



Financial Statements
December 31, 2021
City of Ipswich

Mayor

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City Council

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Independent Auditor's Report

The City Council
City of Ipswich
Ipswich, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ipswich (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Ipswich as of December 31, 2021, and the respective changes in financial position – modified cash basis, and, where applicable, cash flows – modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 City of Ipswich 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with modified cash basis of accounting described in Note 1, 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 City of Ipswich'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 City'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 City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of employer's share of net pension liability (asset) and pension contributions, budgetary comparison schedule, and schedule of changes in long-term debt (collectively, the "supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of municipal officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2022, on our consideration of the City of Ipswich'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 City'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 City's internal control over financial reporting and compliance.



Aberdeen, South Dakota
May 25, 2022

City of Ipswich
Statement of Net Position – Modified Cash Basis
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,927,082	\$ 284,617	\$ 2,211,699
Investments	76,791	75,000	151,791
Restricted assets:			
Cash and cash equivalents restricted for:			
Library	3,512	-	3,512
Cemetery	25,441	-	25,441
Investments restricted for:			
Cemetery	68,900	-	68,900
Total assets	<u>\$ 2,101,726</u>	<u>\$ 359,617</u>	<u>\$ 2,461,343</u>
Net Position			
Restricted for:			
Library	\$ 3,512	\$ -	\$ 3,512
Debt service/repayment	27,667	303,101	330,768
Cemetery	94,341	-	94,341
Asset replacement	-	8,501	8,501
Unrestricted	<u>1,976,206</u>	<u>48,015</u>	<u>2,024,221</u>
Total net position	<u>\$ 2,101,726</u>	<u>\$ 359,617</u>	<u>\$ 2,461,343</u>

City of Ipswich
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Loan Proceeds	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 156,923	\$ 8,076	\$ 90,667	\$ -	\$ (58,180)	\$ -	\$ (58,180)
Public safety	20,967	312	-	-	(20,655)	-	(20,655)
Public works	401,683	66,581	63,325	-	(271,777)	-	(271,777)
Health and welfare	157,286	126,716	15,734	-	(14,836)	-	(14,836)
Culture and recreation	340,175	2,160	62,427	-	(275,588)	-	(275,588)
Miscellaneous	30,500	-	-	-	(30,500)	-	(30,500)
Debt service	44,520	-	-	-	(44,520)	-	(44,520)
Total governmental activities	<u>1,152,054</u>	<u>203,845</u>	<u>232,153</u>	<u>-</u>	<u>(716,056)</u>	<u>-</u>	<u>(716,056)</u>
Business-type activities:							
Water	326,808	327,045	-	-	-	237	237
Sewer	220,272	239,682	-	-	-	19,410	19,410
Total business-type activities	<u>547,080</u>	<u>566,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,647</u>	<u>19,647</u>
	<u>\$ 1,699,134</u>	<u>\$ 770,572</u>	<u>\$ 232,153</u>	<u>\$ -</u>	<u>(716,056)</u>	<u>19,647</u>	<u>(696,409)</u>
General Revenues							
Taxes:							
Property and amusement taxes					387,070	-	387,070
Sales taxes					598,900	-	598,900
State shared revenues					9,682	-	9,682
Unrestricted investment earnings					3,721	1,348	5,069
Miscellaneous revenue					24,322	4,081	28,403
Total general revenues					<u>1,023,695</u>	<u>5,429</u>	<u>1,029,124</u>
Change in Net Position					307,639	25,076	332,715
Net Position - Beginning					<u>1,794,087</u>	<u>334,541</u>	<u>2,128,628</u>
Net Position - Ending					<u>\$ 2,101,726</u>	<u>\$ 359,617</u>	<u>\$ 2,461,343</u>

See Notes to Financial Statements

City of Ipswich
Balance Sheet – Modified Cash Basis – Governmental Funds
December 31, 2021

	General Fund
Assets	
Cash and cash equivalents	\$ 1,927,082
Restricted cash	28,953
Investments	76,791
Restricted investments	68,900
Total assets	\$ 2,101,726
Fund Balances	
264 Restricted for:	
Library	\$ 3,512
Debt repayment	27,667
Cemetery	94,341
265 Committed for:	
Capital outlay	110,000
267 Unassigned	1,866,206
Total fund balances	\$ 2,101,726

