bergankdv

City of Tiffin

Communications Letter

June 30, 2025

City of Tiffin
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

Honorable Mayor and Members
of the City Council
City of Tiffin
Tiffin, Iowa

In planning and performing our audit of the financial statements of the governmental activities, business-type activities and each major fund of the City of Tiffin, as of and for the year ended June 30, 2025, 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, 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 basic 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 over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- Reasonably possible – the chance of the future event or events occurring is more than remote but less than likely.

- Probable – the future event or events are likely to occur.

The material weakness identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated January 8, 2026, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the City Council and management and others within the City and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
January 8, 2026

City of Tiffin
Material Weakness

Lack of Segregation of Accounting Duties
The City has a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. This lack of segregation can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The City Clerk has access to all areas of the accounting system.
- The Utility Billing Clerk reviews meter readings, makes adjustments, and prepares utility bills without review.
- The City Clerk has the ability to record journal entries without review.
- The City Clerk has the ability to add employees, is the backup for processing payroll, and has the ability to authorize wire transfers.

This finding impacts the internal control for all significant accounting functions.

City of Tiffin
Required Communication

We have audited the basic financial statements of the governmental activities and each major fund of the City as of and for the year ended June 30, 2025. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit
As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with the basis of cash receipts and disbursements. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our responsibility with respect to the other information in documents containing the audited basic financial statements and auditor's report does not extend beyond the basic financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information was not audited, and we do not express an opinion or provide any assurance on it.

Our Responsibility in Relation to *Government Auditing Standards*
As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit
We conducted our audit consistent with the planned scope and timing we previously communicated to you.

City of Tiffin
Required Communication

Compliance with All Ethics Requirements Regarding Independence
The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks
We addressed the following significant risks of material misstatement identified in our planning procedures:

- Risk of Improper Revenue Recognition – Revenue recognition is considered a fraud risk on substantially all engagements, as it is generally the largest line item impacting a City's change in fund balance or net position.
- Risk of Misappropriation of Assets – Misappropriation of Assets is considered a risk in substantially all engagements when there is a lack of segregation of accounting duties as assets may be misappropriated due to fraud or error.
- Risk of Management Override of Controls – Management override of internal control is considered a risk in substantially all engagements, as management may be incentivized to produce better results.
- Pension Valuation – Net pension liability, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions are generally material to the financial statements and involve significant estimates.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies
Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures
Accounting estimates and related disclosures are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the basic financial statements relate to:

> Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Qualitative Aspects of the City's Significant Accounting Practices (Continued)

Financial Statement Disclosures
Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit
We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements
For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management
We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues
In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating, and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Noncompliance with Laws and Regulations, Violations of Contract Provisions or Grant Agreements

- The Annual Urban Renewal Report Levy Authority Summary did not agree with City records.
- The City had unclaimed property that was over two years old that was not remitted to the Office of Treasurer of State.
- There were two functions of the budget that had expenditures in excess of budgeted amounts.

Other Information Included in Annual Reports
Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the other information accompanying the basic financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

