



Financial Statements  
June 30, 2022 and 2021

# Langford Area School District 45-5

Langford Area School District 45-5  
School Board Members (Unaudited)  
June 30, 2022 and 2021

---

Board President ..... Michael Frey

Governing Board ..... Morgan Holler  
Jennifer Wegleitner  
Jennifer Gustafson  
Amanda West  
Amy Keough  
Bill Jensen

Independent Auditor’s Report.....	1
Financial Statements	
Statement of Net Position .....	4
Statements of Activities .....	5
Balance Sheets – Governmental Funds .....	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	8
Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	9
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statements of Activities .....	15
Statement of Net Position – Proprietary Funds.....	16
Statements of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds .....	17
Statements of Cash Flows – Proprietary Funds .....	18
Statements of Fiduciary Net Position – Fiduciary Funds .....	19
Statements of Changes in Fiduciary Net Position – Fiduciary Funds.....	20
Notes to Financial Statements .....	22
Required Supplementary Information	
Budgetary Comparison Schedules - Budgetary Basis - General Fund.....	45
Budgetary Comparison Schedules - Budgetary Basis - Capital Outlay Fund.....	49
Budgetary Comparison Schedules - Budgetary Basis - Special Education Fund .....	51
Notes to Required Supplementary Information .....	53
Schedule of Employer’s Share of Net Pension Liability (Asset) and Schedule of Employer’s Contributions.....	54
Notes to Required Supplementary Information – Pension Schedules .....	55
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	56
Schedule of Findings .....	58



## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Langford Area School District 45-5 (the School District) as of June 30, 2022, and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2022, and the respective changes in financial position thereof for the years ended June 30, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Adoption of New Accounting Standard*

As discussed in Notes 1 and 11 to the financial statements, the School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* which resulted in a restatement of the net position as of July 1, 2020, as a result of implementation of the standard. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, notes to the budgetary comparison schedules, schedule of School District's share of net pension liability (asset), schedule of employer's contributions, and notes to the pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Aberdeen, South Dakota  
July 14, 2023

Langford Area School District 45-5  
Statement of Net Position  
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,731,687	\$ 50,131	\$ 2,781,818
Taxes receivable	940,274	-	940,274
Other assets	229,491	13,150	242,641
Inventories	-	4,314	4,314
Net pension asset	464,848	17,226	482,074
Capital assets:			
Land	25,003	-	25,003
Other capital assets, net of depreciation	5,180,446	29,869	5,210,315
Total assets	<u>9,571,749</u>	<u>114,690</u>	<u>9,686,439</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	643,357	23,841	667,198
Total assets and deferred outflows	<u>\$ 10,215,106</u>	<u>\$ 138,531</u>	<u>\$ 10,353,637</u>
<b>Liabilities</b>			
Accounts payable	\$ 20,961	\$ 1,568	\$ 22,529
Other current liabilities	239,212	-	239,212
Unearned revenue	-	5,881	5,881
Noncurrent liabilities:			
Due within one year	196,373	-	196,373
Due in more than one year	2,268,733	-	2,268,733
Total liabilities	<u>2,725,279</u>	<u>7,449</u>	<u>2,732,728</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	900,862	33,384	934,246
Taxes levied for future period	1,053,577	-	1,053,577
Total deferred outflows of resources	<u>1,954,439</u>	<u>33,384</u>	<u>1,987,823</u>
<b>Net Position</b>			
Net investment in capital assets	2,740,343	29,869	2,770,212
Restricted for:			
Capital Outlay	788,622	-	788,622
Special Education	372,323	-	372,323
SDRS Pension benefits	207,343	7,683	215,026
Bond Redemption	256,412	-	256,412
Unrestricted	1,170,345	60,146	1,230,491
Total net position	<u>5,535,388</u>	<u>97,698</u>	<u>5,633,086</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,215,106</u>	<u>\$ 138,531</u>	<u>\$ 10,353,637</u>

Langford Area School District 45-5  
Statement of Activities  
Year Ended June 30, 2022

Functions/Programs	2022						
	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
<b>Primary Government</b>							
Governmental activities:							
Instruction	\$ 1,830,868	\$ -	\$ 225,430	\$ -	\$ (1,605,438)	\$ -	\$ (1,605,438)
Support services	943,353	1,938	-	-	(941,415)	-	(941,415)
*Interest on long-term debt	73,457	-	-	-	(73,457)	-	(73,457)
Co-curricular activities	201,827	17,246	-	-	(184,581)	-	(184,581)
Total governmental activities	3,049,505	19,184	225,430	-	(2,804,891)	-	(2,804,891)
Business-type activities:							
Food service	189,425	13,722	-	-	-	(175,703)	(175,703)
Total primary government	\$ 3,238,930	\$ 32,906	\$ 225,430	\$ -	(2,804,891)	(175,703)	(2,980,594)
<b>General Revenues</b>							
Taxes:							
Property taxes					2,179,945	-	2,179,945
Gross receipts taxes					71,391	-	71,391
Revenue from state sources:							
State aid					738,832	-	738,832
Other					-	462	462
Revenue from federal sources							
Unrestricted investment earnings					1,940	206,129	208,069
Loss on sale of fixed assets					5,134	16	5,150
Other general revenues					(7,718)	-	(7,718)
Total general revenues					3,099,630	206,607	3,306,237
Change in Net Position					294,739	30,904	325,643
Net Position - Beginning					5,240,649	66,794	5,307,443
Net Position - Ending					\$ 5,535,388	\$ 97,698	\$ 5,633,086