City of Ipswich

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

	General Fund
Revenues	
310 Taxes	
311 General property taxes	\$ 385,188
313 General sales and use taxes	598,900
319 Penalties and interest on delinquent taxes	1,882
Total taxes	985,970
320 Licenses and permits	7,215
330 Intergovernmental revenue	
331 Federal grants	144,328
334 State grants	13,500
335 State shared revenue	
335.01 Bank franchise tax	2,741
335.02 Motor vehicle commercial prorated	5,379
335.03 Liquor tax reversion	6,941
335.04 Motor vehicle licenses (5%)	22,619
335.08 Local government highway and bridge fund	30,922
338 County shared revenue	
338.01 County road tax (25%)	1,411
338.03 County wheel tax	2,994
Total intergovernmental revenue	230,835
340 Charges for goods and services	
344 Sanitation	64,581
346 Culture and recreation	2,160
347 Ambulance	126,603
348 Cemetery	2,000
349 Other	113
Total charges for goods and services	195,457
350 Fines and forfeits	
351 Court fines and costs	82
352 Animal control fines	230
Total fines and forfeits	312

City of Ipswich

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

	General Fund
360 Miscellaneous revenue	
361 Investment earnings	3,721
362 Rentals	861
367 Contributions and donations from private sources	11,000
369 Other	20,880
	36,462
Total miscellaneous revenue	36,462
Total revenues	1,456,251
 Expenditures	
410 General government	
411 Legislative	28,350
413 Elections	85
414 Financial administration	128,488
	156,923
Total general government	156,923
420 Public safety	
421 Police	2,625
422 Fire	15,799
423 Protective inspection administration	2,543
	20,967
Total public safety	20,967
430 Public works	
431 Highways and streets	275,546
432 Sanitation	76,587
437 Cemeteries	3,175
	355,308
Total public works	355,308
440 Health and welfare	
441 Health	6,011
446 Ambulance	149,027
	155,038
Total health and welfare	155,038
450 Culture and recreation	
451 Recreation	75,386
452 Parks	77,574
455 Libraries	33,739
458 Museums	1,781
	188,480
Total culture and recreation	188,480

City of Ipswich

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

	General Fund
470 Debt service	44,520
485 Capital outlay	200,318
490 Miscellaneous	
492 Other expenditures	30,500
Total miscellaneous	30,500
Total expenditures	1,152,054
Other Financing Sources (Uses)	
391.03 Sale of municipal property	3,000
391.04 Compensation for loss or damage to capital assets	442
Total other financing uses	3,442
Net Change in Fund Balance	307,639
Fund Balance - Beginning	1,794,087
Fund Balance - Ending	\$ 2,101,726

City of Ipswich
Balance Sheet-Modified Cash Basis – Proprietary Funds
December 31, 2021

	Water Fund	Sewer Fund	Totals
Assets			
Current Assets			
Cash and cash equivalents	\$ 94,803	\$ 189,814	\$ 284,617
Investments	50,000	25,000	75,000
Total current assets	<u>144,803</u>	<u>214,814</u>	<u>359,617</u>
Total assets	<u>\$ 144,803</u>	<u>\$ 214,814</u>	<u>\$ 359,617</u>
Net Position			
Restricted net position for:			
Debt service/repayment	\$ 120,014	\$ 183,087	\$ 303,101
Asset replacement	4,400	4,101	8,501
Unrestricted net position	<u>20,389</u>	<u>27,626</u>	<u>48,015</u>
Total net position	<u>144,803</u>	<u>214,814</u>	<u>359,617</u>
Total Net Position	<u>\$ 144,803</u>	<u>\$ 214,814</u>	<u>\$ 359,617</u>

City of Ipswich

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

	Water Fund	Sewer Fund	Totals
Operating Revenue			
380 Charges for goods and services	\$ 310,262	\$ 77,728	\$ 387,990
381 Revenue dedicated to servicing debt	17,599	161,138	178,737
369 Miscellaneous	3,265	816	4,081
Total operating revenue	<u>331,126</u>	<u>239,682</u>	<u>570,808</u>
Operating Expenses			
410 Personal services	33,914	41,350	75,264
420 Other current expense	30,595	28,140	58,735
426.2 Materials	171,361	-	171,361
430 Capital assets	1,954	3,170	5,124
Total operating expenses	<u>237,824</u>	<u>72,660</u>	<u>310,484</u>
Operating Income	<u>93,302</u>	<u>167,022</u>	<u>260,324</u>
Nonoperating Revenue (Expense)			
361 Investment earnings	1,250	98	1,348
441 Debt service	(39,529)	(63,727)	(103,256)
442 Interest expense	(49,455)	(83,885)	(133,340)
Total nonoperating revenue (expense)	<u>(87,734)</u>	<u>(147,514)</u>	<u>(235,248)</u>
Change in Net Position	5,568	19,508	25,076
Net Position - Beginning	<u>139,235</u>	<u>195,306</u>	<u>334,541</u>
Net Position - Ending	<u>\$ 144,803</u>	<u>\$ 214,814</u>	<u>\$ 359,617</u>