City of Tiffin
Financial Analysis

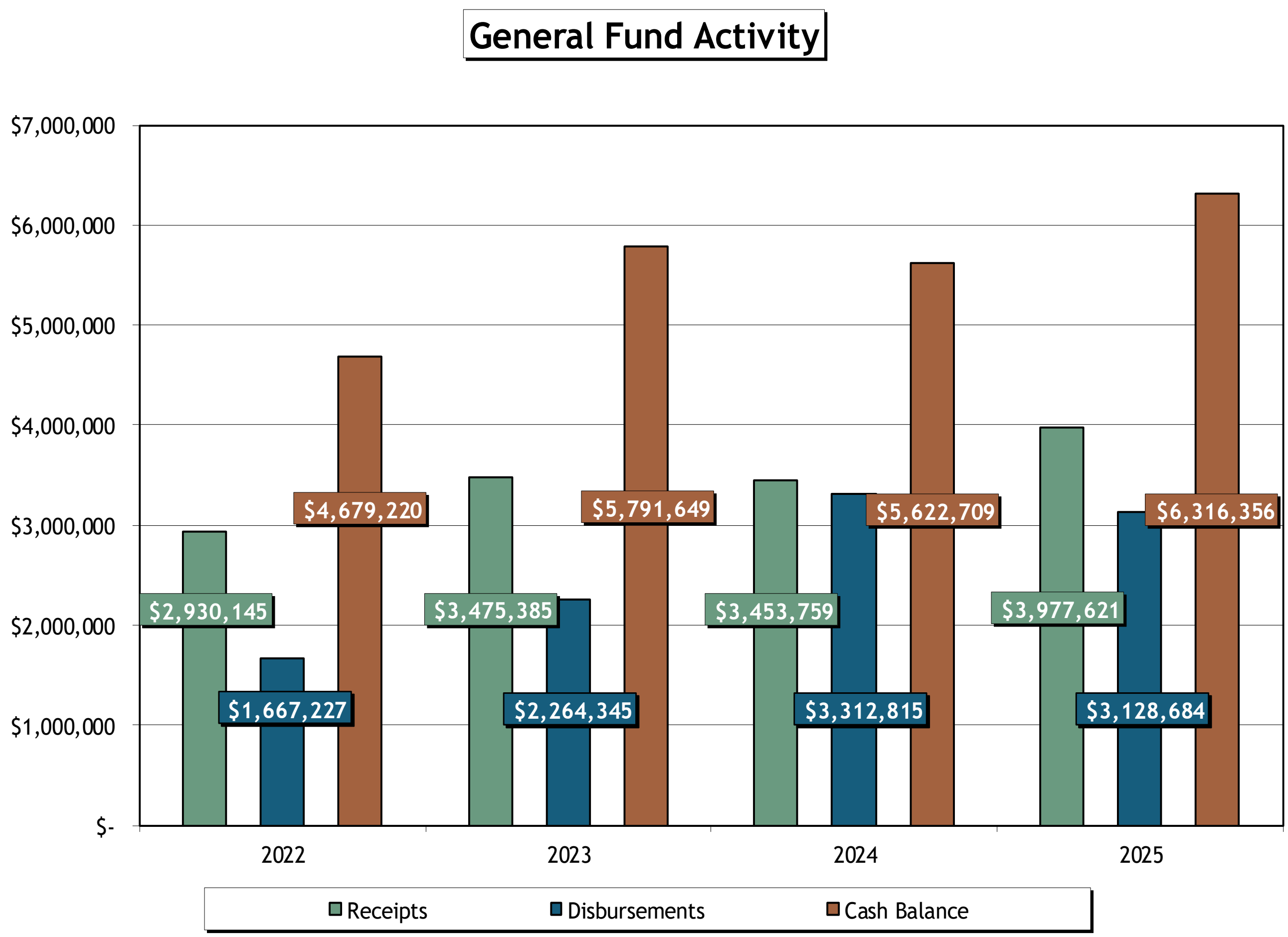
The following pages provide graphic representation of select data pertaining to the financial position and operations of the City. Our analysis of each graph is presented to provide a basis for discussion of past performance. We suggest you review each graph and document if our analysis is consistent with yours.

General Fund

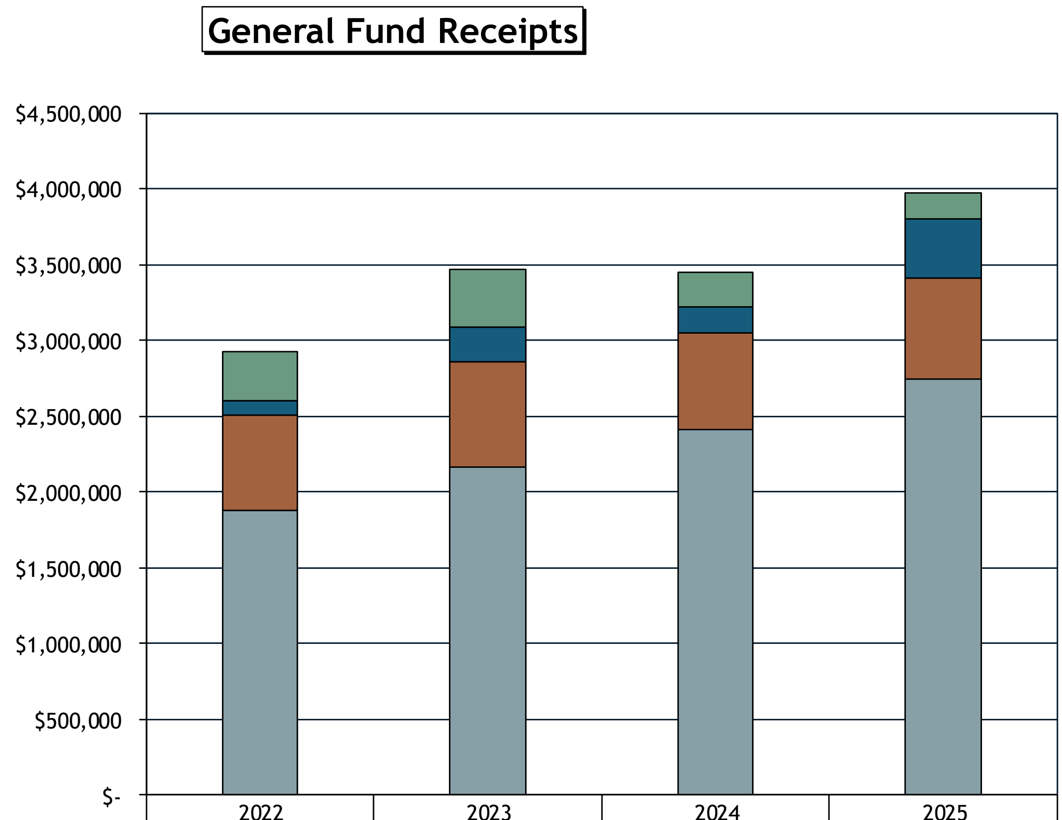
Receipts exceeded disbursements by $848,937 in 2025, after transfers in and out, and other financing sources and uses, the General Fund cash balance increased by $693,647.