\* 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  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	2021						
	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>							
Governmental activities:							
Instruction	\$ 2,000,360	\$ -	\$ 205,813	\$ -	\$ (1,794,547)	\$ -	\$ (1,794,547)
Support services	858,089	3,264	-	-	(854,825)	-	(854,825)
*Interest on long-term debt	82,527	-	-	-	(82,527)	-	(82,527)
Co-curricular activities	197,699	15,976	-	-	(181,723)	-	(181,723)
Total governmental activities	<u>3,138,675</u>	<u>19,240</u>	<u>205,813</u>	<u>-</u>	<u>(2,913,622)</u>	<u>-</u>	<u>(2,913,622)</u>
Business-type activities:							
Food service	183,496	21,579	-	-	-	(161,917)	(161,917)
Total primary government	<u>\$ 3,322,171</u>	<u>\$ 40,819</u>	<u>\$ 205,813</u>	<u>\$ -</u>	<u>(2,913,622)</u>	<u>(161,917)</u>	<u>(3,075,539)</u>
<b>General Revenues</b>							
Taxes:							
Property taxes					2,242,997	-	2,242,997
Gross receipts taxes					81,741	-	81,741
Revenue from state sources:							
State aid					571,686	-	571,686
Other					-	673	673
Revenue from federal sources					108,035	167,178	275,213
Unrestricted investment earnings					13,057	15	13,072
Other general revenues					107,212	-	107,212
Total general revenues					<u>3,124,728</u>	<u>167,866</u>	<u>3,292,594</u>
Change in Net Position					<u>211,106</u>	<u>5,949</u>	<u>217,055</u>
Net Position - Beginning, As Previously Reported					4,948,794	60,845	5,009,639
Restatement - See Note 11					80,749	-	80,749
Net Position - Beginning, As Restated					<u>5,029,543</u>	<u>60,845</u>	<u>5,090,388</u>
Net Position - Ending					<u>\$ 5,240,649</u>	<u>\$ 66,794</u>	<u>\$ 5,307,443</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, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,209,204	\$ 828,841	\$ 421,780	\$ 271,862	\$ 2,731,687
110 Taxes receivable - current	420,326	182,148	197,817	122,956	923,247
112 Taxes receivable - delinquent	8,929	4,163	1,994	1,941	17,027
140 Due from other government	227,895	-	1,596	-	229,491
	<u>\$ 1,866,354</u>	<u>\$ 1,015,152</u>	<u>\$ 623,187</u>	<u>\$ 396,759</u>	<u>\$ 3,901,452</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
402 Accounts payable	\$ 2,343	\$ 18,618	\$ -	\$ -	\$ 20,961
404 Contracts payable	166,820	-	17,897	-	184,717
450 Payroll deductions, withholdings, and employer matching payable	48,921	-	5,574	-	54,495
Total liabilities	<u>218,084</u>	<u>18,618</u>	<u>23,471</u>	<u>-</u>	<u>260,173</u>
<b>Deferred Inflows of Resources</b>					
551 Unavailable revenue delinquent property taxes	8,929	4,163	1,994	1,941	17,027
553 Taxes levied for future period	479,521	207,912	225,797	140,347	1,053,577
559 Unavailable revenue - other	156,504	-	1,596	-	158,100
Total deferred inflows of resources	<u>644,954</u>	<u>212,075</u>	<u>229,387</u>	<u>142,288</u>	<u>1,228,704</u>
<b>Fund Balances</b>					
<b>Restricted:</b>					
Capital Outlay	-	784,459	-	-	784,459
Special Education	-	-	370,329	-	370,329
Bond Redemption	-	-	-	254,471	254,471
Unassigned	1,003,316	-	-	-	1,003,316
Total fund balances	<u>1,003,316</u>	<u>784,459</u>	<u>370,329</u>	<u>254,471</u>	<u>2,412,575</u>
	<u>\$ 1,866,354</u>	<u>\$ 1,015,152</u>	<u>\$ 623,187</u>	<u>\$ 396,759</u>	<u>\$ 3,901,452</u>

Langford Area School District 45-5  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 Year Ended June 30, 2022

---

Total Fund Balances - Governmental Funds	\$ 2,412,575
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.	5,205,449
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.	(2,450,000)
Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds.	(15,106)
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.	17,027
Revenues from grants that are not available to pay for current period expenditures are deferred in the funds.	158,100
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>207,343</u>
Net Position - Governmental Funds	<u><u>\$ 5,535,388</u></u>

Langford Area School District 45-5  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	2022				
	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Revenues					
1000 Revenue from local sources					
1100 Taxes					
1110 Ad valorem taxes	\$ 965,730	\$ 518,534	\$ 390,719	\$ 289,222	\$ 2,164,205
1120 Prior year's ad valorem taxes	6,455	2,864	1,487	1,227	12,033
1140 Gross receipts taxes	71,391	-	-	-	71,391
1190 Penalties and interest on taxes	5,143	1,181	719	554	7,597
1500 Earnings on investments and deposits	409	409	818	3,498	5,134
1700 Co-curricular activities					
1710 Admissions	16,908	-	-	-	16,908
1790 Other pupil activity income	338	-	-	-	338
1900 Other revenue from local sources					
1960 Judgments	-	1,392	-	-	1,392
1970 Charges for services	1,747	-	191	-	1,938
1990 Other	99,072	-	-	-	99,072
2000 Revenue from intermediate sources					
2110 County apportionment	9,642	-	-	-	9,642
3000 Revenue from state sources					
3100 Grants-in-aid					
3110 Unrestricted grants-in-aid	738,832	-	-	-	738,832
4000 Revenue from federal sources					
4100 Grants-in-aid					
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	1,940	-	-	-	1,940
4140 Restricted grants-in-aid received directly from federal government	3,148	-	-	-	3,148
4150-4199 Restricted grants-in-aid received from federal government through the state	64,182	-	-	-	64,182
Total revenues	<u>1,984,937</u>	<u>524,380</u>	<u>393,934</u>	<u>294,501</u>	<u>3,197,752</u>

Langford Area School District 45-5  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	2022				
	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures					
1000 Instruction					
1100 Regular programs					
1110 Elementary	627,564	35,906	-	-	663,470
1120 Junior high school	250,654	18,842	-	-	269,496
1130 High school	392,485	8,125	-	-	400,610
1200 Special programs					
1220 Programs for special education	-	4,630	367,909	-	372,539
1270 Educationally deprived	78,760	-	-	-	78,760
2000 Support services					
2100 Pupils:					
2120 Guidance	51,436	-	-	-	51,436
2200 Support services - instructional staff					
2220 Educational media	14,756	267	-	-	15,023
2300 Support services - general administration					
2310 Board of Education	26,085	1,425	-	-	27,510
2320 Executive administration	124,397	-	-	-	124,397
2400 Support services - school administration					
2410 Office of the Principal	74,482	373	-	-	74,855
2490 Other	94	-	-	-	94
2500 Support services - business					
2520 Fiscal services	94,035	726	-	-	94,761
2540 Operation and maintenance of plant	274,527	69,205	-	-	343,732
2550 Pupil transportation	163,749	6,726	-	-	170,475
2600 Support services - central					
2630 Information	-	1,428	-	-	1,428
2700 Support Services - special education					
2710 Administrative costs	-	-	8,067	-	8,067
5000 Debt services	-	-	-	264,830	264,830
6000 Co-curricular activities					
6100 Male activities	33,403	-	-	-	33,403
6200 Female activities	32,778	4,687	-	-	37,465
6500 Transportation	5,221	-	-	-	5,221
6900 Combined activities	122,381	3,994	-	-	126,375
7500 Capital outlay	-	215,868	-	-	215,868
Total expenditures	<u>2,366,807</u>	<u>372,202</u>	<u>375,976</u>	<u>264,830</u>	<u>3,379,815</u>