City of Ipswich
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash Flows from Operating Activities			
Receipt from customers	\$ 327,861	\$ 238,866	\$ 566,727
Payments to suppliers	(201,956)	(28,140)	(230,096)
Payments to employees	(33,914)	(41,350)	(75,264)
Other receipts	3,265	816	4,081
Net Cash from Operating Activities	<u>95,256</u>	<u>170,192</u>	<u>265,448</u>
Cash Flows used for Capital and Related Financing Activities			
Purchase of capital assets	(1,954)	(3,170)	(5,124)
Principal paid on capital debt	(39,529)	(63,727)	(103,256)
Interest paid on capital debt	(49,455)	(83,885)	(133,340)
Net Cash used for Capital and Related Financing Activities	<u>(90,938)</u>	<u>(150,782)</u>	<u>(241,720)</u>
Cash Flows from Investing Activities			
Interest earnings	1,250	98	1,348
Net Change in Cash and Cash Equivalents	5,568	19,508	25,076
Cash and Cash Equivalents - Beginning	139,235	195,306	334,541
Cash and Cash Equivalents - Ending	<u>\$ 144,803</u>	<u>\$ 214,814</u>	<u>\$ 359,617</u>
Cash and Cash Equivalents Consist of:			
Cash and cash equivalents	\$ 94,803	\$ 189,814	\$ 284,617
Investments	50,000	25,000	75,000
Total cash and cash equivalents	<u>\$ 144,803</u>	<u>\$ 214,814</u>	<u>\$ 359,617</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 93,302	\$ 167,022	\$ 260,324
Adjustments to reconcile operating income to net cash from operating activities:			
Purchase of capital assets	1,954	3,170	5,124
Net Cash from Operating Activities	<u>\$ 95,256</u>	<u>\$ 170,192</u>	<u>\$ 265,448</u>

Note 1 - Summary of Significant Accounting Policies

As discussed further in Note 1.C., the financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity

The reporting entity of the City of Ipswich (the City), 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 financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

The reporting entity is comprised of the primary government, City of Ipswich.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board (City Council) 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 City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

Based upon the application of these criteria, the City does not have any component units.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the City as a whole. They include all funds of the City except for fiduciary. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the City 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 City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined; or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year-to-year or because of public interest in the fund's operations.

The funds of the City of Ipswich are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (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.

- **Water Fund** – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL § 9-47-1) This is a major fund.
- **Sewer Fund** – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL § 9-48-2) This is a major fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is applied within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit, or result in an obligation, that covers a period greater than the period in which the cash transaction or event occurred. Such report balances include investments in certificates of deposit (those with maturities more than 90 days (three months) from date of acquisition) acquired with cash accounts at cost and interfund advances and borrowings arising from the use of a pooled cash account.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event that would be reported in GAAP basis financial statements (such as donated assets) are not reported in this modified cash basis presentation, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

D. Deposits and Investments

For the purpose of financial reporting in the respective proprietary fund statement of cash flows, “cash and cash equivalents” includes all demand, savings, and certificates of deposit accounts, or other short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares or similar investments in external investment pools are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months and/or those types of investment authorized by South Dakota Codified Laws (SDCL) § 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

E. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

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

1. The City did not have any interfund receivables and payables that needed to be eliminated as of December 31, 2021.
2. The City did not have internal service fund activity which required elimination as of December 31, 2021.

F. Capital Assets

Under the modified cash basis of accounting, capital assets are expensed when the cash transaction occurs.

G. Long-Term Liabilities

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. Under the modified cash basis, the accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

H. Program Revenues

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

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

I. Proprietary Funds Revenue and Expense Classifications

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

J. Cash and Cash Equivalents

The City pools the cash resources of its funds for cash management purposes. The Water Fund and Sewer Fund essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents.

