

CITY OF SPRINGFIELD
SPRINGFIELD, MINNESOTA

REQUIRED COMMUNICATIONS
AND FINANCIAL ANALYSIS
For the Year Ended December 31, 2024

CITY OF SPRINGFIELD
REQUIRED COMMUNICATIONS

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June 18, 2025

Honorable Mayor and
Members of the City Council
City of Springfield

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Springfield for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 23, 2024. Professional standards also require that we communicate to you with the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Springfield are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transaction entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the basic financial statement's were:

Management's estimate of the accumulated depreciation and related depreciation expense accounts is based on estimated useful lives of the related capital assets. We evaluated the key factors and assumptions used to develop the accumulated depreciation and related depreciation expense accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's estimate of the net pension liability and related deferred outflows of resources related to pensions and deferred inflows of resources related to pensions are based on the City's proportionate share of the plans net pension liability and related deferred outflows of resources related to pensions and deferred inflows of resources related to pensions. We evaluated the factors and assumptions used to develop the proportionate share and the related net pension liability and related deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion units financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 18, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Springfield's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Honorable Mayor and
Members of the City Council
June 18, 2025

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Springfield's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the managements discussion and analysis, budgetary comparison schedule, schedule of proportionate share of the net pension liability, and schedule of contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

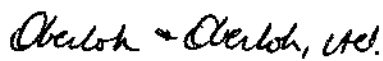
We were engaged to report on combining fund financial statements, summary financial report, and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the 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 financial statements or to the financial statements themselves.

We were not engaged to report on elected and appointed officials, which accompany the financial statements but is 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 as opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,


Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

CITY OF SPRINGFIELD
FINANCIAL ANALYSIS

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City of Springfield
Springfield, Minnesota

Financial Analysis
December 31, 2024

The following pages provide a graphic representation of certain financial data pertaining to the City's operations.

Our analysis of each graph is presented to provide a basis for discussion of past performance and so future performance may be enhanced by implementing certain changes. A subsequent discussion of this information should be useful for planning purposes.