Langford Area School District 45-5  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	2022				
	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Excess of Revenue over (under) Expenditures	(381,870)	152,178	17,958	29,671	(182,063)
Other Financing Sources (Uses)					
5110 Transfers in	200,000	-	-	-	200,000
8110 Transfers out	-	(200,000)	-	-	(200,000)
5130 Sale of surplus property	-	1,540	-	-	1,540
Total other financing sources (uses)	200,000	(198,460)	-	-	1,540
Net Change in Fund Balances	(181,870)	(46,282)	17,958	29,671	(180,523)
Fund Balance - Beginning	1,185,186	830,741	352,371	224,800	2,593,098
Fund Balance - Ending	<u>\$ 1,003,316</u>	<u>\$ 784,459</u>	<u>\$ 370,329</u>	<u>\$ 254,471</u>	<u>\$ 2,412,575</u>

Langford Area School District 45-5  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	2021				
	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Revenues					
1000 Revenue from local sources					
1100 Taxes					
1110 Ad valorem taxes	\$ 991,113	\$ 623,824	\$ 313,596	\$ 289,547	\$ 2,218,080
1120 Prior year's ad valorem taxes	7,065	3,365	1,588	1,430	13,448
1130 Tax deed revenue	1,898	-	-	-	1,898
1140 Gross receipts taxes	81,741	-	-	-	81,741
1190 Penalties and interest on taxes	5,465	1,446	684	656	8,251
1500 Earnings on investments and deposits	3,877	2,272	4,515	2,393	13,057
1700 Co-curricular activities					
1710 Admissions	15,821	-	-	-	15,821
1790 Other pupil activity income	155	-	-	-	155
1900 Other revenue from local sources					
1970 Charges for services	2,970	-	294	-	3,264
1990 Other	95,657	95	-	-	95,752
2000 Revenue from intermediate sources					
2110 County apportionment	11,460	-	-	-	11,460
3000 Revenue from state sources					
3100 Grants-in-aid					
3110 Unrestricted grants-in-aid	571,686	-	-	-	571,686
4000 Revenue from federal sources					
4100 Grants-in-aid					
4120 Unrestricted grants-in-aid received from federal government through state	106,000	-	-	-	106,000
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	1,932	51	27	25	2,035
4140 Restricted grants-in-aid received directly from federal government	4,351	-	-	-	4,351
4150-4199 Restricted grants-in aid received from federal government through the state	147,432	51,565	2,465	-	201,462
Total revenues	<u>2,048,623</u>	<u>682,618</u>	<u>323,169</u>	<u>294,051</u>	<u>3,348,461</u>

Langford Area School District 45-5  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	2021				Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	
Expenditures					
1000 Instruction					
1100 Regular programs					
1110 Elementary	580,588	66,160	-	-	646,748
1120 Junior high school	231,035	13,819	-	-	244,854
1130 High school	400,751	16,756	-	-	417,507
1200 Special programs					
1220 Programs for special education	-	12,215	357,043	-	369,258
1270 Educationally deprived	79,990	-	-	-	79,990
2000 Support services					
2100 Pupils					
2120 Guidance	43,049	1,000	4,216	-	48,265
2200 Support services - instructional staff					
2220 Educational media	17,015	1,764	-	-	18,779
2300 Support services - general administration					
2310 Board of Education	36,756	1,000	-	-	37,756
2320 Executive administration	95,244	-	-	-	95,244
2400 Support services - school administration					
2410 Office of the Principal	83,970	174	-	-	84,144
2490 Other	229	-	-	-	229
2500 Support services - business					
2520 Fiscal services	77,144	1,000	-	-	78,144
2540 Operation and maintenance of plant	249,200	24,981	-	-	274,181
2550 Pupil transportation	130,949	-	-	-	130,949
2600 Support services - central					
2630 Information	-	6,580	-	-	6,580
2700 Support Services - special education					
2710 Administrative costs	-	-	10,216	-	10,216
5000 Debt services	-	984	-	306,770	307,754
6000 Co-curricular activities					
6100 Male activities	32,537	3,173	-	-	35,710
6200 Female activities	32,103	3,391	-	-	35,494
6500 Transportation	3,841	-	-	-	3,841
6900 Combined activities	113,960	1,240	-	-	115,200
7500 Capital outlay	-	233,353	-	-	233,353
Total expenditures	<u>2,208,361</u>	<u>387,590</u>	<u>371,475</u>	<u>306,770</u>	<u>3,274,196</u>
Excess of Revenue over (under) Expenditures	<u>(159,738)</u>	<u>295,028</u>	<u>(48,306)</u>	<u>(12,719)</u>	<u>74,265</u>



Langford Area School District 45-5  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	2021				
	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Other Financing Sources (Uses)					
5110 Transfers in	200,000	-	-	-	200,000
8110 Transfers out	-	(200,000)	-	-	(200,000)
Total other financing sources (uses)	200,000	(200,000)	-	-	-
Net Change in Fund Balances	40,262	95,028	(48,306)	(12,719)	74,265
Fund Balance - Beginning, As Previously Reported	1,064,175	735,713	400,677	237,519	2,438,084
Restatement - See Note 11	80,749	-	-	-	80,749
Fund Balance - Beginning, As Restated	1,144,924	735,713	400,677	237,519	2,518,833
Fund Balance - Ending	\$ 1,185,186	\$ 830,741	\$ 352,371	\$ 224,800	\$ 2,593,098

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (180,523)	\$ 74,265
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 2022, capital outlays (\$215,868) exceeded depreciation expense (\$215,475). In 2021, capital outlays (\$233,353) exceeded depreciation expense (\$203,824).	393	29,529
In the statement of activities, losses (\$7,718) on disposal of capital assets are reported; whereas, in the governmental funds, the proceeds (\$1,540) from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(9,258)	-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	190,000	185,000
Capital lease payments are expenditures in the governmental funds when due, but repayments reduce long-term liabilities in the statement of net position.	-	983
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
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."	(3,890)	1,320
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."	158,100	-
Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	<u>138,544</u>	<u>(119,235)</u>
Change in Net Position of Governmental Activities	<u>\$ 294,739</u>	<u>\$ 211,106</u>

Langford Area School District 45-5  
Statement of Net Position – Proprietary Funds  
June 30, 2022

	Enterprise
	Food Service Fund
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 50,131
Due from federal government	13,150
171 Inventory of stores purchased for resale	1,965
172 Inventory of donated food	2,349
	67,595
Noncurrent assets	
196 Net pension asset	17,226
200 Capital assets	
204 Machinery and equipment - local funds	51,301
208 Less accumulated depreciation	(21,432)
	47,095
Total assets	114,690
Deferred outflows of resources	
252 Pension related deferred outflows	23,841
Total assets and deferred outflows	\$ 138,531
<b>Liabilities, Deferred Inflows, and Net Position</b>	
Current liabilities	
402 Accounts payable	\$ 1,568
475 Unearned revenue	5,881
	7,449
Deferred inflows of resources	
554 Pension related deferred inflows	33,384
<b>Net Position</b>	
706 Invested in capital assets	29,869
Restricted for SDRS pension benefits	7,683
708 Unrestricted net position	60,146
	97,698
Total liabilities, deferred inflows, and net position	\$ 138,531

