



Financial Statements
June 30, 2024

Langford Area School District 45-5

Board President	Jennifer Gustafson
Governing Board	Morgan Holler
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Independent Auditor's Report	1
Financial Statements	
Statement of Net Position	4
Statement of Activities.....	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	11
Statement of Net Position – Proprietary Funds.....	12
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds.....	13
Statement of Cash Flows – Proprietary Funds.....	14
Statement of Fiduciary Net Position – Fiduciary Funds	15
Statements of Changes in Fiduciary Net Position – Fiduciary Funds	16
Notes to Financial Statements	17
Required Supplementary Information	
Budgetary Comparison Schedules - Budgetary Basis - General Fund.....	38
Budgetary Comparison Schedules - Budgetary Basis - Capital Outlay Fund.....	40
Budgetary Comparison Schedules - Budgetary Basis - Special Education Fund	41
Notes to Required Supplementary Information	42
Schedule of Employer's Share of Net Pension Liability (Asset) and Schedule of Employer's Contributions.....	43
Notes to Required Supplementary Information – Pension Schedules	44
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Schedule of Findings	47



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, 2024, 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, 2024, 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 employer'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 August 5, 2025, 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 "Erik Bailly LLP".

Aberdeen, South Dakota
August 5, 2025

Langford Area School District 45-5

Statement of Net Position

June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,082,290	\$ 97,652	\$ 2,179,942
Taxes receivable	1,084,544	-	1,084,544
Internal balances	39,420	(39,420)	-
Other assets	135,859	-	135,859
Inventories	-	5,747	5,747
Net pension asset	6,486	210	6,696
Capital assets			
Land and construction in progress	64,265	-	64,265
Capital assets, net of depreciation	5,074,166	25,852	5,100,018
Total assets	8,487,030	90,041	8,577,071
Deferred Outflows of Resources			
Pension related deferred outflows	559,896	18,120	578,016
Total assets and deferred outflows	\$ 9,046,926	\$ 108,161	\$ 9,155,087
Liabilities			
Accounts payable	\$ 11,114	\$ 503	\$ 11,617
Other current liabilities	295,085	-	295,085
Unearned revenue	-	5,374	5,374
Noncurrent liabilities			
Due within one year	206,373	-	206,373
Due in more than one year	1,860,987	-	1,860,987
Total liabilities	2,373,559	5,877	2,379,436
Deferred Inflows of Resources			
Pension related deferred inflows	331,474	10,727	342,201
Taxes levied for future period	1,193,835	-	1,193,835
Total deferred outflows of resources	1,525,309	10,727	1,536,036
Net Position			
Net investment in capital assets	3,071,071	25,852	3,096,923
Restricted for			
Capital Outlay	728,639	-	728,639
Special Education	242,063	-	242,063
SDRS Pension Benefits	234,908	7,603	242,511
Bond Redemption	227,499	-	227,499
Unrestricted	643,878	58,102	701,980
Total net position	5,148,058	91,557	5,239,615
Total liabilities, deferred inflows of resources and net position	\$ 9,046,926	\$ 108,161	\$ 9,155,087