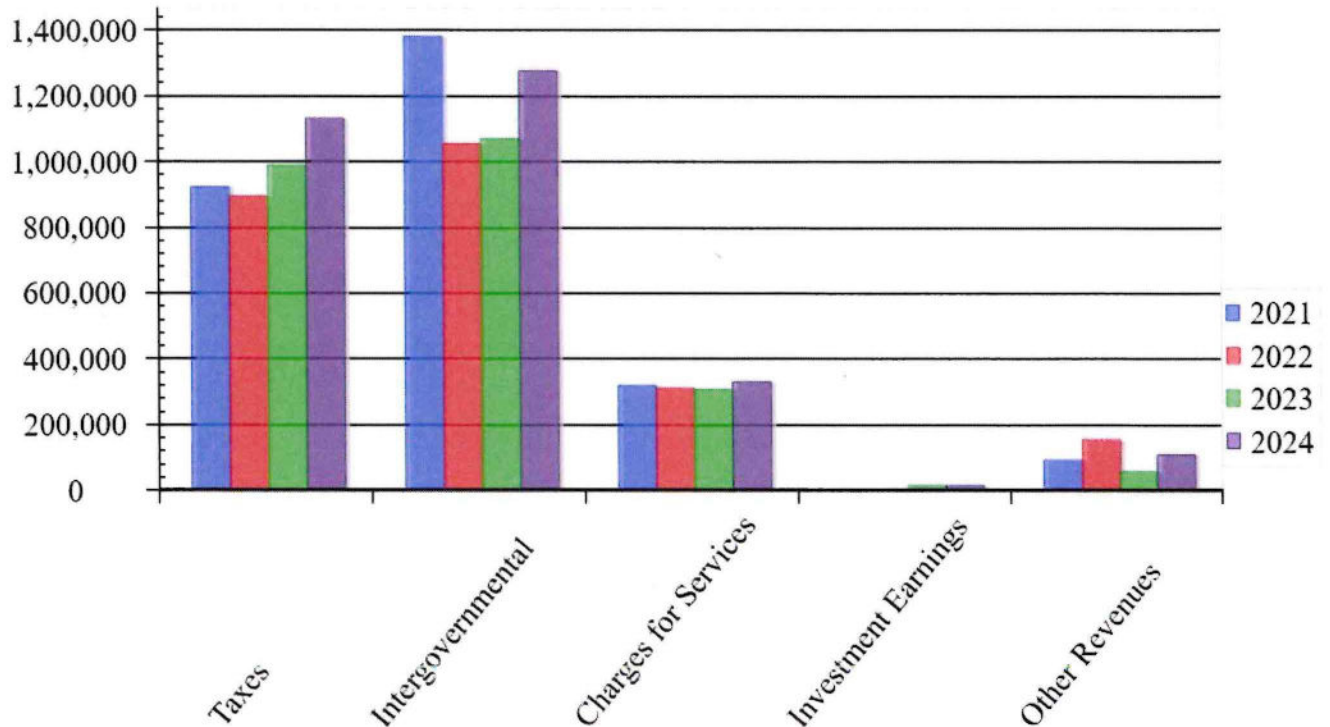
GENERAL FUND

In 2024, the City's General Fund experienced a 17.2 percent increase \$420,113 in revenues from \$2,448,616 to \$2,868,729. The following graphs illustrate the source of the revenues for the past four years. Revenues from taxes increased 14.3 percent or \$141,770. Intergovernmental revenues increased due to the increase in Local Government Aid (LGA) allocated to the general fund. Other revenues increased 7.9 percent, due to an increase in charges for services and other revenues over the decrease in investment earnings.

A comparison of General Fund revenues for the past four years is presented below:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	2024 Percent of Total
Taxes	\$ 924,531	\$ 895,726	\$ 990,358	\$ 1,132,128	39.46
Intergovernmental	1,382,376	1,055,747	1,072,000	1,277,274	44.53
Charges for Services	320,060	311,647	309,440	331,840	11.57
Investment Earnings	1,831	3,065	17,260	16,189	0.56
Other Revenues	<u>93,082</u>	<u>154,712</u>	<u>59,558</u>	<u>111,298</u>	<u>3.88</u>
Total Revenues	<u>\$ 2,721,880</u>	<u>\$ 2,420,897</u>	<u>\$ 2,448,616</u>	<u>\$ 2,868,729</u>	<u>100.00</u>

Revenues by Source



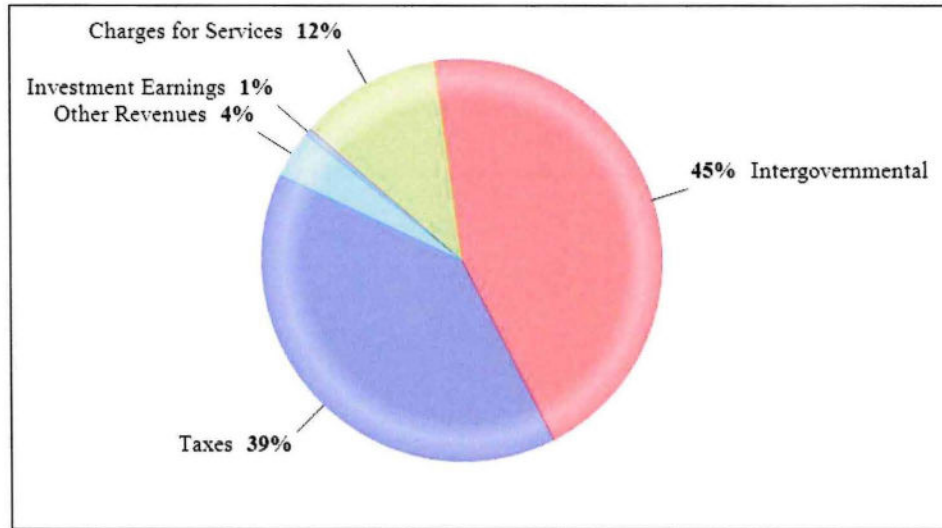
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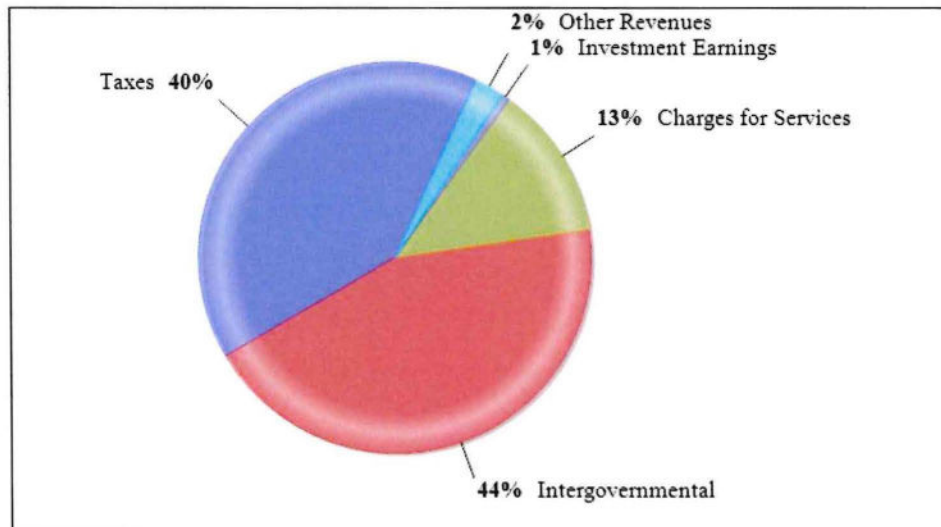
GENERAL FUND (Cont.)

