



Financial Statements
June 30, 2023

Langford Area School District 45-5

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Independent Auditor's Report

To the School Board
Langford Area School District 45-5
Langford, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Langford Area School District 45-5 (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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 School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, notes to the budgetary comparison schedules, schedule of School District's share of net pension liability (asset), schedule of employer's contributions, and notes to the pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2024, on our consideration of the School District'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 School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
September 23, 2024

Langford Area School District 45-5

Statement of Net Position

June 30, 2023

| | Primary Government | | |
|--|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 2,001,018 | \$ 87,206 | \$ 2,088,224 |
| Taxes receivable | 956,640 | - | 956,640 |
| Internal balances | 38,672 | (38,672) | - |
| Other assets | 357,532 | 6,297 | 363,829 |
| Inventories | - | 7,179 | 7,179 |
| Net pension asset | 6,050 | 250 | 6,300 |
| Capital assets: | | | |
| Land | 25,003 | - | 25,003 |
| Other capital assets, net of depreciation | 5,250,300 | 30,618 | 5,280,918 |
| Total assets | 8,635,215 | 92,878 | 8,728,093 |
| Deferred Outflows of Resources | | | |
| Pension related deferred outflows | 601,907 | 24,900 | 626,807 |
| Total assets and deferred outflows | \$ 9,237,122 | \$ 117,778 | \$ 9,354,900 |
| Liabilities | | | |
| Accounts payable | \$ 76,815 | \$ 3,690 | \$ 80,505 |
| Other current liabilities | 280,353 | - | 280,353 |
| Unearned revenue | - | 5,249 | 5,249 |
| Noncurrent liabilities: | | | |
| Due within one year | 201,373 | - | 201,373 |
| Due in more than one year | 2,067,360 | - | 2,067,360 |
| Total liabilities | 2,625,901 | 8,939 | 2,634,840 |
| Deferred Inflows of Resources | | | |
| Pension related deferred inflows | 357,395 | 14,785 | 372,180 |
| Taxes levied for future period | 1,065,822 | - | 1,065,822 |
| Total deferred outflows of resources | 1,423,217 | 14,785 | 1,438,002 |
| Net Position | | | |
| Net investment in capital assets | 3,006,570 | 30,618 | 3,037,188 |
| Restricted for: | | | |
| Capital Outlay | 481,106 | - | 481,106 |
| Special Education | 327,111 | - | 327,111 |
| SDRS Pension benefits | 250,562 | 10,365 | 260,927 |
| Bond Redemption | 187,033 | - | 187,033 |
| Unrestricted | 935,622 | 53,071 | 988,693 |
| Total net position | 5,188,004 | 94,054 | 5,282,058 |
| Total liabilities, deferred inflows of resources and net position | \$ 9,237,122 | \$ 117,778 | \$ 9,354,900 |

Langford Area School District 45-5
Statement of Activities
Year Ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position | | |
|----------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | \$ 2,205,857 | \$ - | \$ 188,856 | \$ - | \$ (2,017,001) | \$ - | \$ (2,017,001) |
| Support services | 1,274,188 | 156 | - | - | (1,274,032) | - | (1,274,032) |
| *Interest on long-term debt | 67,742 | - | - | - | (67,742) | - | (67,742) |
| Co-curricular activities | 230,626 | 20,640 | - | - | (209,986) | - | (209,986) |
| Total governmental activities | <u>3,778,413</u> | <u>20,796</u> | <u>188,856</u> | <u>-</u> | <u>(3,568,761)</u> | <u>-</u> | <u>(3,568,761)</u> |
| Business-type activities: | | | | | | | |
| Food service | 196,276 | 56,697 | - | - | - | (139,579) | (139,579) |
| Total primary government | <u>\$ 3,974,689</u> | <u>\$ 77,493</u> | <u>\$ 188,856</u> | <u>\$ -</u> | <u>(3,568,761)</u> | <u>(139,579)</u> | <u>(3,708,340)</u> |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 2,125,326 | - | 2,125,326 |
| Gross receipts taxes | | | | | 76,078 | - | 76,078 |
| Revenue from state sources: | | | | | | | |
| State aid | | | | | 882,662 | - | 882,662 |
| Other | | | | | - | 387 | 387 |
| Revenue from federal sources | | | | | - | 135,279 | 135,279 |
| Unrestricted investment earnings | | | | | 8,088 | 269 | 8,357 |
| Other general revenues | | | | | 129,223 | - | 129,223 |
| Total general revenues | | | | | <u>3,221,377</u> | <u>135,935</u> | <u>3,357,312</u> |
| Change in Net Position | | | | | (347,384) | (3,644) | (351,028) |
| Net Position - Beginning | | | | | <u>5,535,388</u> | <u>97,698</u> | <u>5,633,086</u> |
| Net Position - Ending | | | | | <u>\$ 5,188,004</u> | <u>\$ 94,054</u> | <u>\$ 5,282,058</u> |

* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt and bond issuance costs.