The following bar graph highlights the General Fund operations for the last four years. This graph is intended to show five years of data and additional years will be added in subsequent years. The receipts and disbursements below do not include other financing sources or uses, such as operating transfers, sales from capital assets and debt proceeds.

The City currently does not have a fund balance policy. Unassigned fund balance of $6,316,356 at June 30, 2025, represents 201.9% of expenditures based on 2025 expenditure levels.



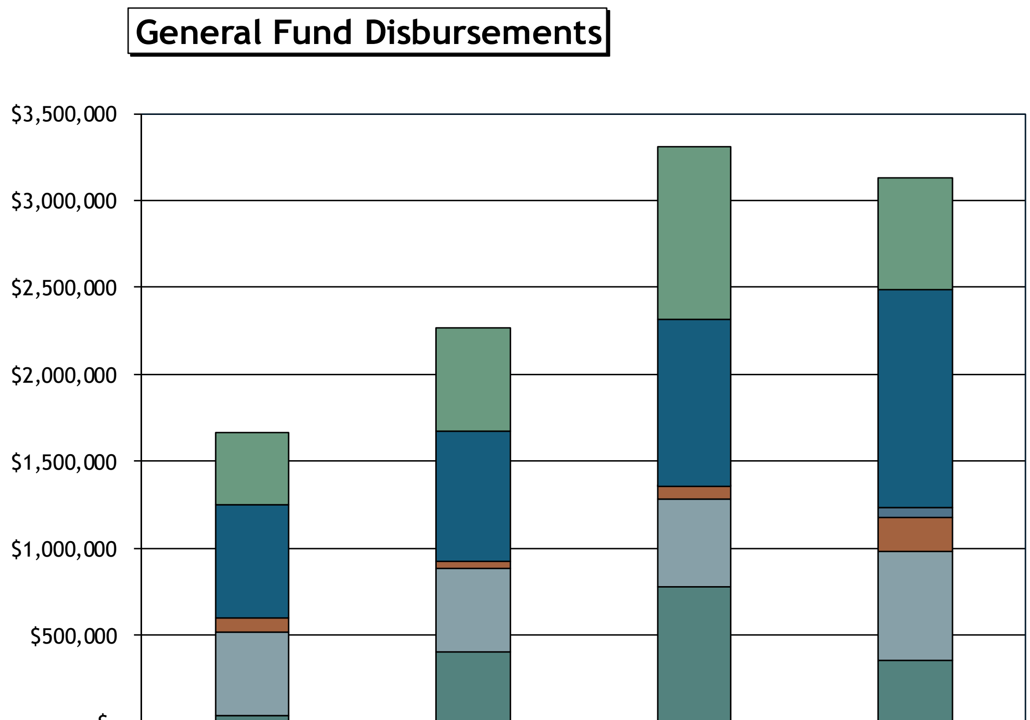
General Fund Receipts



	2022	2023	2024	2025
Intergovernmental	$322,806	$385,710	$227,664	$171,414
Miscellaneous and Investment Income	100,349	226,858	174,598	391,234
Licenses, Permits, Charges and Fines	630,744	698,509	637,574	668,503
Taxes and Assessments	1,876,246	2,164,308	2,413,923	2,746,470

General Fund receipts totaled $3,977,621 in 2025. The main source of receipts for the City, property taxes, and other taxes receipts, increased $332,547 due to an increase in the levy. Charges for services receipts increased $93,695 due to first full year of library services. Use of money and property receipts increased $185,131 due to changing banks and receiving a higher interest rate.

