



Financial Statements
December 31, 2024
City of Ipswich

| | |
|-----------------------|---|
| Mayor | Mike Steen |
| City Council | David Coisman Kayla Hartwell Mike Hammrich Tracy Hutson Erica Larson Michael Heinz |
| Finance Officer | Amanda Metzinger |
| Attorney | Vaughn P. Beck |

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|---|----|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statement of Net Position – Modified Cash Basis | 4 |
| Statement of Activities – Modified Cash Basis | 5 |
| Balance Sheet – Modified Cash Basis – Governmental Funds | 6 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds | 7 |
| Balance Sheet – Modified Cash Basis – Proprietary Funds | 9 |
| Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds | 10 |
| Statement of Cash Flows – Modified Cash Basis – Proprietary Funds | 11 |
| Notes to Financial Statements | 12 |
| Supplementary Information | |
| Schedules of Proportionate Share of Net Pension Liability (Asset) and Pension Contributions | 25 |
| Schedule of Changes in Notes and Bonds Payable | 26 |
| Budgetary Comparison Schedule – General Fund | 27 |
| Notes to Supplementary Information | 29 |
| 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> | 31 |
| Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance | 33 |
| Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards | 36 |
| Schedule of Findings and Questioned Costs | 37 |



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, 2024, 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 financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Ipswich as of December 31, 2024, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash 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* 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 City 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.

Emphasis of Matter – 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 the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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, schedule of changes in notes and bonds payable, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (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 GAAS. In our opinion, the supplementary information as listed above is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information. 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 basic 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 August 11, 2025, on our consideration of the City'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
August 11, 2025

City of Ipswich
Statement of Net Position – Modified Cash Basis
December 31, 2024

| | Primary Government | | |
|--|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 1,052,695 | \$ - | \$ 1,052,695 |
| Investments | 76,791 | 75,000 | 151,791 |
| Restricted assets | | | |
| Cash and cash equivalents restricted for | | | |
| Library | 1,751 | - | 1,751 |
| Cemetery | 25,590 | - | 25,590 |
| Investments restricted for | | | |
| Cemetery | 68,900 | - | 68,900 |
| Due from (to) other funds | 255,650 | (255,650) | - |
| Total assets | <u>\$ 1,481,377</u> | <u>\$ (180,650)</u> | <u>\$ 1,300,727</u> |
| Net Position (Deficit) | | | |
| Restricted for | | | |
| Library | \$ 1,751 | \$ - | \$ 1,751 |
| Debt service/repayment | 41,311 | 415,724 | 457,035 |
| Cemetery | 94,490 | - | 94,490 |
| Asset replacement | - | 11,651 | 11,651 |
| Unrestricted | 1,343,825 | (608,025) | 735,800 |
| Total net position (deficit) | <u>\$ 1,481,377</u> | <u>\$ (180,650)</u> | <u>\$ 1,300,727</u> |

City of Ipswich
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2024

| 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 | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 171,912 | \$ 6,840 | \$ 1,500 | \$ - | \$ (163,572) | \$ - | \$ (163,572) |
| Public safety | 23,733 | - | - | - | (23,733) | - | (23,733) |
| Public works | 577,925 | 105,456 | 68,724 | - | (403,745) | - | (403,745) |
| Health and welfare | 209,278 | 80,527 | 52,999 | - | (75,752) | - | (75,752) |
| Culture and recreation | 224,295 | 1,565 | - | - | (222,730) | - | (222,730) |
| Miscellaneous | 8,000 | - | - | - | (8,000) | - | (8,000) |
| Debt service | 100,761 | - | - | - | (100,761) | - | (100,761) |
| Total governmental activities | <u>1,315,904</u> | <u>194,388</u> | <u>123,223</u> | <u>-</u> | <u>(998,293)</u> | <u>-</u> | <u>(998,293)</u> |
| Business-type activities | | | | | | | |
| Water | 414,948 | 331,842 | - | 1,770,370 | - | 1,687,264 | 1,687,264 |
| Sewer | 2,679,589 | 278,573 | - | 678,183 | - | (1,722,833) | (1,722,833) |
| Total business-type activities | <u>3,094,537</u> | <u>610,415</u> | <u>-</u> | <u>2,448,553</u> | <u>-</u> | <u>(35,569)</u> | <u>(35,569)</u> |
| | <u>\$ 4,410,441</u> | <u>\$ 804,803</u> | <u>\$ 123,223</u> | <u>\$ 2,448,553</u> | <u>(998,293)</u> | <u>(35,569)</u> | <u>(1,033,862)</u> |
| General Revenues | | | | | | | |
| Taxes | | | | | | | |
| Property and amusement taxes | | | | | 415,820 | - | 415,820 |
| Sales taxes | | | | | 514,635 | - | 514,635 |
| State shared revenues | | | | | 9,226 | - | 9,226 |
| Unrestricted investment earnings | | | | | 10,634 | 1,513 | 12,147 |
| Miscellaneous revenue | | | | | 15,616 | 30,181 | 45,797 |
| Total general revenues | | | | | <u>965,931</u> | <u>31,694</u> | <u>997,625</u> |
| Change in Net Position | | | | | (32,362) | (3,875) | (36,237) |
| Net Position (Deficit) - Beginning | | | | | <u>1,513,739</u> | <u>(176,775)</u> | <u>1,336,964</u> |
| Net Position (Deficit) - Ending | | | | | <u>\$ 1,481,377</u> | <u>\$ (180,650)</u> | <u>\$ 1,300,727</u> |

