



Financial Statements
June 30, 2020 and 2019

Langford Area School District 45-5

Langford Area School District 45-5
School Board Members (Unaudited)
June 30, 2020 and 2019

Board President

David Planteen

Governing Board

Michael Frey
Jennifer Wegleitner
Jennifer Gustafson
Amanda West
Lisa Olson
Bill Jensen

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Independent Auditor's Report

The School Board
Langford Area School District 45-5
Langford, South Dakota

Report on the Financial Statements

We have audited the accompanying 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 June 30, 2020 and for the years ended June 30, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of employer's share of net pension liability (asset), schedule of employer's contributions, and budgetary comparison information on pages 45 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements 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 requires 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 opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements as a whole. The school board members are presented for purposes of additional analysis and are not a required part of the basic financial statements. The school board members have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, 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, 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'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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
January 15, 2021

Langford Area School District 45-5
Statements of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,564,190	\$ 29,267	\$ 2,593,457
Taxes receivable	1,087,310	-	1,087,310
Internal balances	2,545	(2,545)	-
Other assets	137,905	10,054	147,959
Inventories	-	5,017	5,017
Net pension asset	6,664	286	6,950
Capital assets:			
Land	25,003	-	25,003
Other capital assets, net of depreciation	5,159,782	23,400	5,183,182
Total assets	<u>8,983,399</u>	<u>65,479</u>	<u>9,048,878</u>
Deferred Outflows of Resources			
Pension related deferred outflows	339,188	14,575	353,763
Total assets and deferred outflows	<u>\$ 9,322,587</u>	<u>\$ 80,054</u>	<u>\$ 9,402,641</u>
Liabilities			
Accounts payable	\$ 11,626	\$ 6,635	\$ 18,261
Other current liabilities	253,907	-	253,907
Unearned revenue	-	5,792	5,792
Noncurrent liabilities:			
Due within one year	187,356	-	187,356
Due in more than one year	2,656,479	-	2,656,479
Total liabilities	<u>3,109,368</u>	<u>12,427</u>	<u>3,121,795</u>
Deferred Inflows of Resources			
Pension related deferred inflows	157,818	6,782	164,600
Taxes levied for future period	1,106,607	-	1,106,607
Total deferred outflows of resources	<u>1,264,425</u>	<u>6,782</u>	<u>1,271,207</u>
Net Position			
Net investment in capital assets	2,340,950	23,400	2,364,350
Restricted for:			
Capital Outlay	739,961	-	739,961
Special Education	402,716	-	402,716
SDRS Pension benefits	188,034	8,079	196,113
Bond Redemption	239,092	-	239,092
Unrestricted	1,038,041	29,366	1,067,407
Total net position	<u>4,948,794</u>	<u>60,845</u>	<u>5,009,639</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,322,587</u>	<u>\$ 80,054</u>	<u>\$ 9,402,641</u>

Langford Area School District 45-5
Statements of Activities
Years Ended June 30, 2020 and 2019

Functions/Programs	2020						
	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
Instruction	\$ 1,855,994	\$ -	\$ 121,980	\$ -	\$ (1,734,014)	\$ -	\$ (1,734,014)
Support services	842,253	1,937	-	-	(840,316)	-	(840,316)
*Interest on long-term debt	124,990	-	-	-	(124,990)	-	(124,990)
Cocurricular activities	107,669	16,968	-	-	(90,701)	-	(90,701)
Total governmental activities	<u>2,930,906</u>	<u>18,905</u>	<u>121,980</u>	<u>-</u>	<u>(2,790,021)</u>	<u>-</u>	<u>(2,790,021)</u>
Business-type activities:							
Food service	172,495	46,379	-	-	-	(126,116)	(126,116)
Total primary government	<u>\$ 3,103,401</u>	<u>\$ 65,284</u>	<u>\$ 121,980</u>	<u>\$ -</u>	<u>(2,790,021)</u>	<u>(126,116)</u>	<u>(2,916,137)</u>
General Revenues							
Taxes:							
Property taxes					2,216,057	-	2,216,057
Gross receipts taxes					83,536	-	83,536
Revenue from state sources:							
State aid					546,210	-	546,210
Other					-	493	493
Revenue from federal sources					-	116,274	116,274
Unrestricted investment earnings					20,032	-	20,032
Loss on sale of fixed assets					(13,646)	-	(13,646)
Other general revenues					70,982	-	70,982
Total general revenues					<u>2,923,171</u>	<u>116,767</u>	<u>3,039,938</u>
Change in Net Position					133,150	(9,349)	123,801
Net Position - Beginning					4,815,644	70,194	4,885,838
Net Position - Ending					<u>\$ 4,948,794</u>	<u>\$ 60,845</u>	<u>\$ 5,009,639</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
Statements of Activities
Years Ended June 30, 2020 and 2019

Functions/Programs	2019						
	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
Instruction	\$ 1,682,183	\$ 361	\$ 101,531	\$ -	\$ (1,580,291)	\$ -	\$ (1,580,291)
Support services	714,232	1,859	-	-	(712,373)	-	(712,373)
*Interest on long-term debt	65,595	-	-	-	(65,595)	-	(65,595)
Cocurricular activities	101,136	20,560	-	-	(80,576)	-	(80,576)
Total governmental activities	<u>2,563,146</u>	<u>22,780</u>	<u>101,531</u>	<u>-</u>	<u>(2,438,835)</u>	<u>-</u>	<u>(2,438,835)</u>
Business-type activities:							
Food service	161,855	56,654	-	-	-	(105,201)	(105,201)
Total primary government	<u>\$ 2,725,001</u>	<u>\$ 79,434</u>	<u>\$ 101,531</u>	<u>\$ -</u>	<u>(2,438,835)</u>	<u>(105,201)</u>	<u>(2,544,036)</u>
General Revenues							
Taxes:							
Property taxes					2,106,992	-	2,106,992
Gross receipts taxes					82,583	-	82,583
Revenue from state sources:							
State aid					511,052	-	511,052
Other					-	526	526
Revenue from federal sources					-	107,404	107,404
Unrestricted investment earnings					56,223	-	56,223
Other general revenues					27,367	-	27,367
Loss on sale of fixed assets					(15,487)	-	(15,487)
Total general revenues					<u>2,768,730</u>	<u>107,930</u>	<u>2,876,660</u>
Change in Net Position					329,895	2,729	332,624
Net Position - Beginning					<u>4,485,749</u>	<u>67,465</u>	<u>4,553,214</u>
Net Position - Ending					<u>\$ 4,815,644</u>	<u>\$ 70,194</u>	<u>\$ 4,885,838</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.