Langford Area School District 45-5

Balance Sheet – Governmental Funds

June 30, 2023

| | General Fund | Capital Outlay Fund | Special Education Fund | Bond Redemption Fund | Total Funds |
|---|---------------------|------------------------|------------------------------|----------------------------|---------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 842,096 | \$ 568,961 | \$ 389,035 | \$ 200,926 | \$ 2,001,018 |
| 110 Taxes receivable - current | 422,203 | 215,886 | 186,846 | 125,839 | 950,774 |
| 112 Taxes receivable - delinquent | 3,521 | 1,128 | 426 | 791 | 5,866 |
| 130 Due from food service fund | 38,672 | - | - | - | 38,672 |
| 140 Due from other government | 357,532 | - | - | - | 357,532 |
| | <u>\$ 1,664,024</u> | <u>\$ 785,975</u> | <u>\$ 576,307</u> | <u>\$ 327,556</u> | <u>\$ 3,353,862</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| 402 Accounts payable | \$ 13,021 | \$ 63,794 | \$ - | \$ - | \$ 76,815 |
| 404 Contracts payable | 189,345 | - | 31,828 | - | 221,173 |
| 450 Payroll deductions, withholdings, and employer matching payable | 50,459 | - | 8,721 | - | 59,180 |
| Total liabilities | <u>252,825</u> | <u>63,794</u> | <u>40,549</u> | <u>-</u> | <u>357,168</u> |
| Deferred Inflows of Resources | | | | | |
| 551 Unavailable revenue | | | | | |
| delinquent property taxes | 3,521 | 1,128 | 426 | 791 | 5,866 |
| 553 Taxes levied for future period | 475,577 | 241,075 | 208,647 | 140,523 | 1,065,822 |
| 559 Unavailable revenue - other | 203,234 | - | - | - | 203,234 |
| Total deferred inflows of resources | <u>682,332</u> | <u>242,203</u> | <u>209,073</u> | <u>141,314</u> | <u>1,274,922</u> |
| Fund Balances | | | | | |
| Restricted: | | | | | |
| Capital Outlay | - | 479,978 | - | - | 479,978 |
| Special Education | - | - | 326,685 | - | 326,685 |
| Bond Redemption | - | - | - | 186,242 | 186,242 |
| Unassigned | 728,867 | - | - | - | 728,867 |
| Total fund balances | <u>728,867</u> | <u>479,978</u> | <u>326,685</u> | <u>186,242</u> | <u>1,721,772</u> |
| | <u>\$ 1,664,024</u> | <u>\$ 785,975</u> | <u>\$ 576,307</u> | <u>\$ 327,556</u> | <u>\$ 3,353,862</u> |

See Notes to Financial Statements

Langford Area School District 45-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2023

| | |
|--|----------------------------|
| Total Fund Balances - Governmental Funds | \$ 1,721,772 |
| Amounts Reported for Governmental Activities in the Statement of Net Position Are Different Because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | 5,275,303 |
| Long-term liabilities, including bonds payable and financing lease payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (2,255,000) |
| Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds. | (13,733) |
| Property taxes become due and payable on January 1 each year, but are not collected/available soon enough to pay current period expenditures; therefore, they are reported as deferred revenue in the fund financial statements. However, because the delinquent taxes are payable by the taxpayer at June 30, the delinquent taxes are reported as revenue on the government-wide financial statements. | 5,866 |
| Revenues from grants that are not available to pay for current- period expenditures are deferred in the funds. | 203,234 |
| Net pension asset, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not available financial resources and, therefore, are not reported in the funds. | <u>250,562</u> |
| Net Position - Governmental Funds | <u><u>\$ 5,188,004</u></u> |

Langford Area School District 45-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

| | General Fund | Capital Outlay Fund | Special Education Fund | Bond Redemption Fund | Total Governmental Funds |
|---|------------------|---------------------------|------------------------------|----------------------------|--------------------------------|
| Revenues | | | | | |
| 1000 Revenue from local sources | | | | | |
| 1100 Taxes | | | | | |
| 1110 Ad valorem taxes | \$ 951,487 | \$ 447,945 | \$ 433,578 | \$ 280,277 | \$ 2,113,287 |
| 1120 Prior year's ad valorem taxes | 7,406 | 3,693 | 2,018 | 1,712 | 14,829 |
| 1140 Gross receipts taxes | 76,078 | - | - | - | 76,078 |
| 1190 Penalties and interest on taxes | 5,663 | 1,160 | 902 | 646 | 8,371 |
| 1500 Earnings on investments and deposits | 8,088 | - | - | - | 8,088 |
| 1700 Co-curricular activities | | | | | |
| 1710 Admissions | 19,570 | - | - | - | 19,570 |
| 1790 Other pupil activity income | 1,070 | - | - | - | 1,070 |
| 1900 Other revenue from local sources | | | | | |
| 1960 Judgments | - | 766 | - | - | 766 |
| 1970 Charges for services | - | - | 156 | - | 156 |
| 1990 Other | 108,712 | - | - | - | 108,712 |
| 2000 Revenue from intermediate sources | | | | | |
| 2110 County apportionment | 10,988 | - | - | - | 10,988 |
| 3000 Revenue from state sources | | | | | |
| 3100 Grants-in-aid | | | | | |
| 3110 Unrestricted grants-in-aid | 882,662 | - | - | - | 882,662 |
| 4000 Revenue from federal sources | | | | | |
| 4100 Grants-in-aid | | | | | |
| 4140 Restricted grants-in-aid received directly from federal government | 4,565 | - | - | - | 4,565 |
| 4150-4199 Restricted grants-in-aid received from federal government through the state | 139,157 | - | - | - | 139,157 |
| Total revenues | <u>2,215,446</u> | <u>453,564</u> | <u>436,654</u> | <u>282,635</u> | <u>3,388,299</u> |

Langford Area School District 45-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

| | General Fund | Capital Outlay Fund | Special Education Fund | Bond Redemption Fund | Total Governmental Funds |
|--|------------------|---------------------------|------------------------------|----------------------------|--------------------------------|
| Expenditures | | | | | |
| 1000 Instruction | | | | | |
| 1100 Regular programs | | | | | |
| 1110 Elementary | 679,176 | 80,812 | - | - | 759,988 |
| 1120 Junior high school | 257,909 | 37,059 | - | - | 294,968 |
| 1130 High school | 440,144 | 34,044 | - | - | 474,188 |
| 1200 Special programs | | | | | |
| 1220 Programs for special education | - | 2,636 | 468,770 | - | 471,406 |
| 1270 Educationally deprived | 84,242 | - | - | - | 84,242 |
| 2000 Support services | | | | | |
| 2100 Pupils: | | | | | |
| 2120 Guidance | 45,749 | - | - | - | 45,749 |
| 2200 Support services - instructional staff | | | | | |
| 2220 Educational media | 15,128 | 1,339 | - | - | 16,467 |
| 2300 Support services - general administration | | | | | |
| 2310 Board of Education | 57,580 | 1,779 | - | - | 59,359 |
| 2320 Executive administration | 127,205 | - | - | - | 127,205 |
| 2400 Support services - school administration | | | | | |
| 2410 Office of the Principal | 116,317 | - | - | - | 116,317 |
| 2500 Support services - business | | | | | |
| 2520 Fiscal services | 111,330 | - | - | - | 111,330 |
| 2540 Operation and maintenance of plant | 331,132 | 185,054 | - | - | 516,186 |
| 2550 Pupil transportation | 205,276 | - | - | - | 205,276 |
| 2700 Support Services - special education | | | | | |
| 2710 Administrative costs | - | - | 11,528 | - | 11,528 |
| 4000 Nonprogrammed charges | | | | | |
| 5000 Debt services | - | - | - | 264,115 | 264,115 |
| 6000 Co-curricular activities | | | | | |
| 6100 Male activities | 49,221 | 3,320 | - | - | 52,541 |
| 6200 Female activities | 36,334 | 384 | - | - | 36,718 |
| 6500 Transportation | 2,694 | - | - | - | 2,694 |
| 6900 Combined activities | 130,458 | 4,245 | - | - | 134,703 |
| 7500 Capital outlay | - | 302,879 | - | - | 302,879 |
| Total expenditures | <u>2,689,895</u> | <u>653,551</u> | <u>480,298</u> | <u>264,115</u> | <u>4,087,859</u> |