See Notes to Financial Statements

City of Ipswich
Balance Sheet – Modified Cash Basis – Governmental Funds
December 31, 2024

| | <u>General Fund</u> |
|---------------------------|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 1,052,695 |
| Restricted cash | 27,341 |
| Investments | 76,791 |
| Restricted investments | 68,900 |
| Due from other funds | <u>255,650</u> |
| Total assets | <u><u>\$ 1,481,377</u></u> |
| Fund Balances | |
| 264 Restricted for | |
| Library | \$ 1,751 |
| Debt repayment | 41,311 |
| Cemetery | 94,490 |
| 265 Committed for | |
| Capital outlay | 69,661 |
| 267 Unassigned | <u>1,274,164</u> |
| Total fund balances | <u><u>\$ 1,481,377</u></u> |

City of Ipswich

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2024

| | General Fund |
|--|------------------|
| Revenues | |
| 310 Taxes | |
| 311 General property taxes | \$ 414,857 |
| 313 General sales and use taxes | 514,635 |
| 319 Penalties and interest on delinquent taxes | 963 |
| Total taxes | <u>930,455</u> |
| 320 Licenses and permits | <u>5,979</u> |
| 330 Intergovernmental revenue | |
| 334 State grants | 52,999 |
| 335 State shared revenue | |
| 335.01 Bank franchise tax | 2,879 |
| 335.02 Motor vehicle commercial prorate | 5,936 |
| 335.03 Liquor tax reversion | 6,347 |
| 335.04 Motor vehicle licenses (5%) | 26,066 |
| 335.08 Local government highway and bridge fund | 32,166 |
| 338 County shared revenue | |
| 338.01 County road tax (25%) | 1,411 |
| 338.03 County wheel tax | 3,145 |
| Total intergovernmental revenue | <u>130,949</u> |
| 340 Charges for goods and services | |
| 343 Highways and streets | 36,296 |
| 344 Sanitation | 68,760 |
| 346 Culture and recreation | 1,565 |
| 347 Ambulance | 66,521 |
| 348 Cemetery | 400 |
| 349 Other | 14,006 |
| Total charges for goods and services | <u>187,548</u> |
| 360 Miscellaneous revenue | |
| 361 Investment earnings | 10,634 |
| 362 Rentals | 861 |
| 367 Contributions and donations from private sources | 1,500 |
| 369 Other | 15,616 |
| Total miscellaneous revenue | <u>28,611</u> |
| Total revenues | <u>1,283,542</u> |