Langford Area School District 45-5  
 Statements of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds  
 Years Ended June 30, 2022 and 2021

	2022	2021
	Enterprise	Enterprise
	Food Service Fund	Food Service Fund
Operating Revenue		
Food sales	\$ 13,722	\$ 21,579
Total operating revenue	13,722	21,579
Operating Expenses		
100 Salaries	59,409	54,851
200 Employee benefits	7,476	15,260
300 Purchased services	52,116	47,627
400 Supplies	3,101	1,863
461 Cost of sales - purchased	53,355	51,413
462 Cost of sales - donated	9,215	8,766
640 Dues and fees	706	862
900 Depreciation	4,047	2,854
Total operating expenses	189,425	183,496
Operating Loss	(175,703)	(161,917)
Nonoperating Revenue		
1510 Investment Earnings	16	15
State sources:		
3810 Cash reimbursements	462	673
Federal sources:		
4810 Cash reimbursements	198,904	156,259
4820 Donated food	7,225	10,919
Total nonoperating revenue	206,607	167,866
Change in Net Position	30,904	5,949
Net Position - Beginning	66,794	60,845
Net Position - Ending	\$ 97,698	\$ 66,794

Langford Area School District 45-5  
 Statements of Cash Flows – Proprietary Funds  
 Years Ended June 30, 2022 and 2021

	2022	2021
	Food Service Fund	Food Service Fund
Cash Flows from (used for) Operating Activities		
Cash receipts from customers	\$ 12,933	\$ 22,457
Cash payments to employees for services	(71,820)	(64,780)
Cash payments to suppliers of goods or services	(121,618)	(93,626)
Net Cash used for Operating Activities	(180,505)	(135,949)
Cash Flows from (used for) Noncapital Financing Activities		
Operating grants	197,179	156,023
Change in amount due to General Fund	-	(2,545)
Net Cash Flows from Noncapital Financing Activities	197,179	153,478
Cash Flows from Investing Activities		
Cash received for interest	16	15
Net Cash from Investing Activities	16	15
Cash Flows used for Capital and Related Financing Activities		
Purchase of capital assets	-	(13,370)
Net Cash used for Capital and Related Financing Activities	-	(13,370)
Net Change in Cash and Cash Equivalents	16,690	4,174
Cash and Cash Equivalents, Beginning of Year	33,441	29,267
Cash and Cash Equivalents, End of Year	\$ 50,131	\$ 33,441
Reconciliation of Operating Loss to Net Cash used for Operating activities:		
Operating loss	\$ (175,703)	\$ (161,917)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	4,047	2,854
Value of donated commodities used	9,215	8,766
Change in assets and liabilities:		
Pension asset and deferred outflows	(23,542)	(2,664)
Pension liability and deferred inflows	18,607	7,995
Inventories	(34)	900
Accounts and other payables	(12,306)	7,239
Unearned revenue	(789)	878
Net Cash used for Operating Activities	\$ (180,505)	\$ (135,949)
Noncash Investing, Capital, and Financing Activities		
Value of commodities received	\$ 7,225	\$ 10,919

Langford Area School District 45-5  
 Statements of Fiduciary Net Position – Fiduciary Funds  
 June 30, 2022

---

	Custodial Funds	Private Purpose Trust Funds
Assets		
Cash and cash equivalents	\$ 46,064	\$ -
	\$ 46,064	\$ -
Net Position		
Net position held for organizations and employees	\$ 46,064	\$ -
Net position held in trust for scholarships	-	-
	\$ 46,064	\$ -

Langford Area School District 45-5  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
Year Ended June 30, 2022

	<u>2022</u>	<u>2022</u>
	Custodial Funds	Private Purpose Trust Funds
Additions		
Contributions, donations and fundraisers	\$ 71,387	\$ -
Investment earnings	-	428
Total additions	<u>71,387</u>	<u>428</u>
Deductions		
Organization expenses	24,885	-
Employee flex spending	30,321	-
Transfers to outside entities	-	40,259
Total deductions	<u>55,206</u>	<u>40,259</u>
Change in Net Position	16,181	(39,831)
Net Position - Beginning	<u>29,883</u>	<u>39,831</u>
Net Position - Ending	<u>\$ 46,064</u>	<u>\$ -</u>

Langford Area School District 45-5  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
Year Ended June 30, 2021

	<u>2021</u>	<u>2021</u>
	Custodial Funds	Private Purpose Trust Funds
Additions		
Contributions, donations and fundraisers	\$ 85,348	\$ -
Investment earnings	-	397
Total additions	<u>85,348</u>	<u>397</u>
Deductions		
Organization expenses	39,347	-
Employee flex spending	32,654	-
Scholarships	-	1,516
Total deductions	<u>72,001</u>	<u>1,516</u>
Change in Net Position	13,347	(1,119)
Net Position - Beginning, As Previously Reported	-	40,950
Restatement - See Note 11	<u>16,536</u>	<u>-</u>
Net Position - Beginning, As Restated	<u>16,536</u>	<u>40,950</u>
Net Position - Ending	<u><u>\$ 29,883</u></u>	<u><u>\$ 39,831</u></u>



**Note 1 - Summary of Significant Accounting Policies**

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

**Financial Reporting Entity**

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

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

**Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net position and 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 and Special Education Funds are the special revenue funds maintained by the School District.

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

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

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

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

### **Proprietary Funds**

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

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

### **Fiduciary Funds**

Fiduciary Funds are never considered to be major funds.

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

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. The School District closed the fund in 2022 and transferred all funds to an outside party to maintain.

## **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, 2022, are due from state government or from local governments.

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

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

## **Interfund Eliminations and Reclassifications**

### **Government-Wide Financial Statements**

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

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

### **Fund Financial Statements**

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

### **Inventory**

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

### **Capital Assets**

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

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

### Government-Wide Statements

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

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

The total June 30, 2022, balance of capital assets for governmental activities includes approximately 1.62% for which the costs were determined by estimates of the original costs. The total June 30, 2022, 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:

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

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

### Fund Financial Statements

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

### Noncurrent Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of bonds payable 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. Therefore, 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 custodial funds, which have no fund equity) is reported as net position held in trust for other purposes.

**Application of Net Position**

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

**Fund Balance Classification Policies and Procedures**

The School District classifies governmental fund balances as follows:

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

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

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

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

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

## Pensions

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

## 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.

## Implementation of GASB Statement No. 84

As of July 1, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities, and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the School District resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning net position is disclosed in Note 11.

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

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

### Deposits

The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating, which may not be less than "AA," or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized as required by South Dakota Codified Law (SDCL). The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2022 and 2021, the financial institution that holds the School District's deposits was properly collateralized.