Langford Area School District 45-5

Statement of Activities

Year Ended June 30, 2024

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	\$ 2,193,764	\$ -	\$ 83,185	\$ -	\$ (2,110,579)	\$ -	\$ (2,110,579)
Support services	1,128,802	173	-	-	(1,128,629)	-	(1,128,629)
*Interest on long-term debt	62,367	-	-	-	(62,367)	-	(62,367)
Co-curricular activities	230,144	17,741	-	-	(212,403)	-	(212,403)
Total governmental activities	<u>3,615,077</u>	<u>17,914</u>	<u>83,185</u>	<u>-</u>	<u>(3,513,978)</u>	<u>-</u>	<u>(3,513,978)</u>
Business-type activities							
Food service	197,486	67,163	-	-	-	(130,323)	(130,323)
Total primary government	<u>\$ 3,812,563</u>	<u>\$ 85,077</u>	<u>\$ 83,185</u>	<u>\$ -</u>	<u>(3,513,978)</u>	<u>(130,323)</u>	<u>(3,644,301)</u>
General Revenues							
Taxes							
Property taxes					2,261,710	-	2,261,710
Gross receipts taxes					75,114	-	75,114
Revenue from state sources							
State aid					995,958	-	995,958
Other					-	315	315
Revenue from federal sources					2,133	127,023	129,156
Unrestricted investment earnings					9,589	488	10,077
Other general revenues					129,528	-	129,528
Total general revenues					<u>3,474,032</u>	<u>127,826</u>	<u>3,601,858</u>
Change in Net Position					(39,946)	(2,497)	(42,443)
Net Position - Beginning					5,188,004	94,054	5,282,058
Net Position - Ending					<u>\$ 5,148,058</u>	<u>\$ 91,557</u>	<u>\$ 5,239,615</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, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Funds
Assets					
Cash and cash equivalents	\$ 776,139	\$ 762,372	\$ 304,839	\$ 238,940	\$ 2,082,290
110 Taxes receivable - current	441,091	284,806	222,409	120,068	1,068,374
112 Taxes receivable - delinquent	8,332	3,205	2,762	1,871	16,170
130 Due from food service fund	39,420	-	-	-	39,420
140 Due from other government	135,859	-	-	-	135,859
	<u>\$ 1,400,841</u>	<u>\$ 1,050,383</u>	<u>\$ 530,010</u>	<u>\$ 360,879</u>	<u>\$ 3,342,113</u>
Liabilities and Fund Balances					
Liabilities					
402 Accounts payable	\$ 5,752	\$ 5,362	\$ -	\$ -	\$ 11,114
404 Contracts payable	177,759	-	30,869	-	208,628
450 Payroll deductions, withholdings, and employer matching payable	46,131	-	10,011	-	56,142
Total liabilities	<u>229,642</u>	<u>5,362</u>	<u>40,880</u>	<u>-</u>	<u>275,884</u>
Deferred Inflows of Resources					
551 Unavailable revenue					
delinquent property taxes	8,332	3,205	2,762	1,871	16,170
553 Taxes levied for future period	497,006	316,382	247,067	133,380	1,193,835
Total deferred inflows of resources	<u>505,338</u>	<u>319,587</u>	<u>249,829</u>	<u>135,251</u>	<u>1,210,005</u>
Fund Balances					
Restricted					
Capital Outlay	-	725,434	-	-	725,434
Special Education	-	-	239,301	-	239,301
Bond Redemption	-	-	-	225,628	225,628
Unassigned	665,861	-	-	-	665,861
Total fund balances	<u>665,861</u>	<u>725,434</u>	<u>239,301</u>	<u>225,628</u>	<u>1,856,224</u>
	<u>\$ 1,400,841</u>	<u>\$ 1,050,383</u>	<u>\$ 530,010</u>	<u>\$ 360,879</u>	<u>\$ 3,342,113</u>

Langford Area School District 45-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2024

Total Fund Balances - Governmental Funds	\$ 1,856,224
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.	5,138,431
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.	(2,055,000)
Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds.	(12,360)
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.	16,170
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.	(30,315)
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>234,908</u>
Net Position - Governmental Funds	<u>\$ 5,148,058</u>

Langford Area School District 45-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	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	\$ 961,842	\$ 552,959	\$ 451,963	\$ 271,560	\$ 2,238,324
1120 Prior year's ad valorem taxes	4,149	1,488	1,237	853	7,727
1140 Gross receipts taxes	75,114	-	-	-	75,114
1190 Penalties and interest on taxes	3,660	710	587	398	5,355
1500 Earnings on investments and deposits	9,589	-	-	-	9,589
1700 Co-curricular activities					
1710 Admissions	17,741	-	-	-	17,741
1900 Other revenue from local sources					
1970 Charges for services	-	-	173	-	173
1990 Other	118,374	-	-	-	118,374
2000 Revenue from intermediate sources					
2110 County apportionment	11,154	-	-	-	11,154
3000 Revenue from state sources					
3100 Grants-in-aid					
3110 Unrestricted grants-in-aid	995,958	-	-	-	995,958
4000 Revenue from federal sources					
4100 Grants-in-aid					
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	2,133	-	-	-	2,133
4150-4199 Restricted grants-in-aid received from federal government through the state	83,185	203,234	-	-	286,419
Total revenues	<u>2,282,899</u>	<u>758,391</u>	<u>453,960</u>	<u>272,811</u>	<u>3,768,061</u>

