



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

To the Management Team and City Council of the  
City of Oelwein, Iowa

| City of Oelwein<br>Audit Communication                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the City of Oelwein, Iowa as of and for the year ended June 30, 2026. We have issued our report thereon dated October 12, 2026. Professional standards require that we advise you of certain matters related to our audit. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>1. Our Responsibilities in Relation to the Financial Statement Audit</b>                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"><li>➤ <b>Plan and perform the audit.</b> Our responsibility, as prescribed by professional standards, is to plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement due to fraud or error. An audit of financial statements also includes consideration of internal control as it relates to financial reporting objectives only, and not for the purpose of providing assurance over internal control.</li><li>➤ <b>Form and express an opinion.</b> As communicated in our engagement letter dated June 1, 2026, our responsibility is to form and express opinions about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in accordance with the cash basis of accounting described in Note 1. We are also responsible for expressing an opinion on the City's compliance with requirements applicable to its major federal program.</li><li>➤ <b>Communicate significant matters to you.</b> We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.</li></ul> |
| <b>2. Management's Responsibilities in Relation to the Financial Statement Audit</b>                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"><li>➤ <b>Financial statements.</b> Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1 and for determining that the cash basis is acceptable in the circumstances. This includes the design, implementation and maintenance of internal control relevant to preparing financial statements free from material misstatement, whether due to fraud or error. Management is also responsible for evaluating whether conditions or events raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date.</li><li>➤ <b>Federal awards.</b> Management is responsible for compliance with federal statutes, regulations and the terms and conditions of federal awards applicable to the City's federal programs, and for establishing and maintaining effective internal control over that compliance.</li></ul>                                                                                                                                                                                                                                                                                              |
| <b>3. Audit Opinion</b>                                                                                                                                                                                                                                                                                                                                                                            | The City received unmodified opinions on its cash basis financial statements. We concluded that the financial statements present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2026, and the respective changes in cash basis financial position for the year then ended.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |



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|                                               | <p>The City also received an unmodified opinion on compliance for its major federal program, Highway Planning and Construction (Assistance Listing Number 20.205).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>4. Significant Accounting Policies</b>     | <p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were two new accounting standard changes adopted during the year:</p> <ul style="list-style-type: none"><li>➤ <b>GASB 103, Financial Reporting Model Improvements.</b> During FY26, the City considered the presentation concepts in GASB Statement No. 103 to the extent applicable to its cash-basis special purpose framework financial statements. The City incorporated applicable presentation concepts where meaningful, including terminology for unusual or infrequent items, classification of proprietary fund receipts and disbursements, presentation of budgetary information as other information, and use of the term noncapital subsidies. Implementation did not materially affect the City's reported cash basis financial position.</li><li><b>GASB 104, Disclosure of Certain Capital Assets.</b> The City evaluated the disclosure requirements applicable to certain lease assets, intangible right-to-use assets, subscription assets and capital assets held for sale. Implementation did not have a material effect on the City's cash-basis financial statements.</li></ul> <p>No other new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions for which there was a lack of authoritative guidance or consensus.</p> |
| <b>5. Adjustments to Financial Statements</b> | <p>Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.</p> <ul style="list-style-type: none"><li>➤ <b>Corrected adjustments.</b> There was one correcting entry to correct a prior year fund balance account.</li><li>➤ <b>Uncorrected adjustments.</b> There were adjustments identified that did not rise to the dollar amount threshold required to post an adjustment to the financial statements.</li></ul> <p><i>Certain lease receivables were not discounted and disclosed in the financial statements. As the City reports on a cash basis, this is only recorded for disclosure purposes. The total lease amount as of June 30, 2026 totaled \$9,500.</i></p> <p><i>IPERS payments per the State's actuary reports did not properly reconcile to the City's financial records by \$5,367.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>6. Overview of Financial Results</b>       | <p><b>Overview of Financial Results:</b></p> <p>One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" Over time,</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