Langford Area School District 45-5

Balance Sheets - Governmental Funds

June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Funds
Assets						
Cash and cash equivalents	\$ 1,147,449	\$ 745,628	\$ 429,591	\$ -	\$ 241,522	\$ 2,564,190
108 Advance payments	5,000	-	-	-	-	5,000
110 Taxes receivable - current	483,097	304,481	143,704	-	136,431	1,067,713
112 Taxes receivable - delinquent	11,737	4,248	2,039	-	1,573	19,597
130 Due from food service fund	2,545	-	-	-	-	2,545
140 Due from other government	132,905	-	-	-	-	132,905
	<u>\$ 1,782,733</u>	<u>\$ 1,054,357</u>	<u>\$ 575,334</u>	<u>\$ -</u>	<u>\$ 379,526</u>	<u>\$ 3,791,950</u>
Liabilities and Fund Balances						
Liabilities						
402 Accounts payable	\$ 3,526	\$ 1,001	\$ 7,099	\$ -	\$ -	\$ 11,626
404 Contracts payable	152,729	-	13,494	-	-	166,223
450 Payroll deductions, withholdings, and employer matching payable	45,708	-	4,105	-	-	49,813
Total liabilities	<u>201,963</u>	<u>1,001</u>	<u>24,698</u>	<u>-</u>	<u>-</u>	<u>227,662</u>
Deferred Inflows of Resources						
551 Taxes levied for future period	504,858	313,395	147,920	-	140,434	1,106,607
551 Unavailable revenue delinquent property taxes	11,737	4,248	2,039	-	1,573	19,597
559 Unavailable revenue-other	-	-	-	-	-	-
Total deferred inflows of resources	<u>516,595</u>	<u>317,643</u>	<u>149,959</u>	<u>-</u>	<u>142,007</u>	<u>1,126,204</u>
Fund Balances						
Restricted:						
Capital Outlay	-	735,713	-	-	-	735,713
Special Education	-	-	400,677	-	-	400,677
Bond Redemption	-	-	-	-	237,519	237,519
Unassigned	1,064,175	-	-	-	-	1,064,175
Total fund balances	<u>1,064,175</u>	<u>735,713</u>	<u>400,677</u>	<u>-</u>	<u>237,519</u>	<u>2,438,084</u>
	<u>\$ 1,782,733</u>	<u>\$ 1,054,357</u>	<u>\$ 575,334</u>	<u>\$ -</u>	<u>\$ 379,526</u>	<u>\$ 3,791,950</u>

See Notes to Financial Statements

Langford Area School District 45-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2020

Total Fund Balances - Governmental Funds	\$ 2,438,084
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.	5,184,785
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.	(2,825,983)
Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds.	(17,852)
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.	19,597
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.	(37,871)
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>188,034</u>
Net Position - Governmental Funds	<u><u>\$ 4,948,794</u></u>

Langford Area School District 45-5
Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Years Ended June 30, 2020 and 2019

	2020					Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	
Revenues						
1000 Revenue from local sources						
1100 Taxes						
1110 Ad valorem taxes	\$ 996,754	\$ 622,711	\$ 293,909	\$ -	\$ 276,498	\$ 2,189,872
1120 Prior year's ad valorem taxes	2,991	1,534	709	7	612	5,853
1140 Gross receipts taxes	83,536	-	-	-	-	83,536
1190 Penalties and interest on taxes	4,788	1,086	507	45	449	6,875
1500 Earnings on investments and deposits	3,664	8,851	3,391	2,973	1,153	20,032
1700 Cocurricular activities						
1710 Admissions	16,566	-	-	-	-	16,566
1790 Other pupil activity income	402	-	-	-	-	402
1900 Other revenue from local sources						
1970 Charges for services	1,763	-	174	-	-	1,937
1990 Other	1,360	23,050	-	-	-	24,410
2000 Revenue from intermediate sources						
2110 County apportionment	16,794	-	-	-	-	16,794
3000 Revenue from state sources						
3100 Grants-in-aid						
3110 Unrestricted grants-in-aid	546,210	-	-	-	-	546,210
4000 Revenue from federal sources						
4100 Grants-in-aid						
4130 Unrestricted through intermediate	-	-	-	-	51	51
4150-4199 Restricted grants-in-aid received from federal government through the state	121,760	115	54	-	-	121,929
Total revenues	<u>1,796,588</u>	<u>657,347</u>	<u>298,744</u>	<u>3,025</u>	<u>278,763</u>	<u>3,034,467</u>

Langford Area School District 45-5
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 Years Ended June 30, 2020 and 2019

	2020					Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	
Expenditures						
1000 Instruction						
1100 Regular programs						
1110 Elementary	513,358	40,767	-	-	-	554,125
1120 Junior high school	209,942	7,091	-	-	-	217,033
1130 High school	382,735	32,716	-	-	-	415,451
1200 Special programs						
1220 Programs for special education	-	-	302,246	-	-	302,246
1270 Educationally deprived	85,645	-	-	-	-	85,645
2000 Support services						
2200 Support services - instructional staff						
2220 Educational media	15,301	-	-	-	-	15,301
2300 Support services - general administration						
2310 Board of Education	13,542	1,148	-	-	-	14,690
2320 Executive administration	112,418	-	-	17,145	-	129,563
2400 Support services - school administration						
2410 Office of the Principal	58,479	1,000	-	19,095	-	78,574
2490 Other	188	-	-	-	-	188
2500 Support services - business						
2520 Fiscal services	68,784	1,168	-	-	-	69,952
2540 Operation and maintenance of plant	236,782	44,304	-	-	-	281,086
2550 Pupil transportation	130,715	24,059	-	-	-	154,774
2700 Support Services - special education						
2710 Administrative costs	-	-	12,215	-	-	12,215
5000 Debt services	-	3,938	-	-	263,480	267,418
6000 Cocurricular activities						
6100 Male activities	28,655	2,515	-	-	-	31,170
6200 Female activities	28,106	5,903	-	-	-	34,009
6500 Transportation	3,750	-	-	-	-	3,750
6900 Combined activities	27,873	1,903	-	-	-	29,776
7500 Capital outlay	-	81,445	-	-	-	81,445
Total expenditures	<u>1,916,273</u>	<u>247,957</u>	<u>314,461</u>	<u>36,240</u>	<u>263,480</u>	<u>2,778,411</u>

See Notes to Financial Statements

Langford Area School District 45-5
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 Years Ended June 30, 2020 and 2019

	2020					
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Excess of Revenue over (under) Expenditures	(119,685)	409,390	(15,717)	(33,215)	15,283	256,056
Other Financing Sources (Uses)						
5110 Transfers in	394,284	-	-	-	-	394,284
8110 Transfers out	-	(280,000)	-	(114,284)	-	(394,284)
5130 Sale of surplus property	-	3,149	-	-	-	3,149
Total other financing sources (uses)	394,284	(276,851)	-	(114,284)	-	3,149
Net Change in Fund Balances	274,599	132,539	(15,717)	(147,499)	15,283	259,205
Fund Balance - Beginning	789,576	603,174	416,394	147,499	222,236	2,178,879
Fund Balance - Ending	\$ 1,064,175	\$ 735,713	\$ 400,677	\$ -	\$ 237,519	\$ 2,438,084

Langford Area School District 45-5
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 Years Ended June 30, 2020 and 2019