Langford Area School District 45-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures					
1000 Instruction					
1100 Regular programs					
1110 Elementary	641,065	15,120	-	-	656,185
1120 Junior high school	274,862	10,945	-	-	285,807
1130 High school	439,761	15,577	-	-	455,338
1200 Special programs					
1220 Programs for special education	-	-	541,024	-	541,024
1270 Educationally deprived	85,371	-	-	-	85,371
2000 Support services					
2100 Pupils					
2120 Guidance	72,254	-	-	-	72,254
2200 Support services - instructional staff					
2210 Improvement of instruction	500	-	-	-	500
2220 Educational media	17,090	1,035	-	-	18,125
2300 Support services - general administration					
2310 Board of Education	37,471	24	-	-	37,495
2320 Executive administration	138,366	-	-	-	138,366
2400 Support services - school administration					
2410 Office of the Principal	58,197	-	-	-	58,197
2500 Support services - business					
2520 Fiscal services	100,841	87	-	-	100,928
2540 Operation and maintenance of plant	323,536	181,631	-	-	505,167
2550 Pupil transportation	199,384	21,171	-	-	220,555
2700 Support Services - special education					
2710 Administrative costs	-	-	320	-	320
4000 Nonprogrammed charges					
5000 Debt services	-	-	-	233,425	233,425
6000 Co-curricular activities					
6100 Male activities	42,571	1,533	-	-	44,104
6200 Female activities	52,349	8,261	-	-	60,610
6500 Transportation	3,385	-	-	-	3,385
6900 Combined activities	110,902	5,551	-	-	116,453
Total expenditures	2,597,905	260,935	541,344	233,425	3,633,609

Langford Area School District 45-5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Excess of Revenue over (under) Expenditures	(315,006)	497,456	(87,384)	39,386	134,452
Other Financing Sources (Uses)					
5110 Transfers in	252,000	-	-	-	252,000
8110 Transfers out	-	(252,000)	-	-	(252,000)
Total other financing sources (uses)	252,000	(252,000)	-	-	-
Net Change in Fund Balances	(63,006)	245,456	(87,384)	39,386	134,452
Fund Balance - Beginning	728,867	479,978	326,685	186,242	1,721,772
Fund Balance - Ending	<u>\$ 665,861</u>	<u>\$ 725,434</u>	<u>\$ 239,301</u>	<u>\$ 225,628</u>	<u>\$ 1,856,224</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, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 134,452
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 2024, capital outlays \$117,031 were exceeded by depreciation expense (\$253,903).	(136,872)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	200,000
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
Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.	(30,315)
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."	10,304
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."	(203,234)
Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	(15,654)
Change in Net Position of Governmental Activities	<u>\$ (39,946)</u>

Langford Area School District 45-5
Statement of Net Position – Proprietary Funds
June 30, 2024

	<u>Food Service Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 97,652
171 Inventory of stores purchased for resale	5,024
172 Inventory of donated food	<u>723</u>
Total current assets	<u>103,399</u>
Noncurrent assets	
196 Net pension asset	210
200 Capital assets	
204 Machinery and equipment - local funds	55,837
208 Less accumulated depreciation	<u>(29,985)</u>
Total noncurrent assets	<u>26,062</u>
Deferred outflows of resources	
252 Pension related deferred outflows	<u>18,120</u>
	<u><u>\$ 147,581</u></u>
Liabilities, Deferred Inflows, and Net Position	
Current liabilities	
402 Accounts payable	\$ 503
410 Due to General Fund	39,420
475 Unearned revenue	<u>5,374</u>
Total current liabilities	<u>45,297</u>
Deferred inflows of resources	
554 Pension related deferred inflows	<u>10,727</u>
Net Position	
706 Invested in capital assets	25,852
Restricted for SDRS pension benefits	7,603
708 Unrestricted net position	<u>58,102</u>
Total net position	<u>91,557</u>
	<u><u>\$ 147,581</u></u>

Langford Area School District 45-5
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2024