City of Ipswich

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis –
Governmental Funds
Year Ended December 31, 2024

| | General Fund |
|------------------------------|----------------------------|
| Expenditures | |
| 410 General government | |
| 411 Legislative | 31,640 |
| 413 Elections | 953 |
| 414 Financial administration | 139,319 |
| Total general government | <u>171,912</u> |
| 420 Public safety | |
| 421 Police | 3,402 |
| 422 Fire | 20,331 |
| Total public safety | <u>23,733</u> |
| 430 Public works | |
| 431 Highways and streets | 472,635 |
| 432 Sanitation | 90,166 |
| 437 Cemeteries | 15,124 |
| Total public works | <u>577,925</u> |
| 440 Health and welfare | |
| 441 Health | 14,355 |
| 446 Ambulance | 194,923 |
| Total health and welfare | <u>209,278</u> |
| 450 Culture and recreation | |
| 451 Recreation | 89,075 |
| 452 Parks | 85,681 |
| 455 Libraries | 44,768 |
| 458 Museums | 4,771 |
| Total culture and recreation | <u>224,295</u> |
| 470 Debt service | <u>100,761</u> |
| 490 Miscellaneous | |
| 492 Other expenditures | 8,000 |
| Total miscellaneous | <u>8,000</u> |
| Total expenditures | <u>1,315,904</u> |
| Net Change in Fund Balance | (32,362) |
| Fund Balance - Beginning | <u>1,513,739</u> |
| Fund Balance - Ending | <u><u>\$ 1,481,377</u></u> |

City of Ipswich
Balance Sheet – Modified Cash Basis – Proprietary Funds
December 31, 2024

| | Water Fund | Sewer Fund | Totals |
|-------------------------------------|------------------|------------------|------------------|
| Assets | | | |
| Current Assets | | | |
| Investments | \$ 50,000 | \$ 25,000 | \$ 75,000 |
| Total assets | <u>\$ 50,000</u> | <u>\$ 25,000</u> | <u>\$ 75,000</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Due to other funds | \$ 48,581 | \$ 207,069 | \$ 255,650 |
| Total current liabilities | <u>48,581</u> | <u>207,069</u> | <u>255,650</u> |
| Total liabilities | <u>48,581</u> | <u>207,069</u> | <u>255,650</u> |
| Net Position | | | |
| Restricted net position for | | | |
| Debt service/repayment | 133,539 | 282,185 | 415,724 |
| Asset replacement | 4,400 | 7,251 | 11,651 |
| Unrestricted net position (deficit) | <u>(136,520)</u> | <u>(471,505)</u> | <u>(608,025)</u> |
| Total net position (deficit) | <u>1,419</u> | <u>(182,069)</u> | <u>(180,650)</u> |
| Total liabilities and net position | <u>\$ 50,000</u> | <u>\$ 25,000</u> | <u>\$ 75,000</u> |

Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2024

| | Water Fund | Sewer Fund | Totals |
|---|---------------|---------------|--------------|
| Operating Revenue | | | |
| 380 Charges for goods and services | \$ 336,938 | \$ 83,732 | \$ 420,670 |
| 381 Revenue dedicated to servicing debt | 17,671 | 172,074 | 189,745 |
| 369 Miscellaneous | 7,414 | 22,767 | 30,181 |
| Total operating revenue | 362,023 | 278,573 | 640,596 |
| Operating Expenses | | | |
| 410 Personal services | 47,094 | 54,692 | 101,786 |
| 420 Other current expense | 38,098 | 1,405,805 | 1,443,903 |
| 426.2 Materials | 209,773 | - | 209,773 |
| 430 Capital assets | 31,000 | 1,071,480 | 1,102,480 |
| Total operating expenses | 325,965 | 2,531,977 | 2,857,942 |
| Operating Income (Loss) | 36,058 | (2,253,404) | (2,217,346) |
| Nonoperating Revenue (Expense) | | | |
| 331 Federal grants | - | 1,770,370 | 1,770,370 |
| 361 Investment earnings | 1,407 | 106 | 1,513 |
| 391.20 Debt issued | - | 678,183 | 678,183 |
| 441 Debt service (principal) | (43,499) | (68,943) | (112,442) |
| 442 Debt service (interest) | (45,484) | (78,669) | (124,153) |
| Total nonoperating revenue (expense) | (87,576) | 2,301,047 | 2,213,471 |
| Change in Net Position | (51,518) | 47,643 | (3,875) |
| Net Position (Deficit) - Beginning | 52,937 | (229,712) | (176,775) |
| Net Position (Deficit) - Ending | \$ 1,419 | \$ (182,069) | \$ (180,650) |