Revenues as a percent of total for 2024 and 2023 are as follows:

General Fund
2024 Revenues



General Fund
2023 Revenues



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Financial Analysis
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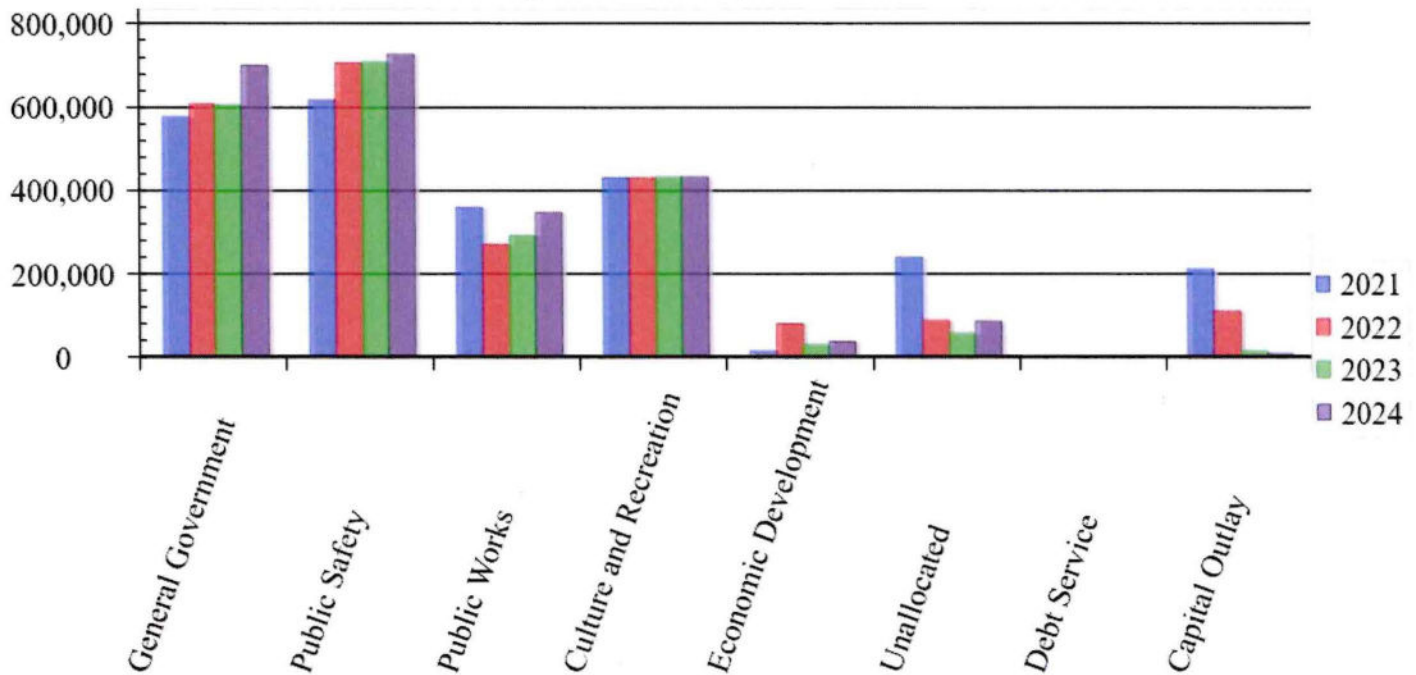
GENERAL FUND (Cont.)