	<u>Food Service Fund</u>
Operating Revenue	
Food sales	\$ 67,163
Total operating revenue	<u>67,163</u>
Operating Expenses	
100 Salaries	59,930
200 Employee benefits	15,055
300 Purchased services	31,780
400 Supplies	2,272
461 Cost of sales - purchased	62,569
462 Cost of sales - donated	19,875
640 Dues and fees	1,239
900 Depreciation	4,766
Total operating expenses	<u>197,486</u>
Operating Loss	<u>(130,323)</u>
Nonoperating Revenue	
1510 Investment Earnings	488
State sources	
3810 Cash reimbursements	315
Federal sources	
4810 Cash reimbursements	110,044
4820 Donated food	16,979
Total nonoperating revenue	<u>127,826</u>
Change in Net Position	(2,497)
Net Position - Beginning	<u>94,054</u>
Net Position - Ending	<u><u>\$ 91,557</u></u>

Langford Area School District 45-5
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2024

	<u>Food Service Fund</u>
Cash Flows from (used for) Operating Activities	
Cash receipts from customers	\$ 67,288
Cash payments to employees for services	(72,223)
Cash payments to suppliers of goods or services	<u>(102,511)</u>
Net Cash used for Operating Activities	<u>(107,446)</u>
Cash Flows from Noncapital Financing Activities	
Operating grants	116,656
Change in amount due to General Fund	<u>748</u>
Net Cash Flows from Noncapital Financing Activities	<u>117,404</u>
Cash Flows from Investing Activities	
Cash received for interest	<u>488</u>
Net Cash from Investing Activities	<u>488</u>
Net Change in Cash and Cash Equivalents	10,446
Cash and Cash Equivalents, Beginning of Year	<u>87,206</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 97,652</u></u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities	
Operating loss	\$ (130,323)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation expense	4,766
Value of donated commodities used	19,875
Change in assets and liabilities	
Pension asset and deferred outflows	6,820
Pension liability and deferred inflows	(4,058)
Inventories	(1,464)
Accounts and other payables	(3,187)
Unearned revenue	<u>125</u>
Net Cash used for Operating Activities	<u><u>\$ (107,446)</u></u>
Noncash Investing, Capital, and Financing Activities	
Value of commodities received	\$ 16,979

Langford Area School District 45-5
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2024

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 26,021</u>
	<u><u>\$ 26,021</u></u>
Net Position	
Net position held for organizations and employees	<u>\$ 26,021</u>
	<u><u>\$ 26,021</u></u>

Langford Area School District 45-5
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2024

	<u>Custodial Funds</u>
Additions	
Contributions, donations and fundraisers	<u>\$ 96,376</u>
Total additions	<u>96,376</u>
Deductions	
Organization expenses	123,561
Employee flex spending	<u>33,121</u>
Total deductions	<u>156,682</u>
Change in Net Position	(60,306)
Net Position - Beginning	<u>86,327</u>
Net Position - Ending	<u><u>\$ 26,021</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 of 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, 2024, 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, 2024, balance of capital assets for governmental activities includes approximately 1.55% for which the costs were determined by estimates of the original costs. The total June 30, 2024, 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, attach 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. 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.
- 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, 2024, the financial institution that holds the School District's deposits was properly collateralized.

The actual bank balances at June 30, 2024, 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	1,998,616
	<u>\$ 2,248,616</u>
The School District's carrying amount of deposits at June 30, 2024	<u>\$ 2,205,963</u>

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

Cash and cash equivalents	\$ 2,179,942
Add: Fiduciary Fund cash (not included in government-wide statement of net position)	26,021
	<u>\$ 2,205,963</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, 2024.

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, 2024, consists of \$135,859 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, 2024, is as follows:

Primary Government	Balance 7/1/23	Increases	Decreases	Balance 6/30/24
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 25,003	\$ -	\$ -	\$ 25,003
Construction in progress	-	39,262	-	39,262
Total, not being depreciated	25,003	39,262	-	64,265
Capital assets, being depreciated				
Improvements	41,779	14,158	-	55,937
Buildings	6,800,866	33,751	-	6,834,617
Machinery and equipment	1,270,615	29,860	-	1,300,475
Total, being depreciated	8,113,260	77,769	-	8,191,029
Less accumulated depreciation				
Improvements	41,779	590	-	42,369
Buildings	2,177,891	164,517	-	2,342,408
Machinery and equipment	643,290	88,796	-	732,086
Total accumulated depreciation	2,862,960	253,903	-	3,116,863
Total capital assets, being depreciated, net	5,250,300	(176,134)	-	5,074,166
Governmental activity capital assets, net	\$ 5,275,303	\$ (136,872)	\$ -	\$ 5,138,431