Langford Area School District 45-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

| | General Fund | Capital Outlay Fund | Special Education Fund | Bond Redemption Fund | Total Governmental Funds |
|--|-------------------|---------------------------|------------------------------|----------------------------|--------------------------------|
| Excess of Revenue over (under) Expenditures | (474,449) | (199,987) | (43,644) | 18,520 | (699,560) |
| Other Financing Sources (Uses) | | | | | |
| 5110 Transfers in | 200,000 | 86,749 | - | - | 286,749 |
| 8110 Transfers out | - | (200,000) | - | (86,749) | (286,749) |
| 5140 Compensation for loss of capital assets | - | 8,757 | - | - | 8,757 |
| Total other financing sources (uses) | 200,000 | (104,494) | - | (86,749) | 8,757.00 |
| Net Change in Fund Balances | (274,449) | (304,481) | (43,644) | (68,229) | (690,803) |
| Fund Balance - Beginning | 1,003,316 | 784,459 | 370,329 | 254,471 | 2,412,575 |
| Fund Balance - Ending | <u>\$ 728,867</u> | <u>\$ 479,978</u> | <u>\$ 326,685</u> | <u>\$ 186,242</u> | <u>\$ 1,721,772</u> |

Langford Area School District 45-5
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
 Government-Wide Statement of Activities
 Year Ended June 30, 2023

| | |
|--|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (690,803) |
| Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because: | |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In 2023, capital outlays \$302,879 exceeded depreciation expense (\$233,025). | 69,854 |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 195,000 |
| Governmental funds report the effect of premiums and discounts when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the amount amortized in the current period. | 1,373 |
| The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available." | (11,161) |
| Accounting for revenues in the funds' statements differs from the accounting in the government-wide statement in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria." | 45,134 |
| Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds. | <u>43,219</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ (347,384)</u></u> |

Langford Area School District 45-5
Statement of Net Position – Proprietary Funds
June 30, 2023

| | Enterprise |
|--|----------------------|
| | Food Service Fund |
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 87,206 |
| Due from federal government | 6,297 |
| 171 Inventory of stores purchased for resale | 3,560 |
| 172 Inventory of donated food | 3,619 |
| | 100,682 |
| Total current assets | |
| Noncurrent assets | |
| 196 Net pension asset | 250 |
| 200 Capital assets | |
| 204 Machinery and equipment - local funds | 55,837 |
| 208 Less accumulated depreciation | (25,219) |
| | 30,868 |
| Total noncurrent assets | |
| | 131,550 |
| Deferred outflows of resources | |
| 252 Pension related deferred outflows | 24,900 |
| | 24,900 |
| Total assets and deferred outflows | |
| | \$ 156,450 |
| Liabilities, Deferred Inflows, and Net Position | |
| Current liabilities | |
| 402 Accounts payable | \$ 3,690 |
| 410 Due to General Fund | 38,672 |
| 475 Unearned revenue | 5,249 |
| | 47,611 |
| Total current liabilities | |
| Deferred inflows of resources | |
| 554 Pension related deferred inflows | 14,785 |
| | 14,785 |
| Net Position | |
| 706 Invested in capital assets | 30,618 |
| Restricted for SDRS pension benefits | 10,365 |
| 708 Unrestricted net position | 53,071 |
| | 94,054 |
| Total liabilities, deferred inflows, and net position | |
| | \$ 156,450 |

Langford Area School District 45-5
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2023

| | Enterprise |
|-------------------------------|----------------------|
| | Food Service Fund |
| Operating Revenue | |
| Food sales | \$ 56,697 |
| Total operating revenue | 56,697 |
| Operating Expenses | |
| 100 Salaries | 69,582 |
| 200 Employee benefits | 13,527 |
| 300 Purchased services | 39,660 |
| 400 Supplies | 471 |
| 461 Cost of sales - purchased | 57,737 |
| 462 Cost of sales - donated | 10,588 |
| 640 Dues and fees | 374 |
| 900 Depreciation | 4,337 |
| Total operating expenses | 196,276 |
| Operating Loss | (139,579) |
| Nonoperating Revenue | |
| 1510 Investment Earnings | 269 |
| State sources: | |
| 3810 Cash reimbursements | 387 |
| Federal sources: | |
| 4810 Cash reimbursements | 123,420 |
| 4820 Donated food | 11,859 |
| Total nonoperating revenue | 135,935 |
| Change in Net Position | (3,644) |
| Net Position - Beginning | 97,698 |
| Net Position - Ending | \$ 94,054 |