Total General Fund expenditures increased from 2023 to 2024 from \$2,143,054 to \$2,342,855 or 9.3 percent. The graphs illustrate the expenditure breakdown for the past four years. We recommend the City continue to be conservative in its spending and be aware of the possible future budget cuts at the state level.

A comparison of General Fund expenditures for the last four years is presented below:

<u>Program</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2024 Percent of Total</u>
Current					
General Government	\$ 576,198	\$ 607,912	\$ 605,212	\$ 701,180	29.93
Public Safety	617,076	706,954	708,932	726,451	31.01
Public Works	359,936	271,483	292,782	347,739	14.84
Culture and Recreation	431,592	430,417	432,269	432,535	18.46
Economic Development	15,000	82,273	30,440	39,381	1.68
Unallocated	<u>240,167</u>	<u>88,697</u>	<u>57,942</u>	<u>86,708</u>	<u>3.70</u>
Total Current	2,239,969	2,187,736	2,127,577	2,333,994	99.62
Debt Service	645	-	-	-	-
Capital Outlay	<u>211,447</u>	<u>110,872</u>	<u>15,477</u>	<u>8,861</u>	<u>0.38</u>
Total Expenditures	<u>\$ 2,452,061</u>	<u>\$ 2,298,608</u>	<u>\$ 2,143,054</u>	<u>\$ 2,342,855</u>	<u>100.00</u>

Expenditures by Function



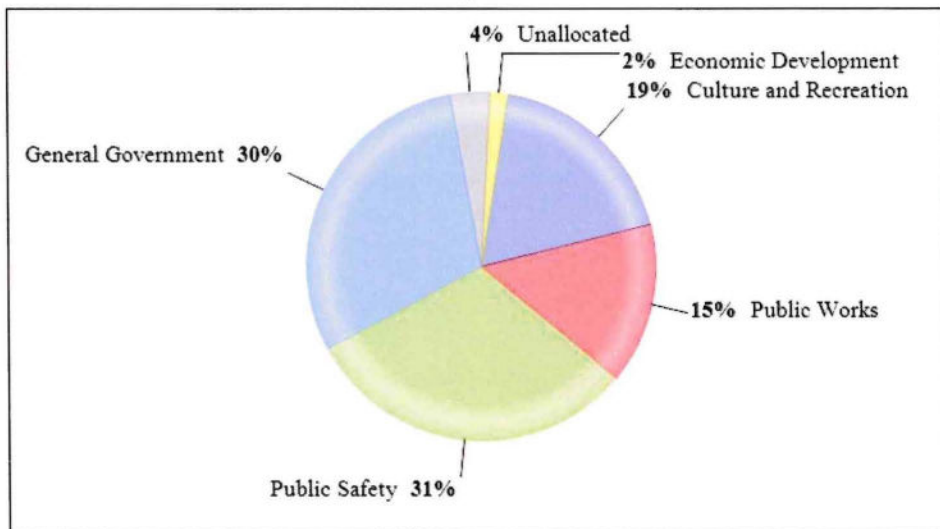
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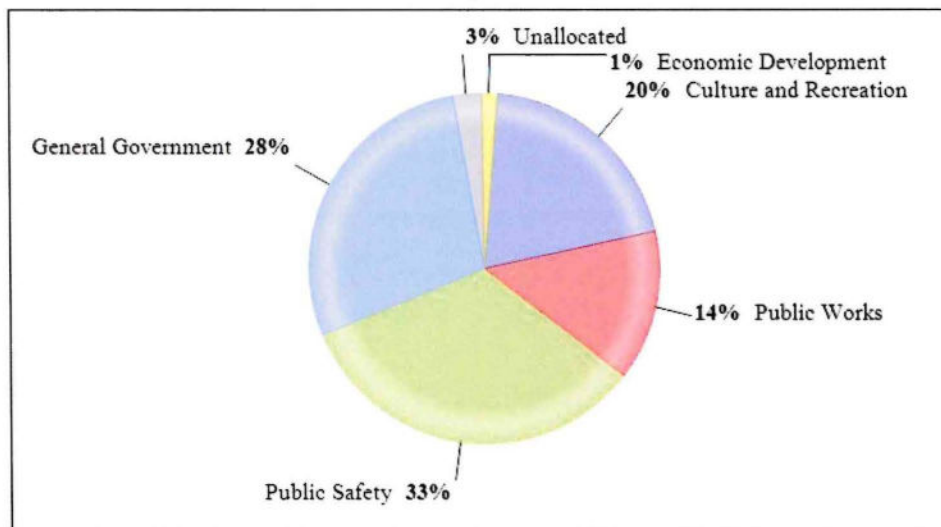
GENERAL FUND (Cont.)