	2019						Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	
Revenues							
1000 Revenue from local sources							
1100 Taxes							
1110 Ad valorem taxes	\$ 1,011,559	\$ 642,156	\$ 303,110	\$ -	\$ 136,999	\$ -	\$ 2,093,824
1120 Prior year's ad valorem taxes	3,346	1,360	697	8	51	-	5,462
1130 Tax deed revenue	133	-	-	-	-	-	133
1140 Gross receipts taxes	111,459	-	-	-	-	-	111,459
1190 Penalties and interest on taxes	5,047	1,199	571	1	26	-	6,844
1500 Earnings on investments and deposits	5,752	12,262	3,771	3,372	3,229	27,837	56,223
1700 Cocurricular activities							
1710 Admissions	20,460	-	-	-	-	-	20,460
1790 Other pupil activity income	100	-	-	-	-	-	100
1900 Other Revenue from local sources							
1960 Judgments	-	4,707	-	-	-	-	4,707
1970 Charges for services	1,692	-	167	-	-	-	1,859
1990 Other	2,914	30	-	-	-	-	2,944
2000 Revenue from intermediate sources							
2110 County apportionment	19,716	-	-	-	-	-	19,716
3000 Revenue from state sources							
3100 Grants-in-aid							
3110 Unrestricted grants-in-aid	511,052	-	-	-	-	-	511,052
3120 Restricted grants-in-aid	361	-	-	-	-	-	361
4000 Revenue from federal sources							
4100 Grants-in-aid							
4150-4199 Restricted grants-in aid received from federal government through the state	101,423	73	35	-	-	-	101,531
Total revenues	<u>1,795,014</u>	<u>661,787</u>	<u>308,351</u>	<u>3,381</u>	<u>140,305</u>	<u>27,837</u>	<u>2,936,675</u>

Langford Area School District 45-5
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 Years Ended June 30, 2020 and 2019

	2019						
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Expenditures							
1000 Instruction							
1100 Regular programs							
1110 Elementary	495,532	9,408	-	-	-	-	504,940
1120 Junior high school	206,079	7,510	-	-	-	-	213,589
1130 High school	376,681	23,853	-	-	-	-	400,534
1200 Special programs							
1220 Programs for special education	-	3,360	311,905	-	-	-	315,265
1270 Educationally deprived	95,661	-	-	-	-	-	95,661
2000 Support services							
2100 Pupils							
2200 Support services - instructional staff							
2210 Improvement of instruction	340	-	-	-	-	-	340
2220 Educational media	15,461	-	-	-	-	-	15,461
2300 Support services - general administration							
2310 Board of Education	30,140	-	-	-	-	-	30,140
2320 Executive administration	107,594	-	-	-	-	-	107,594
2400 Support services - school administration							
2410 Office of the Principal	56,493	-	-	-	-	-	56,493
2490 Other	172	-	-	-	-	-	172
2500 Support services - business							
2520 Fiscal services	61,329	-	-	-	-	-	61,329
2530 Facilities acquisition and construction	-	393	-	-	-	-	393
2540 Operation and maintenance of plant	221,369	15,118	-	-	-	-	236,487
2550 Pupil transportation	124,749	-	-	-	-	-	124,749
2700 Support Services - special education							
2710 Administrative costs	-	-	11,734	-	-	-	11,734
5000 Debt services	-	3,938	-	-	66,941	-	70,879
6000 Cocurricular activities							
6100 Male activities	28,257	8,451	-	-	-	-	36,708
6200 Female activities	28,140	57	-	-	-	-	28,197
6500 Transportation	2,880	-	-	-	-	-	2,880
6900 Combined activities	26,680	880	-	-	-	-	27,560
7500 Capital outlay	-	552,633	-	-	-	2,651,753	3,204,386
Total expenditures	<u>1,877,557</u>	<u>625,601</u>	<u>323,639</u>	<u>-</u>	<u>66,941</u>	<u>2,651,753</u>	<u>5,545,491</u>
Excess of Revenue over (under) Expenditures	<u>(82,543)</u>	<u>36,186</u>	<u>(15,288)</u>	<u>3,381</u>	<u>73,364</u>	<u>(2,623,916)</u>	<u>(2,608,816)</u>

See Notes to Financial Statements

Langford Area School District 45-5
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 Years Ended June 30, 2020 and 2019

	2019						
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Other Financing Sources (Uses)							
5110 Transfers in	200,000	-	-	-	-	11,178	211,178
8110 Transfers out	-	(208,500)	-	-	(2,678)	-	(211,178)
5130 Sale of surplus property	-	1,000	-	-	-	-	1,000
Total other financing sources (uses)	<u>200,000</u>	<u>(207,500)</u>	<u>-</u>	<u>-</u>	<u>(2,678)</u>	<u>11,178</u>	<u>1,000</u>
Net Change in Fund Balances	117,457	(171,314)	(15,288)	3,381	70,686	(2,612,738)	(2,607,816)
Fund Balance - Beginning	<u>672,119</u>	<u>774,488</u>	<u>431,682</u>	<u>144,118</u>	<u>151,550</u>	<u>2,612,738</u>	<u>4,786,695</u>
Fund Balance - Ending	<u>\$ 789,576</u>	<u>\$ 603,174</u>	<u>\$ 416,394</u>	<u>\$ 147,499</u>	<u>\$ 222,236</u>	<u>\$ -</u>	<u>\$ 2,178,879</u>

Langford Area School District 45-5

Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statements of Activities
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 259,205	\$ (2,607,816)
Amounts Reported for Governmental Activities in the Statements of Activities Are Different Because:		
Governmental funds report capital outlays as expenditures; however, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In 2020, capital outlays (\$81,445) were exceeded by depreciation expense (\$197,828). In 2018, capital outlays (\$3,204,386) exceeded depreciation expense (\$117,348).	(116,383)	3,087,038
In the statement of activities, gains (\$1,026) on disposal of capital assets are reported; whereas, in the governmental funds, the proceeds (\$1,201) from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(16,795)	(16,487)
The receipt of donated capital assets is not reported on the fund statements but is reported as a program revenue on the government-wide statements.	29,778	-
Repayment of bond principal and SD SDBF assessment is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	175,000	-
Capital lease payments are expenditures in the governmental funds, when due, but repayments reduce long-term liabilities in the statement of net position.	3,926	3,910
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	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.	(37,871)	-

Langford Area School District 45-5

Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statements of Activities
 Years Ended June 30, 2020 and 2019

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."	13,457	731
Accounting for revenues in the funds' statements differs from the accounting in the government-wide statements 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."	-	(28,876)
Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	<u>(178,540)</u>	<u>(109,978)</u>
Change in Net Position of Governmental Activities	<u>\$ 133,150</u>	<u>\$ 329,895</u>

Langford Area School District 45-5
Statement of Net Position - Proprietary Funds
June 30, 2020

	Food Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 29,267
Due from federal government	10,054
171 Inventory of stores purchased for resale	2,831
172 Inventory of donated food	2,186
	44,338
Total current assets	
Noncurrent assets	
196 Net pension asset	286
200 Capital assets	
204 Machinery and equipment - local funds	37,931
208 Less accumulated depreciation	(14,531)
	23,686
Total noncurrent assets	23,686
Total assets	68,024
Deferred outflows of resources	
252 Pension related deferred outflows	14,575
	14,575
Total assets and deferred outflows	\$ 82,599
Liabilities, Deferred Inflows, and Net Position	
Current liabilities	
402 Accounts payable	\$ 6,635
410 Due to general fund	2,545
475 Unearned revenue	5,792
	14,972
Total current liabilities	14,972
Deferred inflows of resources	
554 Pension related deferred inflows	6,782
	6,782
Net Position	
706 Invested in capital assets	23,400
Restricted for SDRS pension benefits	8,079
708 Unrestricted net position	29,366
	60,845
Total liabilities, deferred inflows, and net position	\$ 82,599