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 158,516
Support services	90,183
Co-curricular activities	5,204
Total depreciation expense - governmental activities	\$ 253,903

Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	\$ 55,837	\$ -	\$ -	\$ 55,837
Total, being depreciated	55,837	-	-	55,837
Total accumulated depreciation	25,219	4,766	-	29,985
Total capital assets, being depreciated, net	30,618	(4,766)	-	25,852
Business-type activity capital assets, net	\$ 30,618	\$ (4,766)	\$ -	\$ 25,852

Depreciation expense was charged to functions as follows:

Business-type activities	
Food service	\$ 4,766
Total depreciation expense - business-type activities	\$ 4,766

Note 5 - Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2024, is as follows:

Purpose	Amounts Outstanding 7/1/23	Issued	Retired	Amounts Outstanding 6/30/24	Due in One Year
Primary Government Government Activities Bonds Payable					
General Obligation Series 2018	\$ 2,255,000	\$ -	\$ 200,000	\$ 2,055,000	\$ 205,000
Re-Offering Premium	13,733	-	1,373	12,360	1,373
Total primary government	<u>\$ 2,268,733</u>	<u>\$ -</u>	<u>\$ 201,373</u>	<u>\$ 2,067,360</u>	<u>\$ 206,373</u>

Debt payable at June 30, 2024, 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.

\$ 2,055,000

\$ 2,055,000

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2024, are as follows:

Year Ending June 30:	General Obligation		Total	
	Principal	Interest	Principal	Interest
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	225,000	37,645	225,000	37,645
2030-2033	980,000	79,198	980,000	79,198
	<u>\$ 2,055,000</u>	<u>\$ 327,039</u>	<u>\$ 2,055,000</u>	<u>\$ 327,039</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	\$ 728,639
Special Education	Law	242,063
SDRS Pension Benefits	Law	242,511
Bond Redemption	Law	227,499
		<u>\$ 1,440,712</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 2024 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, 2024, the North Central Special Education Cooperative had fund equity of \$552,469 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, 2024, 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, 2024, 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, 2024.

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, 2024, no unemployment benefits had been paid. At June 30, 2024, 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). SDRS is a hybrid defined-benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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, 2024, 2023, and 2022, were \$114,704, \$106,460 and \$95,510, 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, 2023, 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, 2023, and reported by the School District as of June 30, 2024, are as follows:

Proportionate share of total pension liability	\$ 9,941,195
Less proportionate share of net position restricted for pension benefits	<u>9,947,891</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (6,696)</u></u>

At June 30, 2024, the School District reported a liability (asset) of \$(6,696) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, 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, 2023, the School District's proportion was 0.068604%, which is an increase of 0.00194% from its proportion measured as of as June 30, 2022.

For the year ended June 30, 2024, the School District recognized a reduction of pension expense of \$1,077. At June 30, 2024, 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	\$ 189,803	\$ -
Changes in assumption	228,929	334,643
Net difference between projected and actual earnings on pension plan investments	44,580	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	7,558
School District contributions subsequent to the measurement date	114,704	-
Total	<u>\$ 578,016</u>	<u>\$ 342,201</u>

The \$114,704 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, 2025.

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>
2025	\$ 88,433
2026	(106,341)
2027	129,600
2028	9,419
Total	<u>\$ 121,111</u>

Actuarial Assumptions

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

Inflation	2.25%
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	1.91%

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% 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, 2023, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2023, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	<u>100.0%</u>	

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)	\$ 1,372,457	\$ (6,696)	\$ (1,134,580)

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, 2024, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 39,420	\$ -
Food Service Fund	-	39,420
	<u>\$ 39,420</u>	<u>\$ 39,420</u>

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

During 2024, the Capital Outlay Fund transferred \$252,000 to the General Fund for operations as allowed under SDCL.