The next graphs illustrate the General Fund expenditures by function for fiscal years 2024 and 2023. Public Safety accounted for the largest portion of expenditures at 33 percent. Public safety expenditures consist of expenditures for police and fire protection. General government accounted for the second largest portion of General Fund expenditures at 28 percent. General government expenditures consist of expenditures for Mayor and City Council, Clerk/Treasurer, elections, legal, general operating, and other general government expenditures.

General Fund
2024 Expenditures



General Fund
2023 Expenditures



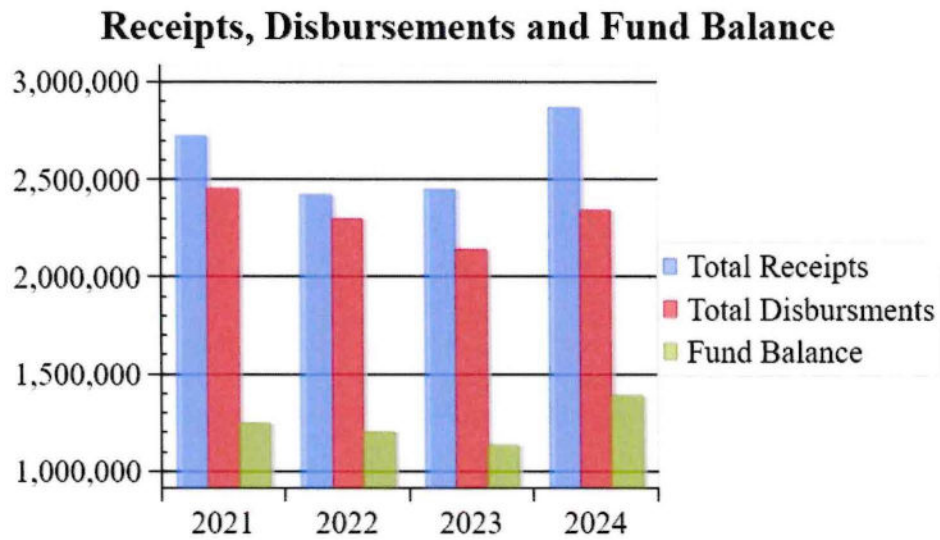
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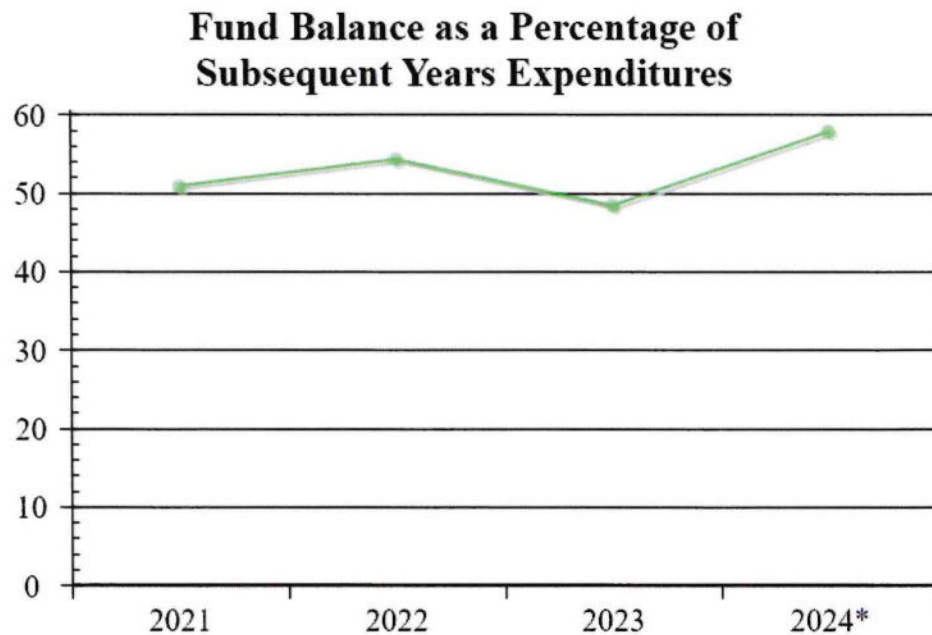
GENERAL FUND (Cont.)