Langford Area School District 45-5
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

| | Enterprise |
|---|----------------------|
| | Food Service Fund |
| Cash Flows from (used for) Operating Activities | |
| Cash receipts from customers | \$ 56,065 |
| Cash payments to employees for services | (85,791) |
| Cash payments to suppliers of goods or services | (97,714) |
| | (127,440) |
| Net Cash used for Operating Activities | |
| Cash Flows from Noncapital Financing Activities | |
| Operating grants | 130,660 |
| Change in amount due to General Fund | 38,672 |
| | 169,332 |
| Net Cash Flows from Noncapital Financing Activities | |
| Cash Flows from Investing Activities | |
| Cash received for interest | 269 |
| | 269 |
| Net Cash from Investing Activities | |
| Cash Flows used for Capital and Related Financing Activities | |
| Purchase of capital assets | (5,086) |
| | (5,086) |
| Net Cash used for Capital and Related Financing Activities | |
| Net Change in Cash and Cash Equivalents | 37,075 |
| Cash and Cash Equivalents, Beginning of Year | 50,131 |
| Cash and Cash Equivalents, End of Year | \$ 87,206 |
| Reconciliation of Operating Loss to Net Cash used for Operating Activities: | |
| Operating loss | \$ (139,579) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | |
| Depreciation expense | 4,337 |
| Value of donated commodities used | 10,588 |
| Change in assets and liabilities: | |
| Pension asset and deferred outflows | 15,917 |
| Pension liability and deferred inflows | (18,599) |
| Inventories | (1,595) |
| Accounts and other payables | 2,123 |
| Unearned revenue | (632) |
| | (127,440) |
| Net Cash used for Operating Activities | |
| Noncash Investing, Capital, and Financing Activities | |
| Value of commodities received | \$ 11,859 |

Langford Area School District 45-5
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2023

| | <u>Custodial Funds</u> |
|---|----------------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 86,327</u> |
| | <u>\$ 86,327</u> |
| Net Position | |
| Net position held for organizations and employees | <u>\$ 86,327</u> |
| | <u>\$ 86,327</u> |

Langford Area School District 45-5
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2023

| | <u>Custodial Funds</u> |
|--|----------------------------|
| Additions | |
| Contributions, donations and fundraisers | \$ 113,293 |
| Total additions | <u>113,293</u> |
| Deductions | |
| Organization expenses | 35,718 |
| Employee flex spending | <u>37,312</u> |
| Total deductions | <u>73,030</u> |
| Change in Net Position | 40,263 |
| Net Position - Beginning | <u>46,064</u> |
| Net Position - Ending | <u><u>\$ 86,327</u></u> |

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Langford Area School District 45-5 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of Langford Area School District 45-5 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the School District); 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 School District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District 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 School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the School District as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are generally 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 net position reports all financial and capital resources in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position is displayed in three components, as applicable, including net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients for 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 School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or if 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The funds of the School District are described below within their respective fund types:

Governmental Funds

General Fund – A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay and Special Education Funds are the special revenue funds maintained by the School District.

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

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

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

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

Proprietary Funds

Enterprise Fund Types - 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 (expenses, including depreciation) 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.

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds

Fiduciary Funds are never considered to be major funds.

Custodial Fund Types – Custodial funds are used to account for resources held by the School District in a purely custodial capacity. Since custodial funds are custodial in nature, they do not involve measurement results of operations. The School District maintains custodial funds to account for funds provided by outside organizations for the benefit of students as well as employee flex spending accounts.

Measurement Focus

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the current financial resources measurement focus and the modified accrual basis of accounting are applied to governmental funds types, while the economic resources measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds types.

Basis of Accounting**Government-Wide Financial Statements**

In the government-wide statement of net position and statement of activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are generally recorded when earned (usually when the right to receive cash vests), and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are generally recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle; and, for the School District, the length of that cycle is 60 days. The receivables at June 30, 2023, are due from state government or from local governments.

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

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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.

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances, if any.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables are reported as non-spendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed or assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt. In the government-wide financial statements and the proprietary fund in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the fund financial statements, inventories in the General Fund and the special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

Capital Assets

Capital assets include land, buildings, machinery, equipment, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2023, balance of capital assets for governmental activities includes approximately 1.56% for which the costs were determined by estimates of the original costs. The total June 30, 2023, balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by appraisals or deflated current replacement cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide statement of activities, with net capital assets reflected in the statement of net position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|------------------------|-----------------------------|------------------------|--------------------------|
| Land* | All Land Values | N/A | N/A |
| Improvements | \$ 5,000 | Straight-Line | 10 - 20 years |
| Buildings | 5,000 | Straight-Line | 33 - 70 years |
| Equipment | 5,000 | Straight-Line | 5 - 20 years |
| Food service equipment | 5,000 | Straight-Line | 8 - 12 years |

**Land is an inexhaustible capital asset and is not depreciated.*

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

Noncurrent Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of bonds payable.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability (asset) not included in pension revenue/expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and unavailable revenues from property taxes and other revenues on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability (asset) not included in pension revenue/expense reported in the government-wide statement of net position.

Program Revenues

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

1. Charges for Services – These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided, or are, otherwise, directly affected by the services.
2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary 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.

Property Taxes

Property taxes are levied on or before each October 1, attached as an enforceable lien on property as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent they are used to finance each year's appropriations. Revenue related to current year property taxes receivable that is not intended to be used to finance the current year's appropriations and are not susceptible to accrual has been reported as a deferred inflow of resources in both the fund financial statements and the government-wide financial statements.

Additionally, in the fund financial statements, revenue from property taxes may be limited by an amount not collected during the fiscal period or within the "availability period."

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidiaries and investment earnings, result from nonexchange transactions or ancillary activities.

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

Cash and Cash Equivalents

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Therefore, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the statement of cash flows.

Deposits and Investments

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Equity Classifications**Government-Wide Statements**

Equity is classified as net position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance and is distinguished between non-spendable, restricted, committed, assigned, or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for custodial funds, which have no fund equity) is reported as net position held in trust for other purposes.

Application of Net Position

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints; includes fund balance amounts related to noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts).
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority, which is the School Board, and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Fund balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

The School District does not have a formal minimum fund balance policy.

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

| <u>Major Special Revenue Fund</u> | <u>Revenue Source</u> |
|-----------------------------------|---------------------------|
| Capital Outlay Fund | Grants and property taxes |
| Special Education Fund | Grants and property taxes |

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense and revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS’s fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits

The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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.

Deposits are reported at cost plus interest if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The School District's policy is to credit income from pooled accounts to the General Fund and interest on accounts held solely by one fund to the fund making the investment.

Concentration of Credit Risk – The School District places no limit on the amount that the School District may deposit in any one financial institution.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized as required by South Dakota Codified Law (SDCL). The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2023, the financial institution that holds the School District's deposits was properly collateralized.