The actual bank balances at June 30, 2022, were as follows:

Insured (FDIC/NCUA)	\$ 250,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	<u>2,637,022</u>
	<u>\$ 2,887,022</u>
The School District's carrying amount of deposits at June 30, 2022	<u>\$ 2,827,882</u>

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

Cash and cash equivalents	\$ 2,781,818
Add: Fiduciary Fund cash (not included in government-wide statement of net position)	<u>46,064</u>
	<u>\$ 2,827,882</u>

### Investments

Investments – In general, SDCL 4-5-6 permits School District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. There were no investments held as of June 30, 2022 and 2021.

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

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

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

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

### **Note 3 - Receivables and Payables**

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The amount recorded as due from other governments as of June 30, 2022, consists of \$229,491 from state sources for reimbursements, grant revenue and utility tax revenues. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible amounts have been established.

**Note 4 - Changes in Capital Assets**

A summary of changes in capital assets for the two-year period ended June 30, 2022, is as follows:

<u>Primary Government</u>	<u>Balance 7/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/22</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 25,003	\$ -	\$ -	\$ 25,003
Total, not being depreciated	<u>25,003</u>	<u>-</u>	<u>-</u>	<u>25,003</u>
Capital assets, being depreciated:				
Improvements	41,779	-	-	41,779
Buildings	6,494,884	143,547	-	6,638,431
Machinery and equipment	<u>1,078,050</u>	<u>72,321</u>	<u>20,200</u>	<u>1,130,171</u>
Total, being depreciated	<u>7,614,713</u>	<u>215,868</u>	<u>20,200</u>	<u>7,810,381</u>
Less accumulated depreciation:				
Improvements	41,779	-	-	41,779
Buildings	1,877,119	146,430	-	2,023,549
Machinery and equipment	<u>506,504</u>	<u>69,045</u>	<u>10,942</u>	<u>564,607</u>
Total accumulated depreciation	<u>2,425,402</u>	<u>215,475</u>	<u>10,942</u>	<u>2,629,935</u>
Total capital assets, being depreciated, net	<u>5,189,311</u>	<u>393</u>	<u>9,258</u>	<u>5,180,446</u>
Governmental activity capital assets, net	<u>\$ 5,214,314</u>	<u>\$ 393</u>	<u>\$ 9,258</u>	<u>\$ 5,205,449</u>
Depreciation expense was charged to functions as follows:				
Governmental activities				
Instruction				\$ 149,901
Support services				62,055
Co-curricular activities				<u>3,519</u>
Total depreciation expense - governmental activities				<u>\$ 215,475</u>

Langford Area School District 45-5

Notes to Financial Statements

June 30, 2022 and 2021

	Balance 7/1/21	Increases	Decreases	Balance 6/30/22
Business-type activities				
Capital assets, being depreciated:				
Machinery and equipment	\$ 51,301	\$ -	\$ -	\$ 51,301
Total, being depreciated	51,301	-	-	51,301
Total accumulated depreciation	17,385	4,047	-	21,432
Total capital assets, being depreciated, net	33,916	(4,047)	-	29,869
Business-type activity capital assets, net	<u>\$ 33,916</u>	<u>\$ (4,047)</u>	<u>\$ -</u>	<u>\$ 29,869</u>

Depreciation expense was charged to functions as follows:

Business-type activities:				\$ 4,047
Food service				\$ 4,047
Total depreciation expense - business-type activities				<u>\$ 4,047</u>

Primary Government	Balance 7/1/20	Increases	Decreases	Balance 6/30/21
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 25,003	\$ -	\$ -	\$ 25,003
Total, not being depreciated	25,003	-	-	25,003
Capital assets, being depreciated:				
Improvements	41,779	-	-	41,779
Buildings	6,413,499	81,385	-	6,494,884
Machinery and equipment	926,082	151,968	-	1,078,050
Total, being depreciated	7,381,360	233,353	-	7,614,713
Less accumulated depreciation:				
Improvements	41,779	-	-	41,779
Buildings	1,734,990	142,129	-	1,877,119
Machinery and equipment	444,809	61,695	-	506,504
Total accumulated depreciation	2,221,578	203,824	-	2,425,402
Total capital assets, being depreciated, net	5,159,782	29,529	-	5,189,311
Governmental activity capital assets, net	<u>\$ 5,184,785</u>	<u>\$ 29,529</u>	<u>\$ -</u>	<u>\$ 5,214,314</u>

Depreciation expense was charged to functions as follows:

Governmental activities				
Instruction				\$ 148,404
Support services				51,901
Co-curricular activities				3,519
Total depreciation expense - governmental activities				<u>\$ 203,824</u>

Langford Area School District 45-5

Notes to Financial Statements

June 30, 2022 and 2021

	Balance 7/1/20	Increases	Decreases	Balance 6/30/21
Business-type activities				
Capital assets, being depreciated:				
Machinery and equipment	\$ 37,931	\$ 13,370	\$ -	\$ 51,301
Total, being depreciated	37,931	13,370	-	51,301
Total accumulated depreciation	14,531	2,854	-	17,385
Total capital assets, being depreciated, net	23,400	10,516	-	33,916
Business-type activity capital assets, net	\$ 23,400	\$ 10,516	\$ -	\$ 33,916

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 2,854
Total depreciation expense - business-type activities	\$ 2,854

**Note 5 - Long-Term Liabilities**

A summary of the changes in long-term liabilities for the two-year period ended June 30, 2022, is as follows:

Purpose	Amounts Outstanding 7/1/21	Issued	Retired	Amounts Outstanding 6/30/22	Due in One Year
Primary Government					
Government activities:					
Bonds Payable					
General Obligation Series 2018	\$ 2,640,000	\$ -	\$ 190,000	\$ 2,450,000	\$ 195,000
Re-Offering Premium	16,479	-	1,373	15,106	1,373
Total primary government	\$ 2,656,479	\$ -	\$ 191,373	\$ 2,465,106	\$ 196,373
Purpose	Amounts Outstanding 7/1/20	Issued	Retired	Amounts Outstanding 6/30/21	Due in One Year
Primary Government					
Government activities:					
Bonds Payable					
General Obligation Series 2018	\$ 2,825,000	\$ -	\$ 185,000	\$ 2,640,000	\$ 190,000
Re-Offering Premium	17,852	-	1,373	16,479	1,373
Direct Financing Lease	983	-	983	-	-
Total primary government	\$ 2,843,835	\$ -	\$ 187,356	\$ 2,656,479	\$ 191,373

Debt payable at June 30, 2022, 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.