City of Ipswich
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds
Year Ended December 31, 2024

| | Enterprise Funds | | |
|--|------------------|----------------|----------------|
| | Water Fund | Sewer Fund | Totals |
| Cash Flows from (used for) Operating Activities | | | |
| Receipt from customers | \$ 354,609 | \$ 255,806 | \$ 610,415 |
| Payments to suppliers | (247,871) | (1,405,805) | (1,653,676) |
| Payments to employees | (47,094) | (54,692) | (101,786) |
| Other receipts | 7,414 | 22,767 | 30,181 |
| Net Cash from (used for) Operating Activities | 67,058 | (1,181,924) | (1,114,866) |
| Cash Flows from (used for) Noncapital Financing Activities | | | |
| Interfund borrowings | 48,581 | 207,069 | 255,650 |
| Net Cash from Noncapital Financing Activities | 48,581 | 207,069 | 255,650 |
| Cash Flows from (used for) Capital and Related Financing Activities | | | |
| Capital grants | - | 1,770,370 | 1,770,370 |
| Purchase of capital assets | (31,000) | (1,071,480) | (1,102,480) |
| Proceeds from long-term debt | - | 678,183 | 678,183 |
| Principal paid on capital debt | (43,499) | (68,943) | (112,442) |
| Interest paid on capital debt | (45,484) | (78,669) | (124,153) |
| Net Cash from (used for) Capital and Related Financing Activities | (119,983) | 1,229,461 | 1,109,478 |
| Cash Flows from Investing Activities | | | |
| Interest earnings | 1,407 | 106 | 1,513 |
| Net Change in Cash and Cash Equivalents | (2,937) | 254,712 | 251,775 |
| Cash and Cash Equivalents - Beginning | 52,937 | (229,712) | (176,775) |
| Cash and Cash Equivalents - Ending | \$ 50,000 | \$ 25,000 | \$ 75,000 |
| Cash and Cash Equivalents Consist of | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Investments | 50,000 | 25,000 | 75,000 |
| Total cash and cash equivalents | \$ 50,000 | \$ 25,000 | \$ 75,000 |
| Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities | | | |
| Operating income (loss) | \$ 36,058 | \$ (2,253,404) | \$ (2,217,346) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities | | | |
| Purchase of capital assets | 31,000 | 1,071,480 | 1,102,480 |
| Net Cash from (used for) Operating Activities | \$ 67,058 | \$ (1,181,924) | \$ (1,114,866) |

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, the 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 amounts due to/from between funds 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. 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 due/to other funds.
2. The City did not have internal service fund activity which required elimination as of December 31, 2024.

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 that 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, 2024, 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, 2024, 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>813,438</u> |
| | <u><u>\$ 1,313,438</u></u> |

The City’s carrying amount of deposits at December 31, 2024, is as follows:

| | |
|---------------------------|----------------------------|
| Cash and cash equivalents | \$ 1,080,036 |
| Investments | <u>220,691</u> |
| | <u><u>\$ 1,300,727</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, 2024, the City’s 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, 2024, 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 fund making the investment.

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 | \$ 94,490 |
| Library - restricted for use in library operations | 1,751 |

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). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 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 enacted the current COLA process. At each valuation date:

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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, 2024, 2023 and 2022, were \$19,323, \$19,340 and \$17,143, 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, 2024, SDRS is 100.00% 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, 2024, and reported by the City of Ipswich as of December 31, 2024, are as follows:

| | |
|--|------------------|
| Proportionate share of total pension liability | \$ 1,714,407 |
| Less proportionate share of net position restricted for pension benefits | <u>1,714,872</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (465)</u> |

At December 31, 2024, the City disclosed a liability (asset) of (\$465) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, 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, 2024, the City's proportion was 0.0114920%, which is an increase of 0.0000170% from its proportion measured as of June 30, 2023. The City's proportionate share net pension liability (asset) is not reported in financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

The total pension asset in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|--|
| Inflation | 2.50% |
| Salary increases | Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service |
| Discount rate | 6.50% net of plan investment expense. This is comprised of an average inflation rate of 2.50% and real returns of 4.00%. |
| Future COLAs | 1.71% |