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|  | <p>increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.</p> <ul style="list-style-type: none"><li>• The City's total net position decreased \$185,645 during the year from \$11,837,079 to \$11,651,434. When reviewing a cash basis financial statement, the timing of receipts and disbursements as of a certain date in time can really impact the numbers. Due to project timing and other factors, the City's cash balances can fluctuate significantly when comparing balances as of a specific date. Of the \$11.6 million cash position, approximately \$6.4 million is unrestricted at year-end.</li></ul> <p><b>Measuring the Financial Success of a City</b></p> <p>The financial success of a city is reflected in its ability to maintain long-term fiscal stability while effectively managing public resources and providing quality services to residents. Key indicators include maintaining a balanced budget, sustaining diverse and reliable revenue sources, and controlling operating expenditures in line with growth. The City maintains healthy fund balances, engages in responsible debt levels, and ongoing investment in capital assets to further demonstrate its strong financial management. Economic trends—such as employment levels, property value growth, and population stability—also indicate a thriving local economy. Finally, timely financial reporting, clean audit results, and transparent governance strengthen public trust and confirm the city's commitment to sound financial stewardship.</p> <ul style="list-style-type: none"><li>▪ Proper budgeting represents a key element of internal control over financial reporting. It establishes legal authorization for expenditures, provides a framework for comparison of actual results to budgeted appropriations, and supports management's ability to monitor compliance with fiscal policies. By identifying material variances on a timely basis, budgetary control strengthens accountability, reduces the risk of unauthorized spending, and enhances the reliability of financial reporting.</li></ul> <p>The City did not exceed its budgeted limits set for the year as noted on <b>page 29</b>.</p> <ul style="list-style-type: none"><li>▪ The City did report a deficit balance in one Capital Project Fund - Dry Run Creek Flooding Capital Projects Fund of \$189,994 at June 30, 2026. Management is pursuing funding sources to eliminate the deficit and has indicated that franchise fee revenues will be used if those efforts are unsuccessful. The City should monitor the timing and availability of funding and implement a plan to eliminate the deficit. Overall, there are no major concerns with deficit fund balances.</li><li>▪ For Proprietary Funds, we tend to look at <i>operating</i> net income as a key indicator of financial performance because these funds are intended to be self-supporting through charges for services, similar to private-sector enterprises. Evaluating operating results—</li></ul> |
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|                            | <p>specifically operating revenues compared to operating expenses— provides a clear measure of whether the fund is generating sufficient resources from its ongoing operations to cover the full cost of providing services.</p> <p>By focusing on operating net income, the City can assess the sustainability of service rates, the adequacy of cost recovery, and the fund's ability to maintain operations without relying on non-operating revenues, transfers, or one-time capital contributions. A positive operating net income generally indicates that the fund is financially self-sustaining, while a negative result may suggest that rates or cost structures should be re-evaluated.</p> <p>The City reported three proprietary funds with negative operating results: Fuel (\$2,292), Tree (\$16,904) and Wellness Center (\$12,130). The Wellness Center operating deficit was much improved from the previous deficit of approximately \$92,000.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>7. Internal Control</b> | <p>In planning and performing our audit of the financial statements, we considered internal control over financial reporting as a basis for designing audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.</p> <p>There are three different levels of control deficiencies:</p> <ul style="list-style-type: none"><li>➤ <b>Control Deficiency.</b> 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.</li><li>➤ <b>Significant Deficiency.</b> A significant deficiency in internal control is less severe than a material weakness, yet important enough to merit attention by those charged with governance.</li><li>➤ <b>Material Weakness.</b> A material weakness is a deficiency 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.</li></ul> <p>We identified <b>two significant</b> deficiencies in internal control over financial reporting related to segregation of duties and utility billing. We identified <b>no material</b> weaknesses. We also identified <b>one significant</b> deficiency in internal control over compliance for the major federal program related to the City's process for tracking federal award expenditures.</p> <p>Other statutory reporting matters included related party transactions and a deficit fund balance.</p> <p>Please review pages <b>50 through 54</b> of the audit report.</p> <p>Because our audit uses a sampling approach and does not examine every transaction, there is an unavoidable risk that some material misstatements may not</p> |



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|                                               | be detected, even though the audit is properly planned and performed in accordance with professional standards.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>8. Other Required Communication Topics</b> | <p><b>Difficulties and Disagreements with Management.</b> We encountered no significant difficulties in dealing with management in performing and completing our audit, and we had no disagreements with management on financial accounting, reporting or auditing matters that could be significant to the financial statements or our report.</p> <p>➤ <b>Significant Accounting Estimates.</b> Accounting estimates are an integral part of financial statement preparation and are based on management's knowledge and experience about past and current events and assumptions about future events. The most sensitive estimate affecting the financial statements was the actuarially determined net pension liability disclosed in the notes. The liability is not recognized in the cash-basis financial statements. We concluded that the related disclosures were reasonable in relation to the financial statements as a whole.</p> <p>➤ <b>Other Accountants.</b> We did not consult with any other accountants during the course of our audit.</p> <p>➤ <b>Independence.</b> The audit team and others in our firm, as appropriate, complied with all relevant ethical requirements regarding independence.</p> <p>➤ <b>Conclusion.</b> The FY26 audit resulted in unmodified opinions on the cash basis financial statements and on compliance for the City's major federal program. The City's overall cash basis net position increased significantly, supported by positive results in both governmental and business-type activities. The audit identified no material weaknesses, but it did identify three significant deficiencies across financial reporting and federal compliance, along with statutory matters requiring continued attention. Overall the City has demonstrated strong financial controls and maintains a favorable cash financial position.</p> |

This letter is intended solely for the use of management and the City Council, and is not intended to be, and should not be, used by anyone other than these specified parties.

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