The actual bank balances at June 30, 2023, were as follows:

| | |
|--|---------------------|
| Insured (FDIC/NCUA) | \$ 250,000 |
| Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution | <u>2,076,581</u> |
| | <u>\$ 2,326,581</u> |
| The School District's carrying amount of deposits at June 30, 2023 | <u>\$ 2,174,551</u> |

Reconciliation of deposits to government-wide statement of net position:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 2,088,224 |
| Add: Fiduciary Fund cash (not included in government-wide statement of net position) | <u>86,327</u> |
| | <u>\$ 2,174,551</u> |

Investments

Investments – In general, SDCL 4-5-6 permits School District 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. There were no investments held as of June 30, 2023.

Custodial Credit Risk – The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has adopted a policy for custodial credit risk, but the adopted policy is no more restrictive than existing South Dakota Codified Law.

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

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

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

Note 3 - Receivables and Payables

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The amount recorded as due from other governments as of June 30, 2023, consists of \$363,829 from state sources for reimbursements, grant revenue and utility tax revenues. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible amounts have been established.

Note 4 - Changes in Capital Assets

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

| Primary Government | Balance 7/1/22 | Increases | Decreases | Balance 6/30/23 |
|--|-------------------|-----------|-----------|--------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 25,003 | \$ - | \$ - | \$ 25,003 |
| Total, not being depreciated | 25,003 | - | - | 25,003 |
| Capital assets, being depreciated: | | | | |
| Improvements | 41,779 | - | - | 41,779 |
| Buildings | 6,638,431 | 162,435 | - | 6,800,866 |
| Machinery and equipment | 1,130,171 | 140,444 | - | 1,270,615 |
| Total, being depreciated | 7,810,381 | 302,879 | - | 8,113,260 |
| Less accumulated depreciation: | | | | |
| Improvements | 41,779 | - | - | 41,779 |
| Buildings | 2,023,549 | 154,342 | - | 2,177,891 |
| Machinery and equipment | 564,607 | 78,683 | - | 643,290 |
| Total accumulated depreciation | 2,629,935 | 233,025 | - | 2,862,960 |
| Total capital assets, being depreciated, net | 5,180,446 | 69,854 | - | 5,250,300 |
| Governmental activity capital assets, net | \$ 5,205,449 | \$ 69,854 | \$ - | \$ 5,275,303 |

Depreciation expense was charged to functions as follows:

| | |
|--|------------|
| Governmental activities | |
| Instruction | \$ 153,794 |
| Support services | 74,448 |
| Co-curricular activities | 4,783 |
| Total depreciation expense - governmental activities | \$ 233,025 |

| | | | | |
|--|-----------|----------|--------|-----------|
| Business-type activities | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 51,301 | \$ 5,086 | \$ 550 | \$ 55,837 |
| Total, being depreciated | 51,301 | 5,086 | 550 | 55,837 |
| Total accumulated depreciation | 21,432 | 4,337 | 550 | 25,219 |
| Total capital assets, being depreciated, net | 29,869 | 749 | - | 30,618 |
| Business-type activity capital assets, net | \$ 29,869 | \$ 749 | \$ - | \$ 30,618 |

Depreciation expense was charged to functions as follows:

| | |
|---|----------|
| Business-type activities: | |
| Food service | \$ 4,337 |
| Total depreciation expense - business-type activities | \$ 4,337 |

Note 5 - Long-Term Liabilities

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

| Purpose | Amounts Outstanding 7/1/22 | Issued | Retired | Amounts Outstanding 6/30/23 | Due in One Year |
|--|----------------------------------|-------------|-------------------|-----------------------------------|--------------------|
| Primary Government Government Activities: | | | | | |
| Bonds Payable | | | | | |
| General Obligation Series 2018 | \$ 2,450,000 | \$ - | \$ 195,000 | \$ 2,255,000 | \$ 200,000 |
| Re-Offering Premium | 15,106 | - | 1,373 | 13,733 | 1,373 |
| Total primary government | <u>\$ 2,465,106</u> | <u>\$ -</u> | <u>\$ 196,373</u> | <u>\$ 2,268,733</u> | <u>\$ 201,373</u> |

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

| | |
|--|---------------------|
| General Obligation Bonds | |
| General Obligation Refunding Bonds Series 2018, semi-annual installments due January and July, interest rates range from of 2.45% to 3.25%, maturing January 2033, paid from the Bond Redemption Fund. | \$ 2,255,000 |
| | <u>\$ 2,255,000</u> |

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

| Year Ending June 30: | General Obligation | | Total | |
|-------------------------|---------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 200,000 | \$ 65,530 | \$ 200,000 | \$ 65,530 |
| 2025 | 205,000 | 60,630 | 205,000 | 60,630 |
| 2026 | 210,000 | 55,608 | 210,000 | 55,608 |
| 2027 | 215,000 | 50,043 | 215,000 | 50,043 |
| 2028 | 220,000 | 43,915 | 220,000 | 43,915 |
| 2029-2033 | 1,205,000 | 116,843 | 1,205,000 | 116,843 |
| | <u>\$ 2,255,000</u> | <u>\$ 392,569</u> | <u>\$ 2,255,000</u> | <u>\$ 392,569</u> |

Note 6 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the statement of net position:

| Purpose | Restricted By | Amount |
|-----------------------|---------------|---------------------|
| Capital Outlay | Law | \$ 481,106 |
| Special Education | Law | 327,111 |
| SDRS Pension Benefits | Law | 260,927 |
| Bond Redemption | Law | 187,033 |
| | | <u>\$ 1,256,177</u> |

Note 7 - Special Termination Benefits

The School District has an early retirement policy in which the employee will receive a one-time benefit of \$17,500 payable in three installments over a three-year period of time. The employee must meet the following criteria: the employee has served the School District for at least 15 years and is between the ages of 55 and 62 by the end of the calendar year in which the application is made, and the Superintendent must receive a written request on or before the second Monday in March in the year in which the retirement is to take effect. The maximum number of recipients approved in any one year shall not exceed three, and the chronological order in which the applications are received will determine the priority of the recipients. During the 2023 fiscal year, no employees requested the benefit.