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

- Active and Terminated Vested Members:
 - Teachers, Certified Regents, and Judicial: PubT-2010
 - Other Class A Members: PubG-2010
 - Public Safety Members: PubS-2010
- Retired Members:
 - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
 - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
 - Public Safety Retirees: PubS-2010, 102% of rates at all ages
- Beneficiaries:
 - PubG-2010 contingent survivor mortality table
- Disabled Members:
 - Public Safety: PubS-2010 disabled member mortality table
 - Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|---|
| Public Equity | 56.3% | 3.6% |
| Investment Grade Debt | 22.8% | 2.3% |
| High Yield Debt | 7.0% | 2.8% |
| Real Estate | 12.0% | 4.0% |
| Cash | 1.9% | 0.8% |
| | <u>100.0%</u> | |

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|--------------------|
| City's proportionate share of the net pension liability (asset) | \$ 236,386 | \$ (465) | \$ (194,283) |

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, 2024, the City was not involved in any litigation that would be material to the financial statements.

Note 7 - Restricted Net Position/Fund Balance

Restricted net position for the year ended December 31, 2024, is as follows:

| Fund | Restricted By | Amount |
|--|-----------------------|----------|
| General - Library | Statute | \$ 1,751 |
| General - Cemetery | Statute | 94,490 |
| General - Debt Service | Contractual Agreement | 41,311 |
| Water - Debt Service and Asset Replacement | Contractual Agreement | 137,939 |
| Sewer - Debt Service and Asset Replacement | Contractual Agreement | 289,436 |

Note 8 - 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, 2024, 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, 2024, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 9 - Deficit Net Position

As of December 31, 2024, the Sewer Fund had a deficit net position balance of \$182,069. The City plans to transfer available resources within the General Fund to the Sewer Fund to address the deficient net position.

Note 10 - Violations of Finance-Related Legal and Contractual Provisions

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The City, within the debt service function, did not appropriate any amounts for debt service expenditures and, thus, overspent appropriations by \$100,761. The City plans to exercise greater oversight during the budgeting process and to appropriate necessary amounts for required debt service expenditures.

Note 11 - Interfund Transactions

As of December 31, 2024, the Water Fund and Sewer Fund has expended more cash than that of which was on hand in each respective fund and, therefore, has borrowed from General Fund pooled cash in the amount of \$48,581 and \$207,069, respectively, which is reflected in the financial statements as amounts due from and due to other funds. As of December 31, 2024, management of the City expects the Water Fund and Sewer Fund to repay the interfund payable to the General Fund within a reasonable period of time.

Note 12 - Commitments

The City has entered into certain material commitments with local contractors for various sewer projects. Remaining contractual commitments on these ongoing projects not yet paid amounted to approximately \$1,437,000 as of December 31, 2024.



Supplementary Information
December 31, 2024

City of Ipswich

City of Ipswich
Schedules of Proportionate Share of Net Pension Liability (Asset) and Pension Contributions
Year Ended December 31, 2024

Schedule of Proportionate Share of Net Pension Liability (Asset)

| 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 | 6/30/2024 | 0.0115% | \$ (465) | \$ 305,259 | -0.2% | 100.00% |
| SDRS | 6/30/2023 | 0.0115% | (1,120) | 295,982 | -0.4% | 100.10% |
| SDRS | 6/30/2022 | 0.0114% | (1,075) | 271,701 | -0.4% | 100.10% |
| 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.

Schedule of Pension Contributions

| 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 | 12/31/2024 | \$ 19,323 | \$ 19,323 | \$ - | \$ 302,554 | 6.4% |
| SDRS | 12/31/2023 | 19,340 | 19,340 | - | 313,261 | 6.2% |
| SDRS | 12/31/2022 | 17,143 | 17,143 | - | 285,707 | 6.0% |
| 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% |

City of Ipswich
Schedule of Changes in Notes and Bonds Payable
Year Ended December 31, 2024

| Indebtedness | Long-Term Debt 1/1/24 | Add New Debt | Less Debt Retired | Long-Term Debt 12/31/24 |
|--|-----------------------------|-------------------|----------------------|-------------------------------|
| Enterprise Long-Term Debt | | | | |
| Revenue Bonds - Water | \$ 219,071 | \$ - | \$ 9,328 | \$ 209,743 |
| USDA Rural Development Loan - Water | 1,216,124 | - | 34,171 | 1,181,953 |
| USDA Rural Development Loan - Sewer | 3,028,458 | - | 68,943 | 2,959,515 |
| Revenue Bonds - Sewer | - | 678,183 | - | 678,183 |
| Governmental Long-Term Debt | | | | |
| Payloader Lease Liability | 49,605 | - | 24,389 | 25,216 |
| USDA Rural Development Loan - Streets | 406,222 | - | 31,789 | 374,433 |
| 2022 Ford F550 Ambulance Loan | 108,245 | - | 25,303 | 82,942 |
| Total | <u>\$ 5,027,725</u> | <u>\$ 678,183</u> | <u>\$ 193,923</u> | <u>\$ 5,511,985</u> |