Langford Area School District 45-5
 Statements of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds
 Years Ended June 30, 2020 and 2019

	2020	2019
	Food Service Fund	Food Service Fund
Operating Revenue		
Food sales	\$ 46,379	\$ 56,654
Total operating revenue	46,379	56,654
Operating Expenses		
100 Salaries	56,518	57,692
200 Employee benefits	17,239	4,355
300 Purchased services	41,607	37,130
400 Supplies	2,173	2,334
461 Cost of sales - purchased	43,787	49,110
462 Cost of sales - donated	8,309	8,085
640 Dues and fees	498	838
900 Depreciation	2,364	2,311
Total operating expenses	172,495	161,855
Operating Loss	(126,116)	(105,201)
Nonoperating Revenue		
State sources:		
3810 Cash reimbursements	493	526
Federal sources:		
4810 Cash reimbursements	107,433	100,791
4820 Donated food	8,841	6,613
Total nonoperating revenue	116,767	107,930
Change in Net Position	(9,349)	2,729
Net Position - Beginning	70,194	67,465
Net Position - Ending	\$ 60,845	\$ 70,194

Langford Area School District 45-5
 Statements of Cash Flows - Proprietary Funds
 Years Ended June 30, 2020 and 2019

	2020	2019
	Food Service Fund	Food Service Fund
Cash Flows from (used for) Operating Activities		
Cash receipts from customers	\$ 49,437	\$ 56,964
Cash payments to employees for services	(67,515)	(68,964)
Cash payments to suppliers of goods or services	(88,627)	(89,357)
Net Cash used by Operating Activities	(106,705)	(101,357)
Cash Flows from (used for) Noncapital Financing Activities		
Operating grants	106,520	100,918
Change in amount due to General Fund	(6,127)	(123)
Net Cash Flows from Noncapital Financing Activities	100,393	100,795
Cash Flows from (used for) Capital and Related Financing Activities		
Purchase of capital assets	(580)	(21,936)
Net Cash from (used by) Capital and Related Financing Activities	(580)	(21,936)
Net Decrease in Cash and Cash Equivalents	(6,892)	(22,498)
Cash and Cash Equivalents Beginning of Year	36,159	58,657
Cash and Cash Equivalents End of Year	\$ 29,267	\$ 36,159
Reconciliation of Operating Loss to Net Cash used for		
Operating activities:		
Operating loss	\$ (126,116)	\$ (105,201)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	2,364	2,311
Value of donated commodities used	8,309	8,085
Change in assets and liabilities:		
Pension asset and deferred outflows	5,078	(10,752)
Pension liability and deferred inflows	1,164	3,836
Inventories	(1,411)	(54)
Accounts and other payables	849	108
Unearned revenue	3,058	310
Net Cash used for Operating Activities	\$ (106,705)	\$ (101,357)
Noncash Investing, Capital, and Financing Activities		
Value of commodities received	\$ 8,841	\$ 6,613

Langford Area School District 45-5
 Statements of Fiduciary Net Position – Fiduciary Funds
 June 30, 2020

	<u>Agency Funds</u>	<u>Private-Purpose Trust Funds</u>
Assets		
Cash and cash equivalents	<u>\$ 102,075</u>	<u>\$ 40,950</u>
	<u><u>\$ 102,075</u></u>	<u><u>\$ 40,950</u></u>
Liabilities		
Amounts held for others	<u>\$ 102,075</u>	<u>\$ -</u>
Total liabilities	<u>102,075</u>	<u>-</u>
Net Position		
Held in trust for scholarships	<u>-</u>	<u>40,950</u>
	<u><u>\$ 102,075</u></u>	<u><u>\$ 40,950</u></u>

Langford Area School District 45-5
 Statements of Changes in Fiduciary Net Position – Fiduciary Funds
 Years Ended June 30, 2020 and 2019

	2020	2019
	Private-Purpose Trust Funds	Private-Purpose Trust Funds
Additions:		
Earnings from deposits and investments	\$ 648	\$ 500
Total additions	648	500
Deductions:		
Trust deductions for scholarships	500	500
Total deductions	500	500
Change in Net Position	148	-
Net Position - Beginning	40,802	40,802
Net Position - Ending	\$ 40,950	\$ 40,802

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 statements 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 statements of activities present 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 Laws (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, Special Education, and Pension Fund 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.

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District’s share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund. This fund was closed in 2020.

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.

Capital Project Fund – Capital project funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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.

Agency Fund Types - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not measure results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for student funds generated within the School District by the students or other School District organizations.

Private-Purpose Trust Fund – Private-purpose trust funds are created to hold funds in trust for the benefit of private individuals or organizations. A trust fund of the School District was created to hold funds in trust for the benefit of giving scholarships to School District graduates to help cover the costs of higher education. The School District maintains only one private-purpose trust fund for scholarships.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus**Government-Wide Financial Statements**

In the government-wide statement of net position and statements of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied 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 statements 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, 2020, 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.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables are reported as nonspendable 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, 2020, balance of capital assets for governmental activities includes approximately 3.24% for which the costs were determined by estimates of the original costs. The total June 30, 2020, 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 statements 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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 and financing leases.

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

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

Property Taxes

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

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

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

Proprietary Funds Revenue and Expense Classifications

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

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

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. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the statements of cash flows.

Deposits and Investments

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

Equity Classifications

Government-Wide Statements

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

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

Fund Financial Statements

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

Application of Net Position

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

- **Nonspendable** – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints; includes fund balance amounts related to noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts).
- **Restricted** – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the School Board, and does not lapse at year-end.
- **Assigned** – Includes fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Fund balance may be assigned by the School Board or Business Manager.
- **Unassigned** – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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

Major Special Revenue Fund

Capital Outlay Fund
Special Education Fund
Pension Fund

Revenue Source

Property taxes
Grants and property taxes
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.

Rounding

Computer generated rounding variances may exist in the basic financial statements and required supplementary information. The variances result from values being entered with cents rather than as whole numbers.

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.

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, 2019, the financial institution that holds the School District's deposits was properly collateralized.

As of June 30, 2020, one of the financial institutions that holds the School District's deposits was not properly collateralized and the deposits at that institution were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>Percent Under-Collateralized</u>	<u>At-Risk Amount</u>
First State Bank of Groton	9.84%	<u>\$ 114,344</u>

The actual bank balances at June 30, 2020, were as follows:

Insured (FDIC/NCUA)	\$ 501,266
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	<u>1,162,034</u>
	<u>\$ 1,663,300</u>
The School District's carrying amount of deposits at June 30, 2020	<u>\$ 1,661,463</u>

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

Cash and cash equivalents	\$ 2,593,457
Add: Fiduciary Fund cash (not included in government-wide statement of net position)	143,025
Less: SDFIT GCR and Fixed Rate Account included in cash and cash equivalents	<u>(1,075,019)</u>
	<u>\$ 1,661,463</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.