General Fund Disbursements

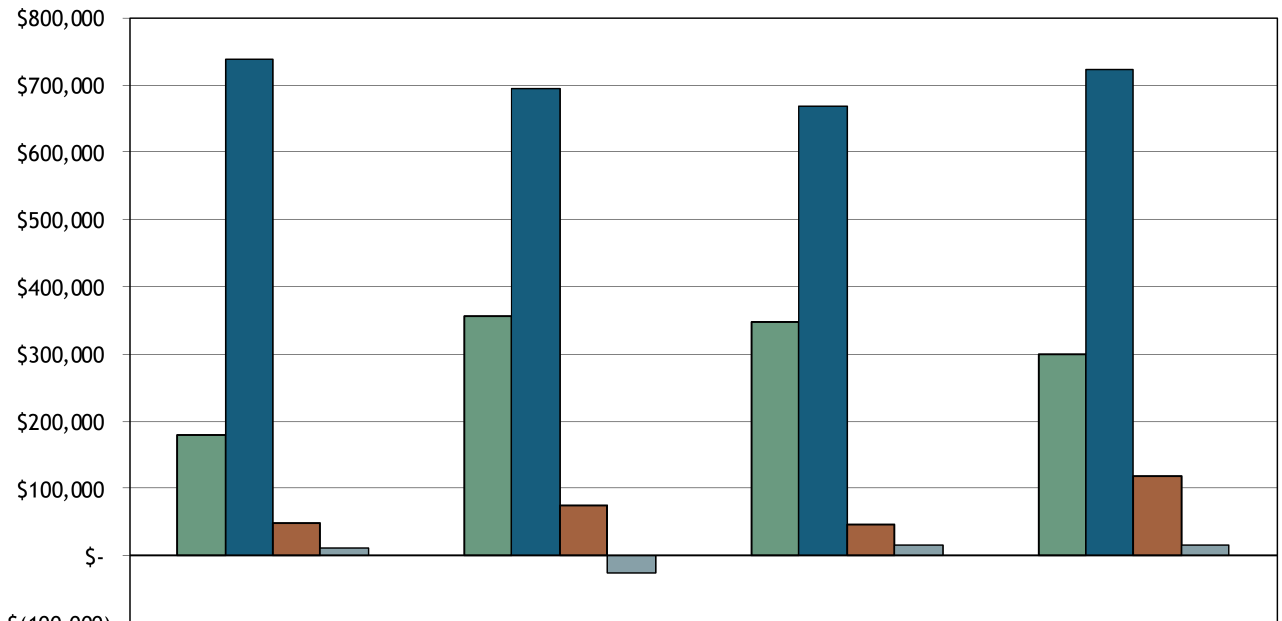


	2022	2023	2024	2025
General Government	$417,696	$594,653	$1,000,009	$637,676
Public Safety	649,478	741,838	958,318	1,255,314
Public Works	-	-	1,050	62,198
Community and Economic Development	82,819	42,885	71,318	196,464
Culture and Recreation	484,320	482,114	507,846	621,853
Capital Outlay	32,914	402,855	774,274	355,179

General Fund disbursements totaled $3,128,684 in 2025. General government disbursements decreased $362,333 due to a special census done in the prior year. Public safety disbursements increased $296,996 due to an increase in police contract with the County. Capital outlay disbursements decreased $419,095 due to large equipment purchases in the prior year. Culture and recreation disbursements increased $114,007 due to the first full year of library operations under the City. Community and economic development disbursements increased $125,146 due to increased engineering costs.

Enterprise Funds
The following graph shows the operating income for the Enterprise Funds:

Operating Income - Enterprise Funds



	2022	2023	2024	2025
Water	$180,314	$356,697	$347,522	$298,505
Sewer	$738,845	694,815	669,730	723,242
Storm Water	47,583	73,872	45,350	118,322
Recycling	$12,175	(25,924)	14,816	15,598

The City experienced positive operations in each enterprise fund for the year ended June 30, 2025.

