revenue				
338.01 County road tax (25%)	200	200	200	-
338.02 County road and bridge tax (25%)	2,000	2,000	2,794	794
Total intergovernmental revenue	27,500	27,500	68,363	40,863
340 Charges for goods and services				
344 Sanitation	60,700	60,700	59,359	(1,341)
Total charges for goods and services	60,700	60,700	59,359	(1,341)
350 Fines and forfeits				
359 Other	-	-	350	350
Total fines and forfeits	-	-	350	350
360 Miscellaneous revenue				
361 Investment earnings	3,000	3,000	873	(2,127)
362 Rentals	200	200	25	(175)
363 Special assessments	-	-	3,050	3,050
367 Contributions and donations from private sources	-	-	11,793	11,793
368 Liquor operating agreement income	4,700	4,700	3,508	(1,192)
369 Other	26,800	26,800	30,442	3,642
Total miscellaneous revenue	34,700	34,700	49,691	14,991
Total revenues	246,350	246,350	307,080	60,730

Town of Langford
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government				
411 Legislative	10,450	10,450	7,541	2,909
411.5 Contingency	-	15,000		
Amount transferred		-		15,000
414 Financial administration	53,880	53,880	32,671	21,209
419 Other	7,000	7,000	9,263	(2,263)
Total general government	<u>71,330</u>	<u>86,330</u>	<u>49,475</u>	<u>36,855</u>
420 Public safety				
421 Police	60,000	60,000	41,588	18,412
422 Fire	31,200	31,200	18,142	13,058
Total public safety	<u>91,200</u>	<u>91,200</u>	<u>59,730</u>	<u>31,470</u>
430 Public works				
431 Highways and streets	59,120	59,120	45,832	13,288
432 Sanitation	96,859	96,859	99,936	(3,077)
Total public works	<u>155,979</u>	<u>155,979</u>	<u>145,768</u>	<u>10,211</u>
440 Health and welfare				
441 Health	10,000	10,000	-	10,000
449 Other	4,600	4,600	3,327	1,273
Total health and welfare	<u>14,600</u>	<u>14,600</u>	<u>3,327</u>	<u>11,273</u>
450 Culture and recreation				
451 Recreation	-	-	556	(556)
452 Parks	4,500	4,500	4,702	(202)
455 Libraries	47,495	47,495	48,356	(861)
Total culture and recreation	<u>51,995</u>	<u>51,995</u>	<u>53,614</u>	<u>(1,619)</u>
460 Conservation and development				
465 Economic development and assistance	-	-	161	(161)
Total conservation and development	<u>-</u>	<u>-</u>	<u>161</u>	<u>(161)</u>
470 Debt service	46,000	46,000	46,000	-
Total expenditures	<u>431,104</u>	<u>446,104</u>	<u>358,075</u>	<u>88,029</u>
Other Financing Sources				
391.01 Transfers in	154,229	154,229	102,000	(52,229)
511 Transfers out	(154,229)	(154,229)	-	154,229
391.03 Sale of municipal property	-	-	37	37
Total other financing sources	<u>-</u>	<u>-</u>	<u>102,037</u>	<u>102,037</u>
Excess of Revenue over (under) Expenditures	(184,754)	(199,754)	51,042	250,796
Fund Balance - Beginning	73,723	73,723	73,723	-
Fund Balance - Ending	<u>\$ (111,031)</u>	<u>\$ (126,031)</u>	<u>\$ 124,765</u>	<u>\$ 250,796</u>

Town of Langford
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 39,425	\$ 39,425	\$ 39,499	\$ 74
313 General sales and use taxes	81,675	81,675	76,375	(5,300)
319 Penalties and interest on delinquent taxes	-	-	153	153
Total taxes	<u>121,100</u>	<u>121,100</u>	<u>116,027</u>	<u>(5,073)</u>
320 Licenses and permits	<u>1,300</u>	<u>1,300</u>	<u>565</u>	<u>(735)</u>
330 Intergovernmental revenue				
331 Federal grants	-	-	34,761	34,761
335 State shared revenue				
335.01 Bank franchise tax	300	300	320	20
335.02 Motor vehicle commercial prorated	1,500	1,500	2,082	582
335.03 Liquor tax reversion	1,500	1,500	2,236	736
335.04 Motor vehicle licenses (5%)	7,000	7,000	9,485	2,485
335.08 Local government highway and bridge fund	19,000	19,000	20,543	1,543
338 County shared revenue				
338.01 County road tax (25%)	200	200	200	-
338.02 County road and bridge tax (25%)	2,000	2,000	2,606	606
Total intergovernmental revenue	<u>31,500</u>	<u>31,500</u>	<u>72,233</u>	<u>40,733</u>
340 Charges for goods and services				
344 Sanitation	47,500	47,500	50,375	2,875
349 Other	-	-	358	358
Total charges for goods and services	<u>47,500</u>	<u>47,500</u>	<u>50,733</u>	<u>3,233</u>
350 Fines and forfeits				
359 Other	-	-	400	400
Total fines and forfeits	<u>-</u>	<u>-</u>	<u>400</u>	<u>400</u>
360 Miscellaneous revenue				
361 Investment earnings	4,000	4,000	4,049	49
362 Rentals	200	200	140	(60)
368 Liquor operating agreement income	7,500	7,500	4,353	(3,147)
369 Other	20,250	20,250	32,504	12,254
Total miscellaneous revenue	<u>31,950</u>	<u>31,950</u>	<u>41,046</u>	<u>9,096</u>
Total revenues	<u>233,350</u>	<u>233,350</u>	<u>281,004</u>	<u>47,654</u>