The South Dakota Public Fund Investment Trust (SDFIT) Government Cash Reserve Fund (GCR) is an unrated external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. At June 30, 2020, the School District held \$1,075,019 in the SDFIT GCR.

The net asset value (NAV) of the SD FIT GCR is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. Since the School District has ready access to the cash, it is reported as cash and cash equivalents.

Measured at NAV

	<u>Amortized Cost</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
SDFIT GCR and Fixed Rate Account	\$ 1,075,019	-	1 day	1 day

The objective of the GCR is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for South Dakota public agencies under South Dakota law. GCR is authorized by investment policy and statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and that GCR's custodian takes delivery of the collateral either directly or through an authorized custodian.

The objective of the Fixed Rate account is to provide a vehicle for participants to specify the amount and term for investments with fixed rates in FDIC or collateralized CDs, U.S. Government agency investments, U.S. Treasury bills and notes, and certain highly rated municipal securities from South Dakota issuers as allowed by South Dakota Code.

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. As of June 30, 2020, the School District's investment in SDFIT GCR and Fixed Rate Account are unrated.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. One hundred percent of the School District's investments are in the SDFIT GCR and Fixed Rate Account.

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 School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimates uncollectible have been established. As of June 30, 2020, the School District has a due from other governments which consists of a due from state sources of \$49,369 and a due from local sources of \$83,536 in the General Fund.

Note 4 - Changes in Capital Assets

A summary of changes in capital assets for the two year period ended June 30, 2020, is as follows:

<u>Primary Government</u>	<u>Balance 6/30/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/20</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 25,003	\$ -	\$ -	\$ 25,003
Construction in progress	3,402,189	15,308	3,417,497	-
Total, not being depreciated	<u>3,427,192</u>	<u>15,308</u>	<u>3,417,497</u>	<u>25,003</u>
Capital assets, being depreciated:				
Improvements	41,779	-	-	41,779
Buildings	2,996,002	3,417,497	-	6,413,499
Machinery and equipment	875,971	95,915	45,804	926,082
Total, being depreciated	<u>3,913,752</u>	<u>3,513,412</u>	<u>45,804</u>	<u>7,381,360</u>
Total accumulated depreciation	<u>2,052,759</u>	<u>197,828</u>	<u>29,009</u>	<u>2,221,578</u>
Total capital assets, being depreciated, net	<u>1,860,993</u>	<u>3,315,584</u>	<u>16,795</u>	<u>5,159,782</u>
Governmental activity capital assets, net	<u>\$ 5,288,185</u>	<u>\$ 3,330,892</u>	<u>\$ 3,434,292</u>	<u>\$ 5,184,785</u>

Depreciation expense was charged to functions as follows:

Governmental activities				
Instruction				\$ 146,589
Support services				47,720
Co-curricular activities				3,519
Total depreciation expense - governmental activities				<u>\$ 197,828</u>

<u>Business-type activities</u>	<u>Balance 6/30/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/20</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 37,886	\$ 580	\$ 535	\$ 37,931
Total, being depreciated	<u>37,886</u>	<u>580</u>	<u>535</u>	<u>37,931</u>
Total accumulated depreciation	<u>12,702</u>	<u>2,364</u>	<u>535</u>	<u>14,531</u>
Total capital assets, being depreciated, net	<u>25,184</u>	<u>(1,784)</u>	<u>-</u>	<u>23,400</u>
Business-type activity capital assets, net	<u>\$ 25,184</u>	<u>\$ (1,784)</u>	<u>\$ -</u>	<u>\$ 23,400</u>

Depreciation expense was charged to functions as follows:

Business-type activities:				
Food service				\$ 2,364
Total depreciation expense - business-type activities				<u>\$ 2,364</u>

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Notes to Financial Statements

June 30, 2020 and 2019

<u>Primary Government</u>	<u>Balance 7/1/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/19</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 9,003	\$ 16,000	\$ -	\$ 25,003
Construction in progress	<u>455,542</u>	<u>2,946,647</u>		<u>3,402,189</u>
Total, not being depreciated	<u>464,545</u>	<u>2,962,647</u>	<u>-</u>	<u>3,427,192</u>
Capital assets, being depreciated:				
Improvements	41,779	-	-	41,779
Buildings	2,866,890	129,112	-	2,996,002
Machinery and equipment	<u>816,103</u>	<u>112,627</u>	<u>52,759</u>	<u>875,971</u>
Total, being depreciated	<u>3,724,772</u>	<u>241,739</u>	<u>52,759</u>	<u>3,913,752</u>
Total accumulated depreciation	<u>1,971,683</u>	<u>117,348</u>	<u>36,272</u>	<u>2,052,759</u>
Total capital assets, being depreciated, net	<u>1,753,089</u>	<u>124,391</u>	<u>16,487</u>	<u>1,860,993</u>
Governmental activity capital assets, net	<u>\$ 2,217,634</u>	<u>\$ 3,087,038</u>	<u>\$ 16,487</u>	<u>\$ 5,288,185</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 68,281
Support services	46,278
Co-curricular activities	<u>2,789</u>
Total depreciation expense - governmental activities	<u>\$ 117,348</u>

	<u>Balance 7/1/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/19</u>
Business-type activities				
Capital assets, being depreciated:				
Machinery and equipment	\$ 15,950	\$ 21,936	\$ -	\$ 37,886
Total, being depreciated	<u>15,950</u>	<u>21,936</u>	<u>-</u>	<u>37,886</u>
Total accumulated depreciation	<u>10,391</u>	<u>2,311</u>	<u>-</u>	<u>12,702</u>
Total capital assets, being depreciated, net	<u>5,559</u>	<u>19,625</u>	<u>-</u>	<u>25,184</u>
Business-type activity capital assets, net	<u>\$ 5,559</u>	<u>\$ 19,625</u>	<u>\$ -</u>	<u>\$ 25,184</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 2,311</u>
Total depreciation expense - business-type activities	<u>\$ 2,311</u>

Note 5 - Long-Term Liabilities

A summary of the changes in long-term liabilities for the two year period ended June 30, 2020, is as follows:

Purpose	Amounts Outstanding 6/30/19	Issued	Retired	Amounts Outstanding 6/30/20	Due in One Year
Primary Government					
Government activities:					
Bonds Payable					
General Obligation Series 2018	\$ 3,000,000	\$ -	\$ 175,000	\$ 2,825,000	\$ 185,000
Re-Offering Premium	19,225	-	1,373	17,852	1,373
Financing Lease	4,909	-	3,926	983	983
Total primary government	<u>\$ 3,024,134</u>	<u>\$ -</u>	<u>\$ 180,299</u>	<u>\$ 2,843,835</u>	<u>\$ 187,356</u>
Purpose	Amounts Outstanding 6/30/18	Issued	Retired	Amounts Outstanding 6/30/19	Due in One Year
Primary Government					
Government activities:					
Bonds Payable					
General Obligation Series 2018	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 175,000
Re-Offering Premium	20,598	-	1,373	19,225	1,373
Financing Lease	8,820	-	3,911	4,909	3,926
Total primary government	<u>\$ 3,029,418</u>	<u>\$ -</u>	<u>\$ 5,284</u>	<u>\$ 3,024,134</u>	<u>\$ 180,299</u>