City of Ipswich
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2024

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|------------|------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| Revenues | | | | |
| 310 Taxes | | | | |
| 311 General property taxes | \$ 419,800 | \$ 419,800 | \$ 414,857 | \$ (4,943) |
| 313 General sales and use taxes | 550,000 | 550,000 | 514,635 | (35,365) |
| 319 Penalties and interest on delinquent taxes | 500 | 500 | 963 | 463 |
| Total taxes | 970,300 | 970,300 | 930,455 | (39,845) |
| 320 Licenses and permits | 5,550 | 5,550 | 5,979 | 429 |
| 330 Intergovernmental revenue | | | | |
| 334 State grants | 3,500 | 52,244 | 52,999 | 755 |
| 335 State shared revenue | | | | |
| 335.01 Bank franchise tax | 3,500 | 3,500 | 2,879 | (621) |
| 335.02 Motor vehicle commercial prorated | 5,500 | 5,500 | 5,936 | 436 |
| 335.03 Liquor tax reversion | 6,500 | 6,500 | 6,347 | (153) |
| 335.04 Motor vehicle licenses (5%) | 24,000 | 24,000 | 26,066 | 2,066 |
| 335.08 Local government highway and bridge fund | 31,000 | 31,000 | 32,166 | 1,166 |
| 338 County shared revenue | | | | |
| 338.01 County road tax (25%) | 1,411 | 1,411 | 1,411 | - |
| 338.03 County wheel tax | 3,000 | 3,000 | 3,145 | 145 |
| Total intergovernmental revenue | 78,411 | 127,155 | 130,949 | 3,794 |
| 340 Charges for goods and services | | | | |
| 343 Highways and streets | - | 35,857 | 36,296 | 439 |
| 344 Sanitation | 65,000 | 65,000 | 68,760 | 3,760 |
| 346 Culture and recreation | 2,000 | 2,000 | 1,565 | (435) |
| 347 Ambulance | 105,000 | 105,000 | 66,521 | (38,479) |
| 348 Cemetery | 1,500 | 1,500 | 400 | (1,100) |
| 349 Other | - | - | 14,006 | 14,006 |
| Total charges for goods and services | 173,500 | 209,357 | 187,548 | (21,809) |
| 350 Fines and forfeits | | | | |
| 351 Court fines and costs | 100 | 100 | - | (100) |
| 352 Animal control fines | 100 | 100 | - | (100) |
| Total fines and forfeits | 200 | 200 | - | (200) |
| 360 Miscellaneous revenue | | | | |
| 361 Investment earnings | 4,500 | 4,500 | 10,634 | 6,134 |
| 362 Rentals | 1,000 | 1,000 | 861 | (139) |
| 367 Contributions and donations from private sources | - | 1,500 | 1,500 | - |
| 369 Other | 13,500 | 15,373 | 15,616 | 243 |
| Total miscellaneous revenue | 19,000 | 22,373 | 28,611 | 6,238 |
| Total revenues | 1,246,961 | 1,334,935 | 1,283,542 | (51,393) |