K. Equity Classifications

Government-Wide Statements

Equity is classified as net position and is comprised of three components: net investment in capital assets, restricted net position, and unrestricted net position. Because capital assets are not reported by the City under the modified cash basis of accounting, only the following components are displayed:

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

L. Application of Net Position and Fund Balance

The City uses restricted/committed amounts first when both restricted and unrestricted net position or 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 City would first use committed, then assigned, and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

M. Fund Balance Classification Policies and Procedures

The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. An assigned fund balance is established by City Council through adoption of a resolution designating a fund balance is intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The City does not have a formal minimum fund balance policy.

Note 2 - Deposits and Investments

The City 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 City's cash deposits are made in qualified public depositories as defined by SDCL §§ 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

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

Custodial Credit Risk-Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2021, the City maintained their deposits in South Dakota financial institutions that were not exposed to any material amount of custodial credit risk.

The actual bank balances at December 31, 2021, are as follows:

Insured (FDIC/NCUA)	\$ 500,000
Uninsured, collateral jointly held by State's/City's agent in the name of the State and the pledging financial institution	<u>1,963,721</u>
	<u><u>\$ 2,463,721</u></u>

The City’s carrying amount of deposits at December 31, 2021, is as follows:

Cash and cash equivalents	\$ 2,240,652
Investments	<u>220,691</u>
	<u><u>\$ 2,461,343</u></u>

Investments

In general, SDCL § 4-5-6 permits City 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.

As of December 31, 2021, the City did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

Interest Rate Risk – The City 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. As of December 31, 2021, all of the City’s investments consist of certificates of deposit which have maturities of less than one year.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy is to credit all income from deposits and investments to the General Fund.

Under the modified cash basis of accounting, investments are stated at cost.

Note 3 - Restricted Cash and Investments

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Purpose	Amount
Cemetery - restricted for cemetery care and operations	\$ 94,341
Library - restricted for use in library operations	\$ 3,512

Note 4 - Property Taxes

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

Note 5 - Retirement Plan

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

Benefits Provided

SDRS has 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 after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of the 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% of salary; Class B judicial members, 9% of salary; and Class B public safety member, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions made to the SDRS for the years ended December 31, 2021, 2020, and 2019, were \$14,779, \$11,904, and \$12,291, respectively, equal to the required contributions each year.

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

At June 30, 2021, SDRS is 105.53% 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 as of the measurement period ending June 30, 2021, and reported by the City of Ipswich as of December 31, 2021, are as follows:

Proportionate share of total pension liability	\$ 1,320,910
Less proportionate share of net position restricted for pension benefits	<u>1,393,863</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (72,953)</u></u>

At December 31, 2021, the City reported a liability (asset) of (\$72,953) 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 City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the City's proportion was 0.009526%, which is an increase of 0.0001003% from its proportion measured as of June 30, 2020.

Actuarial Assumptions

The total pension 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
Discount rate	6.50% net of plan investment expense. This is comprised 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 and 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 and 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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%
	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 plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) To Changes in the Discount Rate

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the City'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:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	\$ 118,129	\$ (72,953)	\$ (228,067)

Pension Plan Fiduciary Net Position

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

Note 6 - Significant Contingencies - Litigation

At December 31, 2021, the City was not involved in any litigation that would be material to the financial statements.

Note 7 - Leases

In 2021, the City entered into a capital lease agreement for equipment which expires in 2025. Future minimum lease payments to be paid out of the General Fund are as follows:

Years Ending December 31,	Amount
2022	\$ 26,071
2023	26,071
2024	26,071
2025	26,071
Total minimum lease payments	\$ 104,284

Note 8 - Restricted Net Position/Fund Balance

Restricted net position for the year ended December 31, 2021, is as follows:

Fund	Restricted By	Amount
General - Library	Statute	\$ 3,512
General - Cemetery	Statute	94,341
Water - Debt Service and Asset Replacement	Contractual Agreement	124,414
Sewer - Debt Service and Asset Replacement	Contractual Agreement	187,188
General - Debt Service	Contractual Agreement	27,667

Note 9 - Risk Management

The City 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 period ended December 31, 2021, the City managed its risks as follows:

Employee Health Insurance

The City purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

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

Workers' Compensation

The City purchases workers' compensation insurance from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During the year ended December 31, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.