\$ 2,450,000

\$ 2,450,000

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2022, are as follows:

Year Ending June 30:	General Obligation		Total	
	Principal	Interest	Principal	Interest
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
2026	210,000	55,608	210,000	55,608
2027	215,000	50,042	215,000	50,042
2028-2032	1,170,000	152,474	1,170,000	152,474
2033	255,000	8,288	255,000	8,288
	<u>\$ 2,450,000</u>	<u>\$ 463,952</u>	<u>\$ 2,450,000</u>	<u>\$ 463,952</u>

### Note 6 - Restricted Net Position

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 788,622
Special Education	Law	372,323
SDRS Pension Benefits	Law	215,026
Bond Redemption	Law	256,412
		<u>\$ 1,632,383</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 2022 and 2021 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, 2022, the North Central Special Education Cooperative had fund equity of \$518,360 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, 2022, the School District managed its risks as follows:

**Employee Health Insurance**

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

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

**Liability Insurance**

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

**Workers' Compensation**

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

The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the two years ended June 30, 2022, 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, 2022.

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, 2022, no unemployment benefits had been paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**Note 10 - Pension Plan****Plan Information**

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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, 2022, 2021, and 2020, were \$95,510, \$85,709 and \$86,469, 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, 2021, SDRS is 105.52% 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, 2021, and reported by the School District as of June 30, 2022, are as follows:

Proportionate share of total pension liability	\$ 8,728,603
Less proportionate share of net position restricted for pension benefits	<u>9,210,677</u>
Proportionate share of net pension liability (asset)	<u>\$ (482,074)</u>

At June 30, 2022, the School District reported an liability (asset) of \$(482,074) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, 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, 2021, the School District's proportion was 0.06294800%, which is a decrease of 0.0027170% from its proportion measured as of as June 30, 2020.

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$(143,479). At June 30, 2022, 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	\$ 17,308	\$ 1,264
Changes in assumption	554,380	241,416
Net difference between projected and actual earnings on pension plan investments	-	688,652
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	2,914
School District contributions subsequent to the measurement date	95,510	-
Total	<u>\$ 667,198</u>	<u>\$ 934,246</u>

The \$95,510 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, 2023.

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

<u>Year Ended June 30:</u>	<u>Amount</u>
2023	\$ (91,333)
2024	(60,561)
2025	(16,927)
2026	(193,737)
Total	<u>\$ (362,558)</u>

### Actuarial Assumptions

The total pension liability (asset) in the June 30, 2021, 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. This is composed of an average inflation rate of 2.25% and real returns of 4.25%.
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 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, adjusted to 2006 projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021, 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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100.0%	

#### 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)	\$ 780,598	\$ (482,074)	\$ (1,507,069)

**Pension Plan Fiduciary Net Position**

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

**Note 11 - Interfund Transfers**

During 2022 and 2021, the Capital Outlay Fund transferred \$200,000 and \$200,000, respectively, to the General Fund for operations as allowed under SDCL.

**Note 12 - Adoption of New Standard**

As of July 1, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). Certain agency funds previously accounted for activities that are not considered fiduciary in nature and are now reported in the General Fund, and certain agency funds previously accounted for under fiduciary activities are now reported as custodial funds.

The School District restated the net position and fund balance of the funds indicated below to appropriately reflect the July 1, 2020, balances as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Custodial Fund</u>
Net position at July 1, 2020, as previously reported	\$ 4,948,794	\$ 1,064,175	\$ -
Reclassification of organization and employee flex funds from agency funds to a custodial fund	-	-	16,536
Reclassification of student activity and club funds from agency funds to the General Fund	80,749	80,749	-
Net position at July 1, 2020, as restated	<u>\$ 5,029,543</u>	<u>\$ 1,144,924</u>	<u>\$ 16,536</u>



Required Supplementary Information  
June 30, 2022 and 2021

## Langford Area School District 45-5



Langford Area School District 45-5  
 Budgetary Comparison Schedule - Budgetary Basis - General Fund  
 Year Ended June 30, 2022

	2022			
	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	\$ 967,831	\$ 967,831	\$ 965,730	\$ (2,101)
1120 Prior year's ad valorem taxes	-	-	6,455	6,455
1140 Gross receipts taxes	70,000	70,000	71,391	1,391
1190 Penalties and interest on taxes	-	-	5,143	5,143
1500 Earnings on investments and deposits	2,000	2,000	409	(1,591)
1700 Co-curricular activities				
1710 Admissions	20,000	20,000	16,908	(3,092)
1790 Other pupil activity income	-	-	338	338
1900 Other revenue from local sources				
1970 Charges for services	-	-	1,747	1,747
1990 Other	2,000	2,000	99,072	97,072
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	15,000	15,000	9,642	(5,358)
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	692,058	692,058	738,832	46,774
4000 Revenue from federal sources				
4100 Grants-in-aid				
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	1,940	1,940
4140 Restricted grants-in-aid received directly from federal government	-	-	3,148	3,148
4150-4199 Restricted grants-in-aid received from federal government through the state	204,525	204,525	64,182	(140,343)
Total revenues	<u>1,973,414</u>	<u>1,973,414</u>	<u>1,984,937</u>	<u>11,523</u>

Langford Area School District 45-5  
 Budgetary Comparison Schedule - Budgetary Basis - General Fund  
 Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	673,000	673,000	627,564	45,436
1120 Junior high school	234,800	234,800	250,654	(15,854)
1130 High school	404,800	404,800	392,485	12,315
1200 Special programs				
1270 Educationally deprived	98,525	98,525	78,760	19,765
2000 Support services				
2100 Pupils:				
2120 Guidance	53,200	53,200	51,436	1,764
2200 Support services - instructional staff				
2220 Educational media	18,000	18,000	14,756	3,244
2300 Support services - general administration				
2310 Board of Education	31,700	31,700	26,085	5,615
2320 Executive administration	117,400	117,400	124,397	(6,997)
2400 Support services - school administration				
2410 Office of the Principal	88,550	88,550	74,482	14,068
2490 Other	500	500	94	406
2500 Support services - business				
2520 Fiscal services	87,000	87,000	94,035	(7,035)
2540 Operation and maintenance of plant	264,900	264,900	274,527	(9,627)
2550 Pupil transportation	153,100	153,100	163,749	(10,649)
6000 Co-curricular activities				
6100 Male activities	34,500	34,500	33,403	1,097
6200 Female activities	33,600	33,600	32,778	822
6500 Transportation	4,470	4,470	5,221	(751)
6900 Combined activities	37,900	37,900	122,381	(84,481)
7000 Contingencies	40,000	40,000	-	40,000
Amount transferred	-	-	-	-
Total expenditures	<u>2,375,945</u>	<u>2,375,945</u>	<u>2,366,807</u>	<u>9,138</u>
Excess of Revenue over (under) Expenditures	<u>(402,531)</u>	<u>(402,531)</u>	<u>(381,870)</u>	<u>20,661</u>
Other Financing Sources (Uses)				
5110 Transfers in	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balances	(202,531)	(202,531)	(181,870)	20,661
Fund Balance - Beginning	<u>1,185,186</u>	<u>1,185,186</u>	<u>1,185,186</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 982,655</u>	<u>\$ 982,655</u>	<u>\$ 1,003,316</u>	<u>\$ 20,661</u>