Note 8 - Joint Venture

The School District participates in the following joint venture:

Northern Central Special Education Co-op, a multi-district cooperative service unit (Co-op) formed for the purpose of providing special education services to the member school districts. All members participate equally, and members of the Co-op are as follows:

Hitchcock-Tulare School District
Frederick Area School District
Northwestern Area School District
Doland School District
Edmunds Central School District

Warner School District
Langford Area School District
Groton Area School District
Leola School District

The North Central Special Education Cooperative's governing board is composed of one representative from each member school district. The board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity interest in the net position of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. At June 30, 2023, the North Central Special Education Cooperative had fund equity of \$509,735 and no long-term debt. Financial statements are available by contacting the North Central Special Education Cooperative.

Note 9 - Risk Management

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

Employee Health Insurance

The School District joined the South Dakota School District Health Benefits Fund (SD SDBF). This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District 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 School District offers a choice of four plans with deductibles from \$750 to \$2,000 per person and \$1,500 to \$4,000 per family. The plans also provide for coinsurance of 80% up to \$10,000 to \$20,000 depending upon the plan chosen by the employee. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance provider. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool, which provides workers' compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the year ended June 30, 2023, the pool's retained risk was \$500,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$500,000, for total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to pool members for the year ended June 30, 2023.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

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

The School District has not assigned equity for the payment of future unemployment benefits.

During the year ended June 30, 2023, no unemployment benefits had been paid. At June 30, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 10 - Pension Plan**Plan Information**

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, 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 provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <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. 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 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% to 0.0%.

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. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021, were \$106,460, \$95,510 and \$85,709, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Revenue/Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources to Pensions

At June 30, 2022, SDRS is 100.10% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of the SDRS, for the School District as of the measurement period ending June 30, 2022, and reported by the School District as of June 30, 2023, are as follows:

| | |
|--|--------------------------|
| Proportionate share of total pension liability | \$ 9,410,703 |
| Less proportionate share of net position restricted for pension benefits | <u>9,417,003</u> |
| Proportionate share of net pension liability (asset) | <u><u>\$ (6,300)</u></u> |

At June 30, 2023, the School District reported a liability (asset) of \$(6,300) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.0666640%, which is an increase of 0.0037160% from its proportion measured as of as June 30, 2021.

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$45,903. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 119,928 | \$ 409 |
| Changes in assumption | 400,419 | 350,914 |
| Net difference between projected and actual earnings on pension plan investments | - | 15,098 |
| Changes in proportion and difference between School District contributions and proportionate share of contributions | - | 5,759 |
| School District contributions subsequent to the measurement date | 106,460 | - |
| | <u>\$ 626,807</u> | <u>\$ 372,180</u> |
| Total | | |

The \$106,460 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| <u>Year Ended June 30:</u> | <u>Amount</u> |
|----------------------------|-------------------|
| 2024 | \$ 39,611 |
| 2025 | 85,814 |
| 2026 | (101,435) |
| 2027 | 124,177 |
| | <u>\$ 148,167</u> |
| Total | |

Actuarial Assumptions

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

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

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------|-------------------|--|
| Global Equity | 58.0% | 3.7% |
| Fixed Income | 30.0% | 1.1% |
| Real Estate | 10.0% | 2.6% |
| Cash | 2.0% | 0.4% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) to Change in the Discount Rate

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| School District's proportionate share of the net pension liability (asset) | \$ 1,308,172 | \$ (6,300) | \$ 1,080,571 |

Pension Plan Fiduciary Net Position

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

Note 11 - Interfund Transactions

Interfund receivable and payable balances at June 30, 2023, were:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-------------------|----------------------------------|-------------------------------|
| General Fund | \$ 38,672 | \$ - |
| Food Service Fund | - | 38,672 |
| | <u>\$ 38,672</u> | <u>\$ 38,672</u> |

Amounts were advanced by the General Fund to supplement cash flow for the Food Service Fund.

During 2023, the Capital Outlay Fund transferred \$200,000 to the General Fund for operations as allowed under SDCL. The School District also transferred money from the Bond Redemption Fund to the Capital Outlay Fund in the amount of \$86,749 to close out amounts related to a bond that was paid off in prior years.



Required Supplementary Information
June 30, 2023

Langford Area School District 45-5

Langford Area School District 45-5
 Budgetary Comparison Schedule - Budgetary Basis - General Fund
 Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|--|---|
| | Original | Final | | |
| Revenues | | | | |
| 1000 Revenue from local sources | | | | |
| 1100 Taxes | | | | |
| 1110 Ad valorem taxes | \$ 935,900 | \$ 935,900 | \$ 951,487 | \$ 15,587 |
| 1120 Prior year's ad valorem taxes | - | - | 7,406 | 7,406 |
| 1140 Gross receipts taxes | 77,000 | 77,000 | 76,078 | (922) |
| 1190 Penalties and interest on taxes | - | - | 5,663 | 5,663 |
| 1500 Earnings on investments and deposits | 2,700 | 2,700 | 8,088 | 5,388 |
| 1700 Co-curricular activities | | | | |
| 1710 Admissions | 20,000 | 20,000 | 19,570 | (430) |
| 1790 Other pupil activity income | - | - | 1,070 | 1,070 |
| 1900 Other revenue from local sources | | | | |
| 1990 Other | 2,000 | 101,548 | 108,712 | 7,164 |
| 2000 Revenue from intermediate sources | | | | |
| 2100 County sources | | | | |
| 2110 County apportionment | 15,000 | 15,000 | 10,988 | (4,012) |
| 3000 Revenue from state sources | | | | |
| 3100 Grants-in-aid | | | | |
| 3110 Unrestricted grants-in-aid | 924,000 | 924,000 | 882,662 | (41,338) |
| 4000 Revenue from federal sources | | | | |
| 4100 Grants-in-aid | | | | |
| 4140 Restricted grants-in-aid received directly from federal government | - | - | 4,565 | 4,565 |
| 4150-4199 Restricted grants-in-aid received from federal government through the state | 246,000 | 246,000 | 139,157 | (106,843) |
| Total revenues | <u>2,222,600</u> | <u>2,322,148</u> | <u>2,215,446</u> | <u>(106,702)</u> |