City of Ipswich
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2024

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|--------------|--------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| Expenditures | | | | |
| 410 General government | | | | |
| 411 Legislative | 36,600 | 36,600 | 31,640 | 4,960 |
| 411.5 Contingency | 30,000 | 30,000 | | |
| Amount transferred | | (30,000) | - | - |
| 413 Elections | 1,000 | 1,000 | 953 | 47 |
| 414 Financial administration | 139,740 | 140,590 | 139,319 | 1,271 |
| Total general government | 207,340 | 178,190 | 171,912 | 6,278 |
| 420 Public safety | | | | |
| 421 Police | 4,000 | 4,000 | 3,402 | 598 |
| 422 Fire | 19,200 | 20,350 | 20,331 | 19 |
| 423 Protective inspection administration | 2,500 | 2,500 | - | 2,500 |
| Total public safety | 25,700 | 26,850 | 23,733 | 3,117 |
| 430 Public works | | | | |
| 431 Highways and streets | 467,271 | 503,128 | 472,635 | 30,493 |
| 432 Sanitation | 77,200 | 90,300 | 90,166 | 134 |
| 437 Cemeteries | 15,000 | 15,150 | 15,124 | 26 |
| Total public works | 559,471 | 608,578 | 577,925 | 30,653 |
| 440 Health and welfare | | | | |
| 441 Health | 7,400 | 14,400 | 14,355 | 45 |
| 446 Ambulance | 206,050 | 256,667 | 194,923 | 61,744 |
| Total health and welfare | 213,450 | 271,067 | 209,278 | 61,789 |
| 450 Culture and recreation | | | | |
| 451 Recreation | 65,600 | 91,100 | 89,075 | 2,025 |
| 452 Parks | 118,900 | 110,050 | 85,681 | 24,369 |
| 455 Libraries | 37,600 | 44,400 | 44,768 | (368) |
| 458 Museums | 2,000 | 4,800 | 4,771 | 29 |
| Total culture and recreation | 224,100 | 250,350 | 224,295 | 26,055 |
| 470 Debt service | - | - | 100,761 | (100,761) |
| 490 Miscellaneous | | | | |
| 492 Other expenditures | 25,000 | 8,000 | 8,000 | - |
| Total expenditures | 1,255,061 | 1,343,035 | 1,315,904 | 27,131 |
| Excess of Revenue over (under) Expenditures | (8,100) | (8,100) | (32,362) | (24,262) |
| Fund Balance - Beginning | 1,513,739 | 1,513,739 | 1,513,739 | - |
| Fund Balance - Ending | \$ 1,505,639 | \$ 1,505,639 | \$ 1,481,377 | \$ (24,262) |

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, 2024.

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 the same manner as under the budgetary basis of accounting, whereas capital outlay expenditures are reported within the function to which they relate.

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

Changes from Prior Valuation

The June 30, 2024, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, actuarial valuation.

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

Changes of Benefit Provision

During the 2024 legislative session, no significant SDRS benefit changes were made.

Changes of Assumptions

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

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

Actuarial Method Changes

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



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

The 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 (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 11, 2025. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002, 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 questioned costs. 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 the responses.

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 Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
August 11, 2025



**Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

The City Council
City of Ipswich
Ipswich, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited City of Ipswich's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2024. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-003. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



Aberdeen, South Dakota
August 11, 2025

City of Ipswich

Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards
December 31, 2024

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Financial Assistance Listing | Expenditures |
|---|--|--|--------------|
| U.S. Department of Treasury Passed through State of South Dakota Board of Water and Natural Resources COVID 19 - Coronavirus State and Local Fiscal Recovery Funds | **** | 21.027 | \$ 1,770,370 |
| Total U.S. Department of Treasury | | | 1,770,370 |
| U.S. Department of Agriculture Community Facilities Loans and Grants Programs | N/A | 10.766 | 406,222 |
| Total U.S. Department of Agriculture | | | 406,222 |
| Total Federal Financial Assistance | | | \$ 2,176,592 |

**** Pass-Through Entity Identifying Number not provided

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2024. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position and fund balance, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified cash basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Organization does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Note 4 - Loan Programs

For the Community Facilities Loan and Grants program, expenditures reported in this schedule consist of the beginning of the year outstanding loan balance plus advances made on the loan during the year. The outstanding balance at December 31, 2024, was \$374,433.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

| | |
|---|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Noncompliance material to financial statements noted? | No |

FEDERAL AWARDS

| | |
|--|---------------|
| Internal control over major program: | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): | Yes |

Identification of major programs:

| <u>Name of Federal Program</u> | <u>Federal Financial Assistance Listing</u> |
|---|---|
| COVID 19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

Finding 2024-001 - Preparation of Financial Statements, Footnotes, Schedule of Expenditures of Federal Awards, and Audit Journal Entries

Material Weakness

Criteria: The City of Ipswich's (the City) internal control structure should be designed to provide for the preparation of the financial statements, footnotes, and the schedule of expenditures of federal awards, 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, the related footnotes, and the schedule of expenditures of federal awards for the year ended December 31, 2024. 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, the related footnotes, and the schedule of expenditures of federal awards which could, at times, cause the need for auditors to propose various journal entries and compile the schedule of expenditures of federal awards.