Langford Area School District 45-5  
 Budgetary Comparison Schedule - Budgetary Basis - General Fund  
 Year Ended June 30, 2021

	2021			
	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	\$ 993,000	\$ 993,000	\$ 991,113	\$ (1,887)
1120 Prior year's ad valorem taxes	-	-	7,065	7,065
1130 Tax deed revenue	-	-	1,898	1,898
1140 Gross receipts taxes	70,000	70,000	81,741	11,741
1190 Penalties and interest on taxes	-	-	5,465	5,465
1500 Earnings on investments and deposits	2,000	2,000	3,877	1,877
1700 Co-curricular activities				
1710 Admissions	20,000	20,000	15,821	(4,179)
1790 Other pupil activity income	-	-	155	155
1900 Other revenue from local sources				
1970 Charges for services	-	-	2,970	2,970
1990 Other	2,000	2,000	95,657	93,657
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	15,000	15,000	11,460	(3,540)
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	527,600	527,600	571,686	44,086
4000 Revenue from federal sources				
4100 Grants-in-aid				
4120 Unrestricted grants-in-aid received from federal government through state	-	23,526	106,000	82,474
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	1,932	1,932
4140 Restricted grants-in-aid received directly from federal government	12,825	12,825	4,351	(8,474)
4150-4199 Restricted grants-in-aid received from federal government through the state	85,700	141,574	147,432	5,858
Total revenues	<u>1,728,125</u>	<u>1,807,525</u>	<u>2,048,623</u>	<u>241,098</u>

Langford Area School District 45-5  
 Budgetary Comparison Schedule - Budgetary Basis - General Fund  
 Year Ended June 30, 2021

	2021			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	545,700	580,700	580,588	112
1120 Junior high school	216,200	232,200	231,035	1,165
1130 High school	381,500	401,500	400,751	749
1200 Special programs				
1270 Educationally deprived	98,525	98,525	79,990	18,535
2000 Support services				
2100 Pupils				
2120 Guidance	34,785	43,185	43,049	136
2200 Support services - instructional staff				
2220 Educational media	16,900	17,050	17,015	35
2300 Support services - general administration				
2310 Board of Education	31,700	38,600	36,756	1,844
2320 Executive administration	96,070	96,070	95,244	826
2400 Support services - school administration				
2410 Office of the Principal	85,800	85,800	83,970	1,830
2490 Other	500	500	229	271
2500 Support services - business				
2520 Fiscal services	70,600	77,200	77,144	56
2540 Operation and maintenance of plant	259,200	259,200	249,200	10,000
2550 Pupil transportation	153,100	153,100	130,949	22,151
6000 Co-curricular activities				
6100 Male activities	34,500	34,500	32,537	1,963
6200 Female activities	33,600	33,600	32,103	1,497
6500 Transportation	3,870	3,870	3,841	29
6900 Combined activities	34,520	34,520	113,960	(79,440)
7000 Contingencies	40,000	40,000	-	40,000
Amount transferred	-	(13,650)	-	(13,650)
Total expenditures	<u>2,137,070</u>	<u>2,216,470</u>	<u>2,208,361</u>	<u>8,109</u>
Excess of Revenue over (under) Expenditures	<u>(408,945)</u>	<u>(408,945)</u>	<u>(159,738)</u>	<u>249,207</u>
Other Financing Sources (Uses)				
5110 Transfers in	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balances	<u>(208,945)</u>	<u>(208,945)</u>	<u>40,262</u>	<u>249,207</u>
Fund Balance - Beginning, As Previously Reported	1,064,175	1,064,175	1,064,175	-
Restatement - See Note 11	<u>-</u>	<u>-</u>	<u>80,749</u>	<u>80,749</u>
Fund Balance - Beginning, As Restated	<u>1,064,175</u>	<u>1,064,175</u>	<u>1,144,924</u>	<u>(80,749)</u>
Fund Balance - Ending	<u>\$ 855,230</u>	<u>\$ 855,230</u>	<u>\$ 1,185,186</u>	<u>\$ 168,458</u>

Langford Area School District 45-5  
 Budgetary Comparison Schedule - Budgetary Basis - Capital Outlay Fund  
 Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 450,000	\$ 450,000	\$ 518,534	\$ 68,534
1120 Prior year's ad valorem taxes	-	-	2,864	2,864
1190 Penalties and interest on taxes	-	-	1,181	1,181
1500 Earnings on investments and deposits	-	-	409	409
1900 Other revenue from local sources				
1960 Judgements	-	-	1,392	1,392
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>524,380</u>	<u>74,380</u>
<b>Expenditures</b>				
1000 Instruction				
1100 Regular programs				
1110 Elementary	50,000	50,000	35,906	14,094
1120 Junior high school	15,000	15,000	18,842	(3,842)
1130 High school	40,000	40,000	8,125	31,875
1200 Special programs				
1220 Programs for special education	7,000	7,000	4,630	2,370
2000 Support services				
2200 Support services - instructional staff				
2120 Guidance	1,000	1,000	-	1,000
2220 Educational media	2,000	2,000	267	1,733
2300 Support services - instructional staff				
2310 Board of Education	1,500	1,500	1,425	75
2400 Support services - instructional staff				
2410 Office of the Principal	1,500	1,500	373	1,127
2500 Support services - business				
2520 Fiscal services	1,500	1,500	726	774
2540 Operation and maintenance of plant	300,000	300,000	228,739	71,261
2550 Pupil transportation	70,000	70,000	63,060	6,940
2600 Support services - central				
2630 Information	2,000	2,000	1,428	572
6000 Co-curricular activities				
6100 Male activities	11,000	11,000	-	11,000
6200 Female activities	8,000	8,000	4,687	3,313
6900 Combined activities	5,000	5,000	3,994	1,006
Total expenditures	<u>515,500</u>	<u>515,500</u>	<u>372,202</u>	<u>143,298</u>
Excess of Revenue over (under) Expenditures	<u>(65,500)</u>	<u>(65,500)</u>	<u>152,178</u>	<u>217,678</u>
<b>Other Financing Sources (Uses)</b>				
8110 Transfers out	(200,000)	(200,000)	(200,000)	-
5130 Sale of surplus property	-	-	1,540	1,540
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(198,460)</u>	<u>1,540</u>
Net Change in Fund Balances	(265,500)	(265,500)	(46,282)	219,218
Fund Balance - Beginning	<u>830,741</u>	<u>830,741</u>	<u>830,741</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 565,241</u>	<u>\$ 565,241</u>	<u>\$ 784,459</u>	<u>\$ 219,218</u>