Debt payable at June 30, 2020, 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.		\$ 2,825,000
Financing (Capital Acquisition) Lease		
Marco equipment lease, matures September 2020, .385% interest rate, monthly payment of \$328 from the the Capital Outlay Fund.		983
		<u>\$ 2,825,983</u>

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2020, are as follows:

Year Ending June 30:	General Obligation		Financing Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 185,000	\$ 82,630	\$ 983	\$ 1	\$ 185,983	\$ 82,631
2022	190,000	77,080	-	-	190,000	77,080
2023	195,000	71,380	-	-	195,000	71,380
2024	200,000	65,530			200,000	65,530
2025	205,000	60,630			205,000	60,630
2024-2028	645,000	149,565			645,000	149,565
2029-2033	1,205,000	116,843	-	-	1,205,000	116,843
	<u>\$ 2,825,000</u>	<u>\$ 623,658</u>	<u>\$ 983</u>	<u>\$ 1</u>	<u>\$ 2,825,983</u>	<u>\$ 623,659</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:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 739,961
Special Education	Law	402,716
SDRS Pension Benefits	Law	196,113
Bond Redemption	Law	239,092
		<u>\$ 1,577,882</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 2020 and 2019 fiscal years, 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	Warner School District
Frederick Area School District	Langford Area School District
Northwestern Area School District	Groton Area School District
Doland School District	Leola School District
Edmunds Central 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, 2020, the North Central Special Education Cooperative had fund equity of \$291,596 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 two year period ended June 30, 2020, 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.

Worker's 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 two years ended June 30, 2020, 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 two years ended June 30, 2020.

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 two years ended June 30, 2020, no unemployment benefits had been paid. At June 30, 2020, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 10 - Interfund Balances and Transfers

Interfund receivable and payable balances at June 30, 2020, were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 2,545	\$ -
Food Service Fund	-	2,545
	<u>\$ 2,545</u>	<u>\$ 2,545</u>

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

During 2020 and 2019, the Capital Outlay Fund transferred \$280,000 and \$200,000, respectively, to the General Fund for operations as allowed under SDCL. The School District transferred money in 2019 from the Capital Outlay Fund to the Capital Projects Fund in the amount of \$8,500, and from the Bond Redemption Fund to the Capital Projects Fund in the amount of \$2,678 to close the Capital Projects Fund. The School District also transferred money in 2020 from the Pension Fund to the General Fund to close the Pension Fund of \$114,284.

Note 11 - Pension Plan**Plan Information**

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS , P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund 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.

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater than or equal to the accrued liabilities.

All benefits except those depending on the member's accumulated contributions are annually increased by the Cost-of-Living Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% 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, 2020, 2019, and 2018, were \$86,469, \$83,665 and \$81,600, 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, 2019, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2019, and reported by the School District as of June 30, 2020, are as follows:

Proportionate share of total pension liability	\$ 8,172,999
Less proportionate share of net position restricted for pension benefits	<u>8,179,949</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (6,950)</u></u>

At June 30, 2020, the School District reported an liability (asset) of \$(6,950) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, 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, 2019, the School District's proportion was 0.0655823%, which is an increase of 0.0001632% from its proportion measured as of as June 30, 2018.

For the year ended June 30, 2020, the School District recognized a reduction of pension expense of \$184,782. At June 30, 2020, 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	\$ 27,262	\$ 3,146
Changes in assumption	240,032	98,402
Net difference between projected and actual earnings on pension plan investments	-	40,037
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	23,015
School District contributions subsequent to the measurement date	86,469	-
Total	<u>\$ 353,763</u>	<u>\$ 164,600</u>

The \$86,469 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, 2020. 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:

Year Ended June 30:	Amount
2021	\$ 140,944
2022	(32,798)
2023	(18,701)
2024	13,249
Total	<u>\$ 102,694</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Investment rate of return	6.50% net of plan investment expense
Future COLAs	1.88%

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee 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 District'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)	\$ 1,153,552	\$ (6,950)	\$ (952,549)

Pension Plan Fiduciary Net Position

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



Required Supplementary Information
June 30, 2020 and 2019

Langford Area School District 45-5

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - General Fund
 Years Ended June 30, 2020 and 2019

	2020			
	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	\$ 985,103	\$ 985,103	\$ 996,754	\$ 11,651
1120 Prior year's ad valorem taxes	-	-	2,991	2,991
1140 Gross receipts taxes	70,000	70,000	83,536	13,536
1190 Penalties and interest on taxes	-	-	4,788	4,788
1500 Earnings on investments and deposits	2,000	2,000	3,664	1,664
1700 Cocurricular activities				
1710 Admissions	20,000	20,000	16,566	(3,434)
1790 Other pupil activity income	-	-	402	402
1900 Other revenue from local sources				
1970 Charges for services	-	-	1,763	1,763
1990 Other	2,000	2,000	1,360	(640)
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	15,000	15,000	16,794	1,794
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	529,443	529,443	546,210	16,767
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	96,850	96,850	121,760	24,910
Total revenues	<u>1,720,396</u>	<u>1,720,396</u>	<u>1,796,588</u>	<u>76,192</u>

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - General Fund
 Years Ended June 30, 2020 and 2019

	2020			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	532,900	532,900	513,358	19,542
1120 Junior high school	217,700	217,700	209,942	7,758
1130 High school	404,100	404,100	382,735	21,365
1200 Special programs				
1270 Educationally deprived	96,850	96,850	85,645	11,205
2000 Support services				
2200 Support services - instructional staff				
2220 Educational media	18,000	18,000	15,301	2,699
2300 Support services - general administration				
2310 Board of Education	31,700	31,700	13,542	18,158
2320 Executive administration	113,300	113,300	112,418	882
2400 Support services - school administration				
2410 Office of the Principal	58,500	58,500	58,479	21
2490 Other	500	500	188	312
2500 Support services - business				
2520 Fiscal services	70,600	70,600	68,784	1,816
2540 Operation and maintenance of plant	255,250	255,250	236,782	18,468
2550 Pupil transportation	157,300	157,300	130,715	26,585
6000 Cocurricular activities				
6100 Male activities	34,500	34,500	28,655	5,845
6200 Female activities	33,600	33,600	28,106	5,494
6500 Transportation	3,920	3,920	3,750	170
6900 Combined activities	34,720	34,720	27,873	6,847
7000 Contingencies	40,000	40,000	-	40,000
Total expenditures	<u>2,103,440</u>	<u>2,103,440</u>	<u>1,916,273</u>	<u>187,167</u>
Excess of Revenue over (under) Expenditures	<u>(383,044)</u>	<u>(383,044)</u>	<u>(119,685)</u>	<u>263,359</u>
Other Financing Sources (Uses)				
5110 Transfers in	-	394,284	394,284	-
Total other financing sources (uses)	<u>-</u>	<u>394,284</u>	<u>394,284</u>	<u>-</u>
Net Change in Fund Balances	(383,044)	11,240	274,599	263,359
Fund Balance - Beginning	<u>789,576</u>	<u>789,576</u>	<u>789,576</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 406,532</u>	<u>\$ 800,816</u>	<u>\$ 1,064,175</u>	<u>\$ 263,359</u>