Langford Area School District 45-5
 Budgetary Comparison Schedule - Budgetary Basis - General Fund
 Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|--|---|
| | Original | Final | | |
| Expenditures | | | | |
| 1000 Instruction | | | | |
| 1100 Regular programs | | | | |
| 1110 Elementary | 779,000 | 779,000 | 679,176 | 99,824 |
| 1120 Junior high school | 250,000 | 255,500 | 257,909 | (2,409) |
| 1130 High school | 435,000 | 447,000 | 440,144 | 6,856 |
| 1200 Special programs | | | | |
| 1270 Educationally deprived | 80,000 | 82,000 | 84,242 | (2,242) |
| 2000 Support services | | | | |
| 2100 Pupils: | | | | |
| 2120 Guidance | 58,500 | 58,500 | 45,749 | 12,751 |
| 2200 Support services - instructional staff | | | | |
| 2220 Educational media | 18,000 | 18,000 | 15,128 | 2,872 |
| 2300 Support services - general administration | | | | |
| 2310 Board of Education | 31,700 | 49,400 | 57,580 | (8,180) |
| 2320 Executive administration | 127,000 | 130,000 | 127,205 | 2,795 |
| 2400 Support services - school administration | | | | |
| 2410 Office of the Principal | 99,800 | 100,500 | 116,317 | (15,817) |
| 2490 Other | 500 | 500 | - | 500 |
| 2500 Support services - business | | | | |
| 2520 Fiscal services | 91,000 | 110,100 | 111,330 | (1,230) |
| 2540 Operation and maintenance of plant | 305,000 | 305,000 | 331,132 | (26,132) |
| 2550 Pupil transportation | 175,500 | 175,500 | 205,276 | (29,776) |
| 6000 Co-curricular activities | | | | |
| 6100 Male activities | 50,200 | 50,200 | 49,221 | 979 |
| 6200 Female activities | 34,300 | 34,300 | 36,334 | (2,034) |
| 6500 Transportation | 5,770 | 5,770 | 2,694 | 3,076 |
| 6900 Combined activities | 22,230 | 138,955 | 130,458 | 8,497 |
| 7000 Contingencies | 60,000 | - | - | - |
| Amount transferred | (60,000) | - | - | - |
| Total expenditures | <u>2,563,500</u> | <u>2,740,225</u> | <u>2,689,895</u> | <u>50,330</u> |
| Excess of Revenue over (under) Expenditures | <u>(340,900)</u> | <u>(418,077)</u> | <u>(474,449)</u> | <u>(56,372)</u> |
| Other Financing Sources (Uses) | | | | |
| 5110 Transfers in | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | <u>-</u> |
| Total other financing sources (uses) | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | <u>-</u> |
| Net Change in Fund Balances | (140,900) | (218,077) | (274,449) | (56,372) |
| Fund Balance - Beginning | <u>1,003,316</u> | <u>1,003,316</u> | <u>1,003,316</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 862,416</u> | <u>\$ 785,239</u> | <u>\$ 728,867</u> | <u>\$ (56,372)</u> |

Langford Area School District 45-5
 Budgetary Comparison Schedule - Budgetary Basis - Capital Outlay Fund
 Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|--|---|
| | Original | Final | | |
| Revenues | | | | |
| 1000 Revenue from local sources | | | | |
| 1100 Taxes | | | | |
| 1110 Ad valorem taxes | \$ 480,000 | \$ 480,000 | \$ 447,945 | \$ (32,055) |
| 1120 Prior year's ad valorem taxes | - | - | 3,693 | 3,693 |
| 1190 Penalties and interest on taxes | - | - | 1,160 | 1,160 |
| 1900 Other revenue from local sources | | | | |
| 1960 Judgments | - | - | 766 | 766 |
| 4000 Revenue from federal sources | | | | |
| 4100 Grants-in-aid | | | | |
| 4150-4199 Restricted grants-in-aid received from federal government through the state | - | 203,234 | - | (203,234) |
| Total revenues | <u>480,000</u> | <u>683,234</u> | <u>453,564</u> | <u>(229,670)</u> |
| Expenditures | | | | |
| 1000 Instruction | | | | |
| 1100 Regular programs | | | | |
| 1110 Elementary | 35,000 | 65,022 | 80,812 | (15,790) |
| 1120 Junior high school | 27,000 | 73,578 | 37,059 | 36,519 |
| 1130 High school | 10,000 | 32,400 | 34,044 | (1,644) |
| 1200 Special programs | | | | |
| 1220 Programs for special education | 7,000 | 7,000 | 2,636 | 4,364 |
| 2000 Support services | | | | |
| 2200 Support services - instructional staff | | | | |
| 2120 Guidance | 1,000 | 1,000 | - | 1,000 |
| 2220 Educational media | 2,000 | 2,000 | 1,339 | 661 |
| 2300 Support services - instructional staff | | | | |
| 2310 Board of Education | 5,000 | 5,000 | 1,779 | 3,221 |
| 2400 Support services - instructional staff | | | | |
| 2410 Office of the Principal | 5,000 | 5,000 | - | 5,000 |
| 2500 Support services - business | | | | |
| 2520 Fiscal services | 5,000 | 5,000 | - | 5,000 |
| 2540 Operation and maintenance of plant | 230,000 | 437,734 | 431,762 | 5,972 |
| 2550 Pupil transportation | 70,000 | 95,000 | 56,171 | 38,829 |
| 2600 Support services - central | | | | |
| 2630 Information | 128,500 | - | - | - |
| 6000 Co-curricular activities | | | | |
| 6100 Male activities | 5,000 | 5,000 | 3,320 | 1,680 |
| 6200 Female activities | 6,000 | 6,000 | 384 | 5,616 |
| 6900 Combined activities | 9,000 | 9,000 | 4,245 | 4,755 |
| Total expenditures | <u>545,500</u> | <u>748,734</u> | <u>653,551</u> | <u>95,183</u> |
| Excess of Revenue over (under) Expenditures | <u>(65,500)</u> | <u>(65,500)</u> | <u>(199,987)</u> | <u>(134,487)</u> |
| Other Financing Sources (Uses) | | | | |
| 5110 Transfers in | - | - | 86,749 | (86,749) |
| 8110 Transfers out | (200,000) | (200,000) | (200,000) | - |
| 5140 Compensation for loss of capital assets | - | - | 8,757 | 8,757 |
| Total other financing sources (uses) | <u>(200,000)</u> | <u>(200,000)</u> | <u>(104,494)</u> | <u>(77,992)</u> |
| Net Change in Fund Balances | (265,500) | (265,500) | (304,481) | (212,479) |
| Fund Balance - Beginning | <u>784,459</u> | <u>784,459</u> | <u>784,459</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 518,959</u> | <u>\$ 518,959</u> | <u>\$ 479,978</u> | <u>\$ (212,479)</u> |