Water operating income decreased $49,017 due to increase in salaries due to a wage study as well as fewer water meters sold. There was also use of money and property receipts of $86,346, capital project disbursements of $1,307,689 and net transfers out of $23,500.

Sewer operating income increased $53,512 due to an increase in residential customers offset by an increase in salaries due to a wage study. In addition, there were debt service disbursements of $511,132 and capital project disbursements of $74,966.

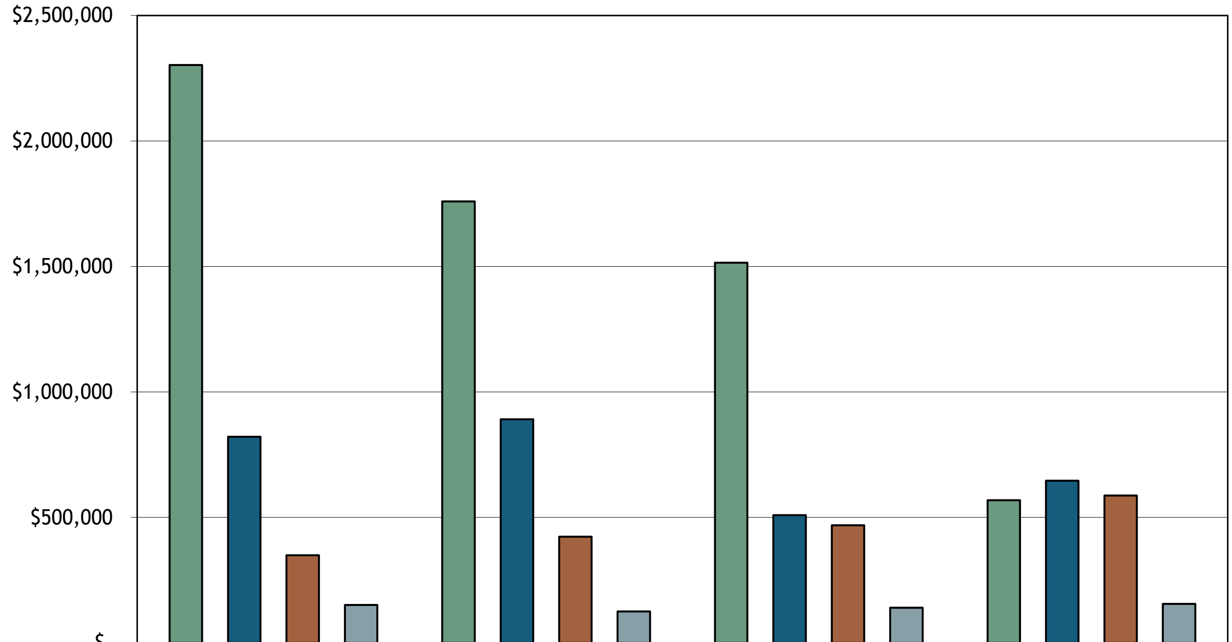
Storm water operating income increased $72,972 due to an increase in residential customers as well as a one time network software purchase in 2024.

Recycling operating income increased $782 due to an increase in residential customers offset by increased contracted garbage and recycling costs.

We recommend the City continue to monitor operating costs in the Enterprise Funds to ensure rates are sufficient to provide continued operating income and to cover debt payment requirements.

Enterprise Funds (Continued)
The following graph illustrates the total cash and cash equivalents for the Enterprise Funds:

Enterprise Fund Cash Position



	2022	2023	2024	2025
Water Fund	$2,302,899	$1,758,986	$1,514,907	$568,569
Sewer Fund	821,378	890,854	508,909	646,053
Storm Water Fund	$349,387	$423,259	$468,609	$586,931
Recycling Fund	151,047	125,123	139,939	155,537