Note 12 - Contingencies

The School District could be subject to various claims or proceedings that arise in the ordinary course of its activities. As of the report date the School District was not involved in or aware of any litigation that would be material to the financial statements.

Note 13 - Violations of Finance-Related Legal and Contractual Provisions

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. During 2024, the School District overspent the Special Education Fund. The School District will plan to exercise oversight of the annual budget by continuing to monitor the budget to actual expenditures and, as needed, to pass supplemental budgets. During 2024, the School District did have excess fund balance to cover the overspending.



Required Supplementary Information
June 30, 2024

Langford Area School District 45-5

Langford Area School District 45-5
Budgetary Comparison Schedule - Budgetary Basis - General Fund
Year Ended June 30, 2024

	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	\$ 943,485	\$ 943,485	\$ 961,842	\$ 18,357
1120 Prior year's ad valorem taxes	-	-	4,149	4,149
1140 Gross receipts taxes	75,000	75,000	75,114	114
1190 Penalties and interest on taxes	-	-	3,660	3,660
1500 Earnings on investments and deposits	800	800	9,589	8,789
1700 Co-curricular activities				
1710 Admissions	20,000	20,000	17,741	(2,259)
1900 Other revenue from local sources				
1990 Other	10,000	10,000	118,374	108,374
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	10,000	10,000	11,154	1,154
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	1,018,000	1,018,000	995,958	(22,042)
4000 Revenue from federal sources				
4100 Grants-in-aid				
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	2,133	2,133
4150-4199 Restricted grants-in-aid received from federal government through the state	-	-	83,185	83,185
Total revenues	2,077,285	2,077,285	2,282,899	205,614

Langford Area School District 45-5
Budgetary Comparison Schedule - Budgetary Basis - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	710,000	710,000	641,065	68,935
1120 Junior high school	270,000	270,000	274,862	(4,862)
1130 High school	462,000	462,000	439,761	22,239
1200 Special programs				
1270 Educationally deprived	87,500	87,500	85,371	2,129
2000 Support services				
2100 Pupils				
2120 Guidance	50,000	50,000	72,254	(22,254)
2200 Support services - instructional staff				
2210 Improvement of instruction	-	-	500	(500)
2220 Educational media	17,000	17,000	17,090	(90)
2300 Support services - general administration				
2310 Board of Education	100,000	100,000	37,471	62,529
2320 Executive administration	150,000	150,000	138,366	11,634
2400 Support services - school administration				
2410 Office of the Principal	56,000	56,000	58,197	(2,197)
2500 Support services - business				
2520 Fiscal services	124,000	124,000	100,841	23,159
2540 Operation and maintenance of plant	338,000	338,000	323,536	14,464
2550 Pupil transportation	216,000	216,000	199,384	16,616
2560 Lunch program	33,500	33,500	-	33,500
6000 Co-curricular activities				
6100 Male activities	44,900	44,900	42,571	2,329
6200 Female activities	31,750	31,750	52,349	(20,599)
6500 Transportation	3,450	3,450	3,385	65
6900 Combined activities	21,500	21,500	110,902	(89,402)
7000 Contingencies	40,000	40,000	-	40,000
Amount transferred	-	-	-	-
Total expenditures	2,755,600	2,755,600	2,597,905	157,695
Excess of Revenue over (under) Expenditures	(678,315)	(678,315)	(315,006)	363,309
Other Financing Sources (Uses)				
5110 Transfers in	280,000	280,000	252,000	(28,000)
Total other financing sources (uses)	280,000	280,000	252,000	(28,000)
Net Change in Fund Balances	(398,315)	(398,315)	(63,006)	335,309
Fund Balance - Beginning	728,867	728,867	728,867	-
Fund Balance - Ending	\$ 330,552	\$ 330,552	\$ 665,861	\$ 335,309

Langford Area School District 45-5
 Budgetary Comparison Schedule - Budgetary Basis - Capital Outlay Fund
 Year Ended June 30, 2024

