



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 Audit Communication	
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, 2025. We have issued our report thereon dated October 13, 2025. Professional standards require that we advise you of certain matters related to our audit.	
1. Our Responsibilities in Relation to the Financial Statement Audit	➤ Plan and perform the audit. 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. ➤ Form and express an opinion. As communicated in our engagement letter dated June 24, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight, are presented fairly, in all material respects, the financial position in accordance with the cash receipts and disbursements method of accounting. ➤ Communicate significant matters to you. 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.
2. Management's Responsibilities in Relation to the Financial Statement Audit	➤ Financial statements. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. Audit Opinion	The City received an unqualified opinion on the financial statements. In an unqualified report, we have concluded that the financial statements present fairly in all material respects.
4. Significant Accounting Policies	Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Utility are described in Note 1 to the financial statements. There were two new accounting standard changes adopted during the year: ➤ GASB 101, Compensated Absences. This is effective for fiscal years beginning after June 15, 2024 and addresses the measurement and accounting of accrued leave for compensated absences. A liability should be recognized for leave which has been used for time off but not yet been paid and leave which has not been used if (1) the leave is attributable to services already rendered (2) the leave accumulates and (3) the leave is



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

	more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using an employee's pay rate as of the date of the financial statements. The standard will have the largest impact on the measurement of a liability related to sick leave. The City's compensated absence liability disclosure disclosed approximately \$459,000 of accrued sick leave. This represents sick leave earned but unused and more than likely than not to be settled through cash or noncash means subsequent to June 30, 2025. ➤ GASB 102, Certain Risk Disclosures. This is effective for fiscal years beginning after June 15, 2024 and requires governments to assess whether a concentration or a constraint related risk exists in their current operating environment and requires disclosures for such risks. The disclosures should include the following: - The identification of the concentration or constraint - Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun or occur - Actions taken by the government to mitigate the risk The City did not identify any additional concentrations or constraints as a result of adopting this accounting standard change. There is one relevant upcoming GASB changes noted below: ➤ GASB 103, Financial Reporting Model Improvements. This is effective for fiscal years beginning after June 15, 2025 and requires changes in reporting for MD&A, separate presentation for unusual or infrequent items, presentation of proprietary fund statement of revenues, expenses and changes in fund balances (adding the use of the term "noncapital subsidies"), presentation of major component unit information and changes in the requirement of how budgeted information be presented.
5. Adjustments to Financial Statements	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. ➤ Corrected adjustments. There were two correcting entries to correct a payment posted as an unapplied accounts receivable and to correct TIF income between urban renewal districts. ➤ Uncorrected adjustments. There were adjustments identified that did not rise to the dollar amount threshold required to post an adjustment to the financial statements. <i>Certain subscription-based technology arrangements 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 subscription payments due as of June 30, 2025 totaled \$10,931.</i>



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

	<i>Wellness center receipts did not properly reconcile to the City's financial records by \$10,739.</i>
6. Internal Control	As noted previously, in planning and performing our audit over the financial statements, we considered the internal control over financial reporting as a basis for expressing an opinion on the financial statements. There are three different levels of control deficiencies: ➤ Control Deficiency. 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. ➤ Significant Deficiency. A significant deficiency in internal control is less severe than a material weakness, yet important enough to merit attention by those charged with governance. ➤ Material Weakness. 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. We audit based on a sampling approach and because we did not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with professional standards. See pages 51-56 in the audit report for documentation over internal control matters and findings related to statutory reporting requirements.
7. Other Required Communication Topics	➤ Overview of Financial Results: 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, 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. • The City's total net position increased \$152,615 during the year from \$11,684,464 to \$11,837,079. 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 \$11.8 million cash position, approximately \$4.8 million is unrestricted at year-end. ➤ Measuring the Financial Success of a City 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



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

	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. ▪ 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. The City did not exceed its budgeted limits set for the year as noted on page 36. ▪ The City did report deficit balances in two Capital Project Funds (working on a reimbursement basis for grants and other financing dollars). Overall, there are no major concerns with deficit fund balances. ▪ 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—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. 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. The City reported two proprietary funds with negative operating results: Recycling (\$19,191) and Wellness Center (\$91,156). ➤ Difficulties and Disagreements with Management. We encountered no difficulties or disagreements with management. The staff was very attentive and dedicated to us during the audit.
--	---



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

	➤ Significant Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management 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 estimate of the net pension liability. For FY25 the net pension liability was \$814,316 compared to net pension liability of \$916,054 in FY24. For FY25 and FY24 the municipal fire and police retirement system reported a net pension liability of \$1.3 million. ➤ Other Accountants. We did not consult with any other accountants during the course of our audit. ➤ Independence. The audit team and others in our firm, as appropriate, complied with all relevant ethical requirements regarding independence.
--	---

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.

TP Anderson & Company, PC

TP Anderson & Company, PC
Certified Public Accountants