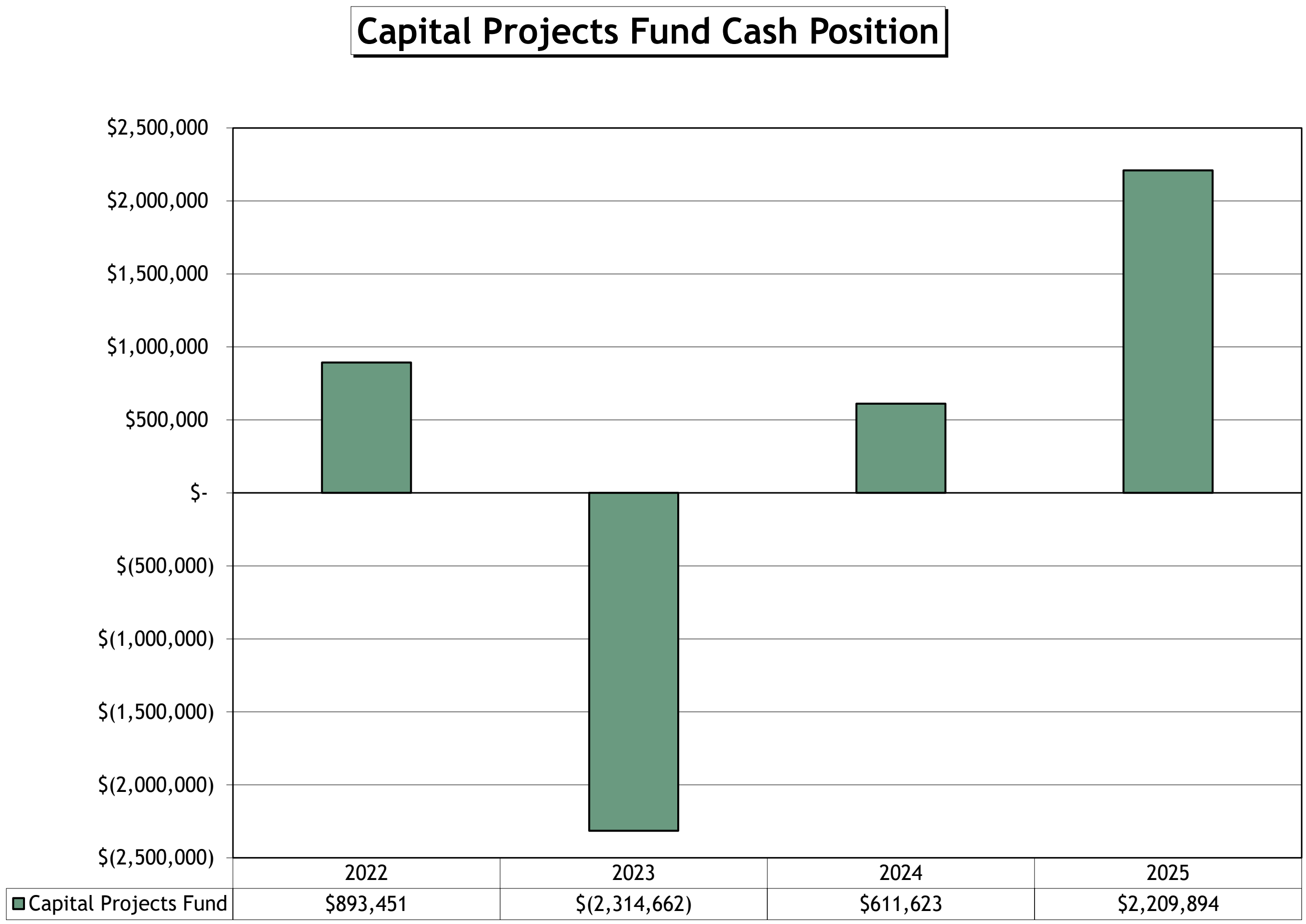
The Water Fund cash balances decreased $946,338 to an ending balance of $586,569. Of this amount $71,280 is restricted for utility deposits. Unrestricted cash balance, available for spending, is $497,289. Cash balances decreased related to additional capital projects.

The Sewer Fund cash balances increased $137,144 to an ending balance of $646,053. Of this amount $86,127 is restricted for Capital projects related to unspent bond proceeds. Unrestricted cash balance, available for spending, is $559,926.

The Storm Water Fund cash balances increased $118,322 to an ending balance of $586,931.

The Recycling Fund cash balances increased $15,598 to an ending balance of $155,537.

Capital Projects Funds
The following graph shows the cash balance of the Capital Projects Funds:



This fund is a combination of over 30 individual capital project funds. Some of these funds have negative balances totaling $6,172,957 that is offset by capital project funds that have positive balances of $8,382,851. We recommend monitoring this fund and closing out capital project funds that are completed and resolving negative balances.