Supplementary Information
December 31, 2021

City of Ipswich

City of Ipswich

Schedules of Proportionate Share of Net Pension Liability (Asset) and Pension Contributions
Year Ended December 31, 2021

Pension Plan	Fiscal Year Ending *	City's Percentage of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered Payroll (b)	City'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	6/30/2021	0.0095%	\$ (72,953)	\$ 216,189	-33.7%	105.52%
SDRS	6/30/2020	0.0094%	(409)	206,867	-0.2%	100.04%
SDRS	6/30/2019	0.0093%	(982)	196,676	-0.5%	100.09%
SDRS	6/30/2018	0.0088%	(205)	182,884	-0.1%	100.02%
SDRS	6/30/2017	0.0094%	(857)	178,674	-0.5%	100.10%
SDRS	6/30/2016	0.0090%	30,456	185,431	16.4%	96.89%
SDRS	6/30/2015	0.0094%	(39,922)	166,155	-24.0%	104.10%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2021	\$ 14,779	\$ 14,779	\$ -	\$ 246,318	6.0%
SDRS	12/31/2020	11,904	11,904	-	198,397	6.0%
SDRS	12/31/2019	12,291	12,291	-	204,849	6.0%
SDRS	12/31/2018	11,243	11,243	-	187,074	6.0%
SDRS	12/31/2017	10,773	10,773	-	179,542	6.0%
SDRS	12/31/2016	10,938	10,938	-	182,301	6.0%
SDRS	12/31/2015	10,471	10,471	-	175,231	6.0%

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

City of Ipswich
 Schedule of Changes in Long-Term Debt
 Year Ended December 31, 2021

Indebtedness	Long-Term Debt 1/1/21	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/21
Enterprise Long-Term Debt Revenue Bonds - Water	\$ 245,437	\$ -	\$ 8,528	\$ 236,909
USDA Rural Development Loan - Water	1,312,229	-	31,001	1,281,228
USDA Rural Development Loan - Sewer	3,224,764	-	63,727	3,161,037
Governmental Long-Term Debt Payloader Capital Lease	118,079	-	22,068	96,011
USDA Rural Development Loan - Street	<u>495,627</u>	<u>-</u>	<u>28,840</u>	<u>466,787</u>
Total	<u>\$ 5,396,136</u>	<u>\$ -</u>	<u>\$ 154,164</u>	<u>\$ 5,241,972</u>

City of Ipswich
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 384,000	\$ 384,000	\$ 385,188	\$ 1,188
313 General sales and use taxes	410,000	410,000	598,900	188,900
315 Amusement taxes	120	120	-	(120)
319 Penalties and interest on delinquent taxes	1,000	1,000	1,882	882
Total taxes	<u>795,120</u>	<u>795,120</u>	<u>985,970</u>	<u>190,850</u>
320 Licenses and permits	<u>5,800</u>	<u>5,800</u>	<u>7,215</u>	<u>1,415</u>
330 Intergovernmental revenue				
331 Federal grants	-	-	144,328	144,328
334 State grants	-	-	13,500	13,500
335 State shared revenue				
335.01 Bank franchise tax	3,000	3,000	2,741	(259)
335.02 Motor vehicle commercial prorate	4,500	4,500	5,379	879
335.03 Liquor tax reversion	6,000	6,000	6,941	941
335.04 Motor vehicle licenses (5%)	21,000	21,000	22,619	1,619
335.08 Local government highway and bridge fund	30,000	30,000	30,922	922
338 County shared revenue				
338.01 County road tax (25%)	1,411	1,411	1,411	-
338.03 County wheel tax	2,500	2,500	2,994	494
Total intergovernmental revenue	<u>68,411</u>	<u>68,411</u>	<u>230,835</u>	<u>162,424</u>
340 Charges for goods and services				
344 Sanitation	60,000	60,000	64,581	4,581
346 Culture and recreation	2,500	2,500	2,160	(340)
347 Ambulance	83,600	83,600	126,603	43,003
348 Cemetery	-	-	2,000	2,000
349 Other	-	-	113	113
Total charges for goods and services	<u>146,100</u>	<u>146,100</u>	<u>195,457</u>	<u>49,357</u>
350 Fines and forfeits				
351 Court fines and costs	-	-	82	82
352 Animal control fines	-	-	230	230
Total fines and forfeits	<u>-</u>	<u>-</u>	<u>312</u>	<u>312</u>
360 Miscellaneous revenue				
361 Investment earnings	3,500	3,500	3,721	221
362 Rentals	1,000	1,000	861	(139)
367 Contributions and donations from private sources	10,000	10,000	11,000	1,000
369 Other	13,500	13,500	20,880	7,380
Total miscellaneous revenue	<u>28,000</u>	<u>28,000</u>	<u>36,462</u>	<u>8,462</u>
Total revenues	<u>1,043,431</u>	<u>1,043,431</u>	<u>1,456,251</u>	<u>412,820</u>