	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	\$ 555,000	\$ 555,000	\$ 552,959	\$ (2,041)
1120 Prior year's ad valorem taxes	-	-	1,488	1,488
1190 Penalties and interest on taxes	-	-	710	710
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	234,000	234,000	203,234	(30,766)
Total revenues	789,000	789,000	758,391	(30,609)
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	21,000	21,000	15,120	5,880
1120 Junior high school	16,000	16,000	10,945	5,055
1130 High school	34,000	34,000	15,577	18,423
1200 Special programs				
1220 Programs for special education	3,700	3,700	-	3,700
2000 Support services				
2200 Support services - instructional staff				
2220 Educational media	2,000	2,000	1,035	965
2300 Support services - instructional staff				
2310 Board of Education	3,500	3,500	24	3,476
2400 Support services - instructional staff				
2410 Office of the Principal	3,500	3,500	-	3,500
2500 Support services - business				
2520 Fiscal services	2,000	2,000	87	1,913
2540 Operation and maintenance of plant	200,000	200,000	181,631	18,369
2550 Pupil transportation	230,000	230,000	21,171	208,829
6000 Co-curricular activities				
6100 Male activities	4,000	4,000	1,533	2,467
6200 Female activities	2,500	2,500	8,261	(5,761)
6900 Combined activities	5,000	5,000	5,551	(551)
Total expenditures	527,200	527,200	260,935	266,265
Excess of Revenue over (under) Expenditures	261,800	261,800	497,456	235,656
Other Financing Sources (Uses)				
8110 Transfers out	(280,000)	(280,000)	(252,000)	(28,000)
Total other financing sources (uses)	(280,000)	(280,000)	(252,000)	(28,000)
Net Change in Fund Balances	(18,200)	(18,200)	245,456	207,656
Fund Balance - Beginning	479,978	479,978	479,978	-
Fund Balance - Ending	\$ 461,778	\$ 461,778	\$ 725,434	\$ 207,656

Langford Area School District 45-5
 Budgetary Comparison Schedule - Budgetary Basis - Special Education Fund
 Year Ended June 30, 2024

	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	\$ 453,000	\$ 453,000	\$ 451,963	\$ (1,037)
1120 Prior year's ad valorem taxes	-	-	1,237	1,237
1190 Penalties and interest on taxes	-	-	587	587
1900 Other revenue from local sources				
1970 Charges for services	-	-	173	173
Total revenues	453,000	453,000	453,960	960
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	500,000	500,000	541,024	(41,024)
2000 Support services				
2700 Support Services - special education				
2710 Administrative costs	-	-	320	(320)
Total expenditures	500,000	500,000	541,344	(41,344)
Net Change in Fund Balances	(47,000)	(47,000)	(87,384)	(40,384)
Fund Balance - Beginning	326,685	326,685	326,685	-
Fund Balance - Ending	\$ 279,685	\$ 279,685	\$ 239,301	\$ (40,384)

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 and there are no differences in presentation compared to the governmental funds statements of revenues, expenditures and changes in fund balance.

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	6/30/2024	0.0686%	\$ (6,696)	\$ 1,774,349	-0.4%	101.1%
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	6/30/2024	\$ 114,704	\$ 114,704	\$ -	\$ 1,911,723	6.0%
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%

Changes from Prior Valuation

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

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

Benefit Provision Changes

During the 2023 legislative session, no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B public safety members.

Actuarial Assumption Changes

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

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

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

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

Actuarial Method Changes

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



**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*, 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, 2024, 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 August 5, 2025.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2024-001, 2024-002, and 2024-003, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2024-003.

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 black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
August 5, 2025

Current Audit Findings and Recommendations**Finding 2024-001 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 2024-002 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.

Finding 2024-003 Noncompliance with State Law - Overspending of Special Education Fund Budget

Material Weakness and Noncompliance with State Laws

Criteria: The School District should be setting a budget for the Special Education Fund to budget for costs based on projected students that are needing services and propose budget amendments, as needed, to address additional costs based on additional students or additional costs not originally planned.

Condition: For 2024, the School District overspent the Special Education Fund budget; however, the School District did have excess fund balance, which offset the overspending.

Cause: The School District had more students with special education needs than were budgeted for.

Effect: Overspending of budgets can occur without the proper monitoring, resulting in noncompliance with state law.

Recommendation: We recommend that expenses are monitored throughout the year and in the month of June to determine if budget amendments will be needed for the revenue stream and expenditures.

Views of Responsible Officials: Management agrees with the finding.