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - General Fund
 Years Ended June 30, 2020 and 2019

	2019			
	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	\$ 1,013,568	\$ 1,013,568	\$ 1,011,559	\$ (2,009)
1120 Prior year's ad valorem taxes	-	-	3,346	3,346
1130 Tax deed revenue	-	-	133	133
1140 Gross receipts taxes	70,000	70,000	111,459	41,459
1190 Penalties and interest on taxes	-	-	5,047	5,047
1500 Earnings on investments and deposits	2,000	2,000	5,752	3,752
1700 Cocurricular activities				
1710 Admissions	20,000	20,000	20,460	460
1790 Other pupil activity income	-	-	100	100
1900 Other revenue from local sources				
1970 Charges for services	-	-	1,692	1,692
1990 Other	2,000	2,000	2,914	914
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	16,000	16,000	19,716	3,716
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	424,697	424,697	511,052	86,355
3120 Restricted grants-in-aid	-	-	361	361
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	95,025	95,025	101,423	6,398
Total revenues	<u>1,643,290</u>	<u>1,643,290</u>	<u>1,795,014</u>	<u>151,724</u>

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - General Fund
 Years Ended June 30, 2020 and 2019

	2019			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	527,800	527,800	495,532	32,268
1120 Junior high school	210,300	210,300	206,079	4,221
1130 High school	403,900	403,900	376,681	27,219
1200 Special programs				
1270 Educationally deprived	95,025	95,661	95,661	-
2000 Support services				
2200 Support services - instructional staff				
2210 Improvement of instruction	-	340	340	-
2220 Educational media	18,100	18,100	15,461	2,639
2300 Support services - general administration				
2310 Board of Education	31,700	31,700	30,140	1,560
2320 Executive administration	109,450	109,450	107,594	1,856
2400 Support services - school administration				
2410 Office of the Principal	58,500	58,500	56,493	2,007
2490 Other	1,000	1,000	172	828
2500 Support services - business				
2520 Fiscal services	68,500	68,500	61,329	7,171
2540 Operation and maintenance of plant	245,900	245,900	221,369	24,531
2550 Pupil transportation	155,900	155,900	124,749	31,151
6000 Cocurricular activities				
6100 Male activities	33,000	33,000	28,257	4,743
6200 Female activities	29,400	29,400	28,140	1,260
6500 Transportation	3,310	3,310		
6900 Combined activities	28,260	28,260	26,680	1,580
7000 Contingencies	40,000	40,000	2,880	37,120
Amount transferred	-	(976)	-	(976)
Total expenditures	<u>2,060,045</u>	<u>2,060,045</u>	<u>1,877,557</u>	<u>179,178</u>
Excess of Revenue over (under) Expenditures	<u>(416,755)</u>	<u>(416,755)</u>	<u>(82,543)</u>	<u>330,902</u>
Other Financing Sources (Uses)				
5110 Transfers in	-	200,000	200,000	-
Total other financing sources (uses)	-	200,000	200,000	-
Net Change in Fund Balances	(416,755)	(216,755)	117,457	330,902
Fund Balance - Beginning	<u>672,119</u>	<u>672,119</u>	<u>672,119</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 255,364</u>	<u>\$ 455,364</u>	<u>\$ 789,576</u>	<u>\$ 330,902</u>

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - Capital Outlay Fund
 Years Ended June 30, 2020 and 2019

	2020			
	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	\$ 625,000	\$ 625,000	\$ 622,711	\$ (2,289)
1120 Prior year's ad valorem taxes	-	-	1,534	1,534
1190 Penalties and interest on taxes	-	-	1,086	1,086
1500 Earnings on investments and deposits	-	-	8,851	8,851
1900 Other revenue from local sources				
1990 Other	-	-	23,050	23,050
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	-	-	115	115
Total revenues	<u>625,000</u>	<u>625,000</u>	<u>657,347</u>	<u>32,347</u>
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	50,000	50,000	40,767	9,233
1120 Junior high school	20,000	20,000	7,091	12,909
1130 High school	52,000	52,000	32,716	19,284
1200 Special programs				
1220 Programs for special education	7,000	7,000	-	7,000
2000 Support services				
2200 Support services - instructional staff				
2220 Educational media	2,000	2,000	927	1,073
2300 Support services - instructional staff				
2310 Board of Education	2,000	2,000	1,148	852
2400 Support services - instructional staff				
2410 Office of the Principal	1,000	1,000	1,000	-
2500 Support services - business				
2520 Fiscal services	2,000	2,000	1,168	832
2532 Land Acquisitions/Development	16,500	16,500		
2540 Operation and maintenance of plant	581,000	581,000	74,922	506,078
2550 Pupil transportation	100,000	100,000	73,959	26,041
5000 Debt service	-	3,938	3,938	-
6000 Cocurricular activities				
6100 Male activities	12,000	12,000	2,515	9,485
6200 Female activities	6,000	6,000	5,903	97
6900 Combined activities	6,000	6,000	1,903	4,097
Total expenditures	<u>857,500</u>	<u>861,438</u>	<u>247,957</u>	<u>596,981</u>
Excess of Revenue over (under) Expenditures	<u>(232,500)</u>	<u>(236,438)</u>	<u>409,390</u>	<u>629,328</u>
Other Financing Sources (Uses)				
8110 Transfers out	-	(280,000)	(280,000)	-
5130 Sale of surplus property	-	-	3,149	3,149
Total other financing sources (uses)	<u>-</u>	<u>(280,000)</u>	<u>(276,851)</u>	<u>3,149</u>
Net Change in Fund Balances	(232,500)	(516,438)	132,539	632,477
Fund Balance - Beginning	<u>603,174</u>	<u>603,174</u>	<u>603,174</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 370,674</u>	<u>\$ 86,736</u>	<u>\$ 735,713</u>	<u>\$ 632,477</u>

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - Capital Outlay Fund
 Years Ended June 30, 2020 and 2019