Langford Area School District 45-5
 Budgetary Comparison Schedule - Budgetary Basis - Special Education Fund
 Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|--|---|
| | Original | Final | | |
| Revenues | | | | |
| 1000 Revenue from local sources | | | | |
| 1100 Taxes | | | | |
| 1110 Ad valorem taxes | \$ 415,700 | \$ 415,700 | \$ 433,578 | \$ 17,878 |
| 1120 Prior year's ad valorem taxes | - | - | 2,018 | 2,018 |
| 1190 Penalties and interest on taxes | - | - | 902 | 902 |
| 1900 Other revenue from local sources | | | | |
| 1970 Charges for services | - | - | 156 | 156 |
| Total revenues | <u>415,700</u> | <u>415,700</u> | <u>436,654</u> | <u>20,954</u> |
| Expenditures | | | | |
| 1000 Instruction | | | | |
| 1200 Special programs | | | | |
| 1220 Programs for special education | 499,000 | 499,000 | 468,770 | 30,230 |
| 2000 Support services | | | | |
| 2100 Support Services - pupils | | | | |
| 2120 Guidance | 6,500 | 6,500 | - | 6,500 |
| 2700 Support Services - special education | | | | |
| 2710 Administrative costs | 10,200 | 10,200 | 11,528 | (1,328) |
| Total expenditures | <u>515,700</u> | <u>515,700</u> | <u>480,298</u> | <u>35,402</u> |
| Net Change in Fund Balances | (100,000) | (100,000) | (43,644) | 56,356 |
| Fund Balance - Beginning | <u>370,329</u> | <u>370,329</u> | <u>370,329</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 270,329</u> | <u>\$ 270,329</u> | <u>\$ 326,685</u> | <u>\$ 56,356</u> |

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function, while the governmental funds statements of revenues, expenditures and changes in fund balance present capital outlay expenditures as a separate function.

Note 2 - Budgetary Legal Requirements

Budgets and Budgetary Accounting

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

1. Prior to the first regular School Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and custodial funds.
6. After adoption by the School Board, the operating budget is legally binding, and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for Capital Outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. 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.

Schedule of Employer's Share of Net Pension Liability (Asset)

| Pension Plan | Fiscal Year Ending | Employer's Percentage of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Employer's Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) |
|--------------|--------------------|--|---|--------------------------------|--|--|
| SDRS | 6/30/2023 | 0.0667% | \$ (6,300) | \$ 1,591,838 | -0.4% | 100.1% |
| SDRS | 6/30/2022 | 0.0629% | (482,074) | 1,428,481 | -33.7% | 105.5% |
| SDRS | 6/30/2021 | 0.0657% | (2,852) | 1,441,146 | -0.2% | 100.0% |
| SDRS | 6/30/2020 | 0.0656% | (6,950) | 1,394,416 | -0.5% | 100.1% |
| SDRS | 6/30/2019 | 0.0654% | (1,526) | 1,359,990 | -0.1% | 100.0% |
| SDRS | 6/30/2018 | 0.0604% | (5,478) | 1,226,356 | -0.4% | 100.1% |
| SDRS | 6/30/2017 | 0.0576% | 194,516 | 1,094,976 | 17.8% | 96.9% |
| SDRS | 6/30/2016 | 0.0563% | (238,584) | 1,027,019 | -23.2% | 104.1% |
| SDRS | 6/30/2015 | 0.0565% | (406,901) | 987,646 | -41.2% | 107.3% |

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

Schedule of Employer's Contributions

| Pension Plan | Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions Percentage of Covered Payroll (b/d) |
|--------------|--------------------|---------------------------------------|---|--|---------------------|---|
| SDRS | 6/30/2023 | \$ 106,460 | \$ 106,460 | \$ - | \$ 1,774,349 | 6.0% |
| SDRS | 6/30/2022 | 95,510 | 95,510 | - | 1,591,838 | 6.0% |
| SDRS | 6/30/2021 | 85,709 | 85,709 | - | 1,428,481 | 6.0% |
| SDRS | 6/30/2020 | 86,469 | 86,469 | - | 1,441,146 | 6.0% |
| SDRS | 6/30/2019 | 83,665 | 83,665 | - | 1,394,416 | 6.0% |
| SDRS | 6/30/2018 | 81,600 | 81,600 | - | 1,359,990 | 6.0% |
| SDRS | 6/30/2017 | 73,581 | 73,581 | - | 1,226,356 | 6.0% |
| SDRS | 6/30/2016 | 65,699 | 65,699 | - | 1,094,976 | 6.0% |
| SDRS | 6/30/2015 | 61,621 | 61,621 | - | 1,027,019 | 6.0% |

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

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.



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

The School Board
Langford Area School District 45-5
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 Langford Area School District 45-5 (the School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated September 23, 2024.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 and 2023-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Langford Area School District's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned to the left of a vertical yellow line.

Aberdeen, South Dakota
September 23, 2024

Current Audit Findings and Recommendations

Finding 2023-001 Lack of Segregation of Duties

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: Langford Area School District 45-5 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 School District has insufficient number of staff to adequately separate duties.

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

Recommendation: Although it is recognized that the number of office staff may not be large enough to permit an 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 School Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.

Finding 2023-002 Preparation of Financial Statements and Footnotes, and Material Proposed Adjustments to the Financial Statements

Criteria: An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: Langford Area School District 45-5 does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

Cause: The School District does not have adequate staff trained to prepare financial statements and the related footnotes.

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

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

Views of Responsible Officials: Management agrees with the finding.