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 and to correctly report the year ended federal expenditures.

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 2024-002 - 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 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.

Section III – Federal Award Findings and Questioned Costs

Finding 2024-003

U.S. Department of Treasury

Passed through State of South Dakota Board of Water and Natural Resources

Federal Financial Assistance Listing 21.027

Federal Award Number SLFRP5319

Federal Award Year 2021

Coronavirus State and Local Fiscal Recovery Funds

Procurement

Material Weakness in Internal Control over Compliance and Noncompliance

Criteria: Non-federal entities other than states must follow the procurement standards set out at 2 CFR sections 200.318 through 200.327, which include having documented procedures for procurement transactions and written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts.

Condition: The City does not have a formal documented procurement policy which includes written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts with federal funds.

Cause: The City has not formalized their practiced procurement policy and conflict of interest standards into a formal written document.

Effect: This condition increases the risk of that federal procurement requirements and conflict of interest standards are not adequately communicated to and understood by employees engaged in the selection, award, and administration of contracts, which increases the risk of procurements under federal awards being made not in compliance with federal regulations or other procurement requirements specific to an award.

Context/Sampling: No sampling used.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend management formally document their procurement policy, ensuring that all required procurement standards within 2 CFR sections 200.318 through 200.327 are addressed.

Views of Responsible Officials: Management agrees with the finding.



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Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2024

Prepared by Management of
City of Ipswich

The City of Ipswich respectfully submits the following summary of prior audit findings and corrective action plan for the year ended December 31, 2024.

Summary Schedule of Prior Audit Findings

Finding 2023-001

Initial Fiscal Year Finding Occurred: Unknown

Finding Summary: The City requested the external auditors to prepare the financial statements and related notes for the year ended December 31, 2023. As a part of the financial statement preparation process, the auditors proposed both material and non-material audit adjustments that were not identified as a result of the City's existing internal controls and, therefore, could result in a material misstatement of the City's financial statements if not recorded.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our financial statements and accompanying notes to the financial statements. We have provided a designated member of management to review the draft financial statements and footnotes along with reviewing the proposed adjustments during the audit.

Finding 2023-002

Initial Fiscal Year Finding Occurred: Unknown

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

Status: Ongoing. Due to cost considerations and the size of the City, it is not cost effective to hire additional staff to facilitate the adequate separation of duties.

Financial Statement Findings

Finding 2024-001

Finding Summary: Eide Bailly LLP prepared our financial statements, accompanying notes to the financial statements, as well as the current year schedule of expenditures of federal awards. They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Mike Steen, Mayor and Amanda Metzinger, Finance Officer

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes, including the schedule of expenditures of federal awards (SEFA). We requested that our auditors, Eide Bailly LLP, prepared the financial statements, the accompanying notes to the financial statements and the SEFA as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, including the SEFA and we have reviewed with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

Finding 2024-002

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

Responsible Individuals: Mike Steen, Mayor and Amanda Metzinger, Finance Officer

Corrective Action Plan: It is not cost effective due to the size of the City and the volume of transactions to have an internal control system designed with additional staff to facilitate the adequate separation of duties in the revenue, expenditures, payroll, and review of manual entries functions. Management and the City Council are aware of the condition and accept the relevant risks that are presented by this finding. We are aware of this finding and are attempting to provide compensating controls.

Anticipated Completion Date: Ongoing

Corrective Action Plan

Federal Award Findings

Finding 2024-003

U.S. Department of Treasury

Passed through State of South Dakota Board of Water and Natural Resources

Federal Financial Assistance Listing 21.027

Coronavirus State and Local Fiscal Recovery Funds

| | |
|-------------------------------------|---|
| <i>Finding Summary:</i> | The City does not have a formal documented procurement policy which includes written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts with federal funds.. |
| <i>Responsible Individuals:</i> | Mike Steen, Mayor and Amanda Metzinger, Finance Officer |
| <i>Corrective Action Plan:</i> | Management plans to formally document and approve an official written procurement policy that follows all necessary state and federal laws, including the required procurement standards within 2 CFR sections 200.318 through 200.327. |
| <i>Anticipated Completion Date:</i> | 9/22/25 |