Langford Area School District 45-5  
Budgetary Comparison Schedule - Budgetary Basis - Capital Outlay Fund  
Year Ended June 30, 2021

	2021			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 625,000	\$ 625,000	\$ 623,824	\$ (1,176)
1120 Prior year's ad valorem taxes	-	-	3,365	3,365
1190 Penalties and interest on taxes	-	-	1,446	1,446
1500 Earnings on investments and deposits	-	-	2,272	2,272
1900 Other revenue from local sources				
1990 Other	-	-	95	95
4000 Revenue from federal sources				
4100 Grants-in-aid				
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	51	51
4150-4199 Restricted grants-in-aid received from federal government through the state	-	20,000	51,565	31,565
Total revenues	<u>625,000</u>	<u>645,000</u>	<u>682,618</u>	<u>37,618</u>
<b>Expenditures</b>				
1000 Instruction				
1100 Regular programs				
1110 Elementary	50,000	70,000	66,160	3,840
1120 Junior high school	20,000	20,000	13,819	6,181
1130 High school	52,000	52,000	26,174	25,826
1200 Special programs				
1220 Programs for special education	7,000	12,300	12,215	85
2000 Support services				
2200 Support services - instructional staff				
2120 Guidance	2,000	2,000	1,000	1,000
2220 Educational media	2,000	2,000	1,764	236
2300 Support services - general administration				
2310 Board of Education	2,000	2,000	1,000	1,000
2400 Principal Services				
2410 Office of the Principal	2,000	2,000	174	1,826
2500 Support services - business				
2520 Fiscal services	2,000	2,000	1,000	1,000
2530 Facilities acquisition and construction	20,000	20,000	-	20,000
2540 Operation and maintenance of plant	300,000	300,000	147,221	152,779
2550 Pupil transportation	100,000	100,000	89,900	10,100
2600 Support services - central				
2630 Information	-	6,600	6,580	20
5000 Debt services	-	3,938	984	2,954
6000 Co-curricular activities				
6100 Male activities	12,000	12,000	3,173	8,827
6200 Female activities	6,000	8,200	3,391	4,809
6900 Combined activities	6,000	17,000	13,035	3,965
Total expenditures	<u>583,000</u>	<u>632,038</u>	<u>387,590</u>	<u>244,448</u>
Excess of Revenue over (under) Expenditures	<u>42,000</u>	<u>12,962</u>	<u>295,028</u>	<u>282,066</u>
<b>Other Financing Sources (Uses)</b>				
8110 Transfers out	(200,000)	(480,000)	(200,000)	280,000
Total other financing sources (uses)	<u>(200,000)</u>	<u>(480,000)</u>	<u>(200,000)</u>	<u>280,000</u>
Net Change in Fund Balances	(158,000)	(467,038)	95,028	562,066
Fund Balance - Beginning	<u>735,713</u>	<u>735,713</u>	<u>735,713</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 577,713</u>	<u>\$ 268,675</u>	<u>\$ 830,741</u>	<u>\$ 562,066</u>

Langford Area School District 45-5  
 Budgetary Comparison Schedule - Budgetary Basis - Special Education Fund  
 Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 414,500	\$ 414,500	\$ 390,719	\$ (23,781)
1120 Prior year's ad valorem taxes	-	-	1,487	1,487
1190 Penalties and interest on taxes	-	-	719	719
1500 Earnings on investments and deposits	-	-	818	818
1900 Other revenue from local sources				
1970 Charges for services	-	-	191	191
<b>Total revenues</b>	<b>414,500</b>	<b>414,500</b>	<b>393,934</b>	<b>(20,566)</b>
<b>Expenditures</b>				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	499,000	499,000	367,909	131,091
2000 Support services				
2100 Support Services - pupils				
2120 Guidance	5,300	5,300	-	5,300
2700 Support Services - special education				
2710 Administrative costs	10,200	10,200	8,067	2,133
<b>Total expenditures</b>	<b>514,500</b>	<b>514,500</b>	<b>375,976</b>	<b>138,524</b>
<b>Net Change in Fund Balances</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>17,958</b>	<b>117,958</b>
<b>Fund Balance - Beginning</b>	<b>352,371</b>	<b>352,371</b>	<b>352,371</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 252,371</b>	<b>\$ 252,371</b>	<b>\$ 370,329</b>	<b>\$ 117,958</b>

Langford Area School District 45-5  
 Budgetary Comparison Schedule - Budgetary Basis - Special Education Fund  
 Year Ended June 30, 2021

	2021			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 333,500	\$ 333,500	\$ 313,596	\$ (19,904)
1120 Prior year's ad valorem taxes	-	-	1,588	1,588
1190 Penalties and interest on taxes	-	-	684	684
1500 Earnings on investments and deposits	-	-	4,515	4,515
1900 Other revenue from local sources				
1970 Charges for services	-	-	294	294
4000 Revenue from federal sources				
4100 Grants-in-aid				
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	27	27
4150-4199 Restricted grants-in-aid received from federal government through the state	-	-	2,465	2,465
Total revenues	<u>333,500</u>	<u>333,500</u>	<u>323,169</u>	<u>(10,331)</u>
<b>Expenditures</b>				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	418,100	418,100	357,043	61,057
2000 Support services				
2100 Pupils				
2120 Guidance	5,100	5,100	4,216	884
2700 Support Services - special education				
2710 Administrative costs	10,300	10,300	10,216	84
Total expenditures	<u>433,500</u>	<u>433,500</u>	<u>371,475</u>	<u>62,025</u>
Net Change in Fund Balances	(100,000)	(100,000)	(48,306)	51,694
Fund Balance - Beginning	<u>400,677</u>	<u>400,677</u>	<u>400,677</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 300,677</u>	<u>\$ 300,677</u>	<u>\$ 352,371</u>	<u>\$ 51,694</u>



**Note 1 - Basis of Presentation**

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

**Note 2 - Budgetary Legal Requirements**

**Budgets and Budgetary Accounting**

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

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

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

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

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

**Schedule of Employer's Contributions**

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

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

### **Changes from Prior Valuation**

The June 30, 2021, Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020, Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

#### **Benefit Provision Changes**

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

#### **Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020, and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021, Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022, Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

#### **Actuarial Method Changes**

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Langford Area School District 45-5 (the School District), as of June 30, 2022 and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated July 14, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 and 2022-002 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

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

## **Langford Area School District's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Aberdeen, South Dakota  
July 14, 2023

## **Current Audit Findings and Recommendations**

### **Finding 2022-001 Lack of Segregation of Duties**

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

*Condition:* Langford Area School District 45-5 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

*Cause:* The School District has insufficient number of staff to adequately separate duties.

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

*Recommendation:* Although it is recognized that 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 2022-002 Preparation of Financial Statements and Footnotes, and Material Proposed Adjustments to the Financial Statements**

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

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

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

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

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

*Views of Responsible Officials:* Management agrees with the finding.