Town of Langford
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government				
411 Legislative	10,000	10,000	9,113	887
411.5 Contingency	20,000	20,000		
Amount transferred		(20,000)		-
414 Financial administration	36,000	72,500	70,115	2,385
419 Other	7,000	7,000	2,851	4,149
Total general government	<u>73,000</u>	<u>89,500</u>	<u>82,079</u>	<u>7,421</u>
420 Public safety				
421 Police	50,000	51,200	51,142	58
422 Fire	27,000	27,000	19,298	7,702
Total public safety	<u>77,000</u>	<u>78,200</u>	<u>70,440</u>	<u>7,760</u>
430 Public works				
431 Highways and streets	175,000	175,000	324,001	(149,001)
432 Sanitation	72,000	81,500	80,899	601
Total public works	<u>247,000</u>	<u>256,500</u>	<u>404,900</u>	<u>(148,400)</u>
440 Health and welfare				
449 Other	8,200	8,200	1,144	7,056
Total health and welfare	<u>8,200</u>	<u>8,200</u>	<u>1,144</u>	<u>7,056</u>
450 Culture and recreation				
451 Recreation	1,000	1,000	-	1,000
452 Parks	14,000	14,000	12,443	1,557
455 Libraries	31,000	39,800	38,966	834
Total culture and recreation	<u>46,000</u>	<u>54,800</u>	<u>51,409</u>	<u>3,391</u>
470 Debt service	-	-	45,500	(45,500)
Total expenditures	<u>451,200</u>	<u>487,200</u>	<u>655,472</u>	<u>(168,272)</u>
Other Financing Sources				
391.01 Transfers in	247,850	247,850	102,000	(145,850)
511 Transfers out	(247,850)	(247,850)	-	247,850
391.2 Long-term debt issued	-	-	209,288	209,288
Total other financing sources	<u>-</u>	<u>-</u>	<u>311,288</u>	<u>311,288</u>
Excess of Revenue over (under) Expenditures	(217,850)	(253,850)	(63,180)	190,670
Fund Balance - Beginning	<u>136,903</u>	<u>136,903</u>	<u>136,903</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (80,947)</u>	<u>\$ (116,947)</u>	<u>\$ 73,723</u>	<u>\$ 190,670</u>

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, 2022 and 2021.

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

Changes from Prior Valuation

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

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

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

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

Actuarial Method Changes

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



**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, 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 years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 16, 2023. 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 the 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 accompanying schedule of findings, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying accompanying schedule of findings as items 2021/2022-001 and 2021/2022-002 to be material weaknesses.

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 as 2021/2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described the accompanying schedule of findings as item 2021/2022-003.

Town of Langford's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
October 16, 2023

2022-001 and 2021-001 Auditor Preparation of Financial Statements, Footnotes and Audit Adjustments

Material Weakness

Criteria: The Town's 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 of Langford 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 and 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.

2022-002 and 2021-002 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.

2022-003 and 2021-003 – Violations of South Dakota Codified Laws (SDCL)

Significant Deficiency and Non-Compliance

Criteria: A good system of internal controls ensures that all laws and regulations 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.

Condition: Based on our audit procedures, the Town violated SDCLs related to (1) lack of posting or otherwise making available a copy of the annual audit report on the Town’s website, (2) lack of publishing the Annual Report in the official newspaper, (3) lack of Board of Trustees approval of certain transfers in the board minutes, (4) lack of obtaining a certified audit or a financial statement of nonprofit organizations to which the Town gives funds to promote the Town, (5) overspent budgeted appropriations in certain departments of the Town’s operations, and (6) annual appropriation ordinance did not appropriate the sums of money necessary to meet all lawful expenses within the general fund.

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

Effect: Known noncompliance with these requirements and provisions of SDCL were identified during our audit and could result in potential fine or impact to future funding provided to the Town.

Recommendation: We recommend that management of the Town and the Board of Trustees review existing controls in place for monitoring compliance with SDCLs and to increase oversight of compliance with SDCLs specifically in the areas in which noncompliance from our audit was noted.

Views of Responsible Officials: Management agrees with the finding.