	2019			
	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	\$ 625,000	\$ 625,000	\$ 642,156	\$ 17,156
1120 Prior year's ad valorem taxes	-	-	1,360	1,360
1190 Penalties and interest on taxes	-	-	1,199	1,199
1500 Earnings on investments and deposits			12,262	12,262
1900 Other revenue from local sources				
1960 Judgments	-	-	4,707	4,707
1990 Other	-	-	30	30
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	-	-	73	73
Total revenues	<u>625,000</u>	<u>625,000</u>	<u>661,787</u>	<u>36,787</u>
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	42,000	42,000	9,408	32,592
1120 Junior high school	18,000	18,000	7,510	10,490
1130 High school	41,000	41,000	23,853	17,147
1200 Special programs				
1220 Programs for special education	7,000	7,000	3,360	3,640
2000 Support services				
2200 Support services - instructional staff				
2220 Educational media	2,000	2,000	504	1,496
2300 Support services - general administration				
2310 Board of Education	1,000	1,000	-	1,000
2400 Principal Services				
2410 Office of the Principal	1,000	1,000	-	1,000
2500 Support services - business				
2520 Fiscal services	1,000	1,000	-	1,000
2530 Facilities Acquisition and Construction	-	-	16,393	(16,393)
2540 Operation and maintenance of plant	656,000	656,000	476,443	179,557
2550 Pupil transportation	130,000	130,000	74,804	55,196
5000 Debt services	-	-	3,938	(3,938)
6000 Cocurricular activities				
6100 Male activities	12,000	12,000	8,451	3,549
6200 Female activities	6,000	6,000	57	5,943
6900 Combined activities	6,000	6,000	880	5,120
Total expenditures	<u>923,000</u>	<u>923,000</u>	<u>625,601</u>	<u>297,399</u>
Excess of Revenue over (under) Expenditures	<u>(298,000)</u>	<u>(298,000)</u>	<u>36,186</u>	<u>334,186</u>
Other Financing Sources (Uses)				
8110 Transfers out	-	(200,000)	(208,500)	(8,500)
5130 Sale of surplus property	-	-	1,000	1,000
Total other financing sources (uses)	<u>-</u>	<u>(200,000)</u>	<u>(207,500)</u>	<u>(7,500)</u>
Net Change in Fund Balances	(298,000)	(498,000)	(171,314)	326,686
Fund Balance - Beginning	<u>774,488</u>	<u>774,488</u>	<u>774,488</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 476,488</u>	<u>\$ 276,488</u>	<u>\$ 603,174</u>	<u>\$ 326,686</u>

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - Special Education Fund
 Years Ended June 30, 2020 and 2019

	2020			
	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	\$ 295,000	\$ 295,000	\$ 293,909	\$ (1,091)
1120 Prior year's ad valorem taxes	-	-	709	709
1190 Penalties and interest on taxes	-	-	507	507
1500 Earnings on investments and deposits	-	-	3,391	3,391
1900 Other revenue from local sources				
1970 Charges for services	-	-	174	174
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	-	-	54	54
Total revenues	<u>295,000</u>	<u>295,000</u>	<u>298,744</u>	<u>3,744</u>
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	346,100	346,100	302,246	43,854
2000 Support services				
2700 Support Services - special education				
2710 Administrative costs	<u>13,150</u>	<u>13,150</u>	<u>12,215</u>	<u>935</u>
Total expenditures	<u>359,250</u>	<u>359,250</u>	<u>314,461</u>	<u>44,789</u>
Net Change in Fund Balances	(64,250)	(64,250)	(15,717)	48,533
Fund Balance - Beginning	<u>416,394</u>	<u>416,394</u>	<u>416,394</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 352,144</u>	<u>\$ 352,144</u>	<u>\$ 400,677</u>	<u>\$ 48,533</u>

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - Special Education Fund
 Years Ended June 30, 2020

	2019			
	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	\$ 295,000	\$ 295,000	\$ 303,110	\$ 8,110
1120 Prior year's ad valorem taxes	-	-	697	697
1190 Penalties and interest on taxes	-	-	571	571
1500 Earnings on investments and deposits	-	-	3,771	3,771
1900 Other Revenue from local sources				
1970 Charges for services	-	-	167	167
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	-	-	35	35
Total revenues	<u>295,000</u>	<u>295,000</u>	<u>308,351</u>	<u>13,351</u>
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	345,350	345,350	311,905	33,445
2000 Support services				
2100 Pupils				
2700 Support Services - special education				
2710 Administrative costs	<u>12,740</u>	<u>12,740</u>	<u>11,734</u>	<u>1,006</u>
Total expenditures	<u>358,090</u>	<u>358,090</u>	<u>323,639</u>	<u>34,451</u>
Net Change in Fund Balances	(63,090)	(63,090)	(15,288)	47,802
Fund Balance - Beginning	<u>431,682</u>	<u>431,682</u>	<u>431,682</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 368,592</u>	<u>\$ 368,592</u>	<u>\$ 416,394</u>	<u>\$ 47,802</u>

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - Pension Fund
 Years Ended June 30, 2020

	2020			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1120 Prior year's ad valorem taxes	\$ -	\$ -	\$ 7	\$ 7
1190 Penalties and interest on taxes	-	-	45	45
1500 Earnings on investments and deposits	-	-	2,973	2,973
Total revenues	-	-	3,025	3,025
Expenditures				
2000 Support services				
2300 Support services - general administration				
2320 Executive administration	19,125	19,125	17,145	1,980
2400 Support services - school administration				
2410 Office of the Principal	19,125	19,125	19,095	30
Total expenditures	38,250	38,250	36,240	2,010
Other Financing Sources (Uses)				
8110 Transfers out	-	(114,284)	(114,284)	-
Total other financing sources (uses)	-	(114,284)	(114,284)	-
Net Change in Fund Balances	(38,250)	(152,534)	(147,499)	5,035
Fund Balance - Beginning	147,499	147,499	147,499	-
Fund Balance - Ending	\$ 109,249	\$ (5,035)	\$ -	\$ 5,035

Langford Area School District 45-5
 Budgetary Comparison Schedules - Budgetary Basis - Pension Fund
 Years Ended June 30, 2020

	2019			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1120 Prior year's ad valorem taxes	\$ -	\$ -	\$ 8	\$ 8
1190 Penalties and interest on taxes	-	-	1	1
1500 Earnings on investments and deposits	-	-	3,372	3,372
Total revenues	-	-	3,381	3,381
Net Change in Fund Balances	-	-	3,381	3,381
Fund Balance - Beginning	144,118	144,118	144,118	-
Fund Balance - Ending	\$ 144,118	\$ 144,118	\$ 147,499	\$ 3,381

Note 1 - Basis of Presentation

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

Note 2 - Budgetary Legal Requirements

Budgets and Budgetary Accounting

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

1. Prior to the first regular School Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency 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, capital project funds, 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.

Langford Area School District 45-5
Schedule of Employer's Share of Net Pension Liability (Asset)
Year Ended June 30, 2020

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	6/30/2020	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%

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

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.

Langford Area School District 45-5
Schedule of Employer's Contributions
Year Ended June 30, 2020

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	6/30/2020	\$ 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	81,599	81,600	-	1,359,990	6.0%
SDRS	6/30/2017	73,581	73,581	-	1,226,356	6.0%
SDRS	6/30/2016	65,699	65,699	-	1,094,976	6.0%
SDRS	6/30/2015	61,621	61,621	-	1,027,019	6.0%

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

Changes of Benefit Terms:

No significant changes.

Changes of Assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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%. That condition existed as of June 30, 2018, and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018, and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial 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*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of , as of June 30, 2020, and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise School District’s basic financial statements and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Langford Area School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Handwritten signature of Eric Sully LLP in black ink.

Aberdeen, South Dakota
January 15, 2021

Status of Prior Audit Recommendations

Finding 2018-A

There was a lack of segregation of duties that may result in internal control over financial reporting and compliance to be inadequate.

Current Status: This has not been corrected and is restated as current audit findings 2020-001.

Finding 2018-B

There was a lack of internal control in the preparation of the financial statements and footnotes and significant journal entries that may result in a misstatement of the School District's financial statements.

Current Status: This has not been corrected and is restated as current audit findings 2020-002.

Current Audit Findings and Recommendations

Finding 2020-001 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: 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 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 2020-002 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: 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.