City of Ipswich
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government				
411 Legislative	33,800	33,800	28,350	5,450
411.5 Contingency	36,779	36,779		
Amount transferred		(29,850)	-	6,929
413 Elections	800	800	85	715
414 Financial administration	132,900	132,900	128,488	4,412
Total general government	204,279	174,429	156,923	17,506
420 Public safety				
421 Police	3,000	3,000	2,625	375
422 Fire	19,750	19,750	15,799	3,951
423 Protective inspection administration	2,000	3,500	2,543	957
Total public safety	24,750	26,250	20,967	5,283
430 Public works				
431 Highways and streets	270,900	322,000	321,921	79
432 Sanitation	73,020	78,120	76,587	1,533
437 Cemeteries	6,150	6,150	3,175	2,975
Total public works	350,070	406,270	401,683	4,587
440 Health and welfare				
441 Health	5,300	5,300	6,011	(711)
446 Ambulance	115,550	151,300	151,275	25
Total health and welfare	120,850	156,600	157,286	(686)
450 Culture and recreation				
451 Recreation	64,300	97,800	96,728	1,072
452 Parks	144,862	207,962	207,927	35
455 Libraries	33,300	33,800	33,739	61
458 Museums	1,500	1,800	1,781	19
Total culture and recreation	243,962	341,362	340,175	1,187
470 Debt service	44,520	44,520	44,520	-
490 Miscellaneous				
492 Other expenditures	45,000	45,000	30,500	14,500
Total expenditures	1,033,431	1,194,431	1,152,054	42,377
Other Financing Sources (Uses)				
391.03 Sale of municipal property	-	-	3,000	3,000
391.04 Compensation for loss or damage to capital assets	-	-	442	442
Total other financing sources (uses)	-	-	3,442	3,442
Excess of Revenue over (under) Expenditures	10,000	(151,000)	307,639	458,639
Fund Balance - Beginning	1,794,087	1,794,087	1,794,087	-
Fund Balance - Ending	\$ 1,804,087	\$ 1,643,087	\$ 2,101,726	\$ 458,639

Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the schedule:

1. At the first regular council meeting in September of each year, or within ten days thereafter, the City Council introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Council, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in Number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the City Council to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the City Council.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

The City did not encumber any amounts at December 31, 2021.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. The budget for the General Fund is adopted on a basis consistent with a modified cash basis of accounting.

Note 2 - Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements, prepared on the modified cash basis of accounting, present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances; however, in the budgetary comparison schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department-related expenditures.

Note 3 - Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Pension Contributions

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 one plan provision change 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 City Council
City of Ipswich
Ipswich, 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, and each major fund of the City of Ipswich (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated May 25, 2022. The statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

City of Ipswich's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eric Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
May 25, 2022

Finding 2021-001 - Preparation of Financial Statements, Footnotes and Audit Journal Entries

Material Weakness

Criteria: The City of Ipswich's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing all necessary entries to the financial statements being audited in accordance with the modified cash basis of accounting.

Condition: The City requested the external auditors to prepare the financial statements and related notes for the year ended December 31, 2021. As a part of the financial statement preparation process, at times, we propose audit adjustments that are not identified as a result of the City's existing internal controls and, therefore, could result in a misstatement of the City's financial statements.

Cause: The City does not have adequate staff trained to prepare financial statements and the related footnotes and could cause the need for auditors to at times propose various journal entries.

Effect: This condition may affect the City'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 the modified cash basis of accounting has been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.

Finding 2021-002 - Lack of Segregation of Duties

Material Weakness

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. It also allows for adequate review of manual adjusting journal entries posted by an individual separate from who originated the entry.

Condition: The City of Ipswich has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures, payroll, and review of manual journal entries functions because of a lack of segregation of duties.

Cause: The City has an insufficient number of staff to adequately separate duties.

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

Recommendation: Although it is recognized that the number of office staff may not be large enough to permit adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the City Council exercise adequate oversight of the accounting function, which would include City Council review of manual journal entries.

Views of Responsible Officials: Management agrees with the finding.