The General Fund fund balance increased by \$255,449 in 2024 as a result of revenues exceeding expenditures. The State Auditor recommends cities to attempt to maintain a fund balance of 35% to 50% of fund operating revenues or no less than 5 months of operating expenditures. The current unreserved fund balance of \$852,187 represents 29.7 percent of 2024 revenues. Maintaining a fund balance as described above will ensure adequate working capital and cash flow for the City.

The following graph compares the revenues, expenditures and fund balance for the past four years.



The following graph shows General Fund total fund balance as a percentage of the following years expenditures.



* Using 2025 budgeted expenditures

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City of Springfield
Springfield, Minnesota

Financial Analysis
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GENERAL FUND (Cont.)

The purposes and benefits of a fund balance are as follows:

- Expenditures are incurred somewhat evenly throughout the year. However, property tax and state aid revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the governmental fund expenditures.
- The City is vulnerable to legislative actions at the State and Federal level. The State continually adjusts the local government aid and property tax credit formulas. We also have seen the State mandate levy limits for cities over 2,500 in population. An adequate fund balance will provide a temporary buffer against those aid adjustments or levy limits.
- Expenditures not anticipated at the time the annual budget was adopted may need immediate Council action. These would include capital outlay, replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such expenditures.
- A strong fund balance will assist the City in maintaining, improving or obtaining its bond rating. The result will be better interest rates in future bond sales.

SPECIAL REVENUE FUNDS

Special revenue funds have revenues from specific sources to be expended for specific purposes. Listed below are the special revenue funds of the City along with their respective fund balance (deficit).

<u>Fund</u>	Fund Balance (Deficit)			
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Major:				
251 - Medical Center	\$ 1,195,308	\$ 1,167,421	\$ 1,163,647	\$ 1,128,029
210 - Library Board	15,478	156,832	139,425	828,466
Nonmajor:				
228 - Recreation Complex	(18,707)	69,265	15,648	56,208
241 - Small Cities Grant II	12,807	18,570	35,613	46,932
242 - Small Cities Grant	79,007	77,026	53,167	62,745
278 - Community Center	<u>410,168</u>	<u>405,404</u>	<u>296,285</u>	<u>319,702</u>
Total	<u>\$ 1,694,061</u>	<u>\$ 1,894,518</u>	<u>\$ 1,703,785</u>	<u>\$ 2,442,082</u>

**City of Springfield
Springfield, Minnesota**

**Financial Analysis
December 31, 2024**

DEBT SERVICE FUNDS

Debt Service funds are governmental funds used to account for the accumulation of resources for the payment of interest and principal on general government debt issues.

Primary revenue sources in debt service funds are property taxes, tax increments, special assessments and capitalized interest from bond proceeds.

Listed below are the debt service funds of the City along with their respective fund balance.

<u>Fund</u>	<u>Fund Balance</u> <u>December 31</u>			
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Nonmajor:				
324 - 2021B G.O. Improvement Bonds	\$ -	\$ 289,350	\$ 312,628	\$ 409,269
323 - 2018A G.O. Improvement Bonds	293,203	286,177	278,559	276,323
327 - 2010A G.O. Bonds	102,189	88,194	85,094	77,306
322 - 2021B G.O. Bonds	-	1,385	3,286	4,722
320 - 2021A G.O. Tax Abatement Bond	-	13,834	20,391	22,384
Total	<u>\$ 395,392</u>	<u>\$ 678,940</u>	<u>\$ 699,958</u>	<u>\$ 790,004</u>

CAPITAL PROJECT FUNDS

Capital project funds account for the acquisition and construction of major capital assets and facilities other than those financed by proprietary funds.

The following table compares the fund balances (deficits) of capital project funds for the last four years.

<u>Fund</u>	<u>Fund Balance (Deficit)</u> <u>December 31</u>			
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Major:				
408 - FEMA Safe Room Project	-	(3,720)	218,304	(466,804)
Nonmajor:				
410 - Park Improvement Project	\$ 25,320	\$ 25,893	\$ 52,798	\$ -
405 - Martha Anderson Vet Park	-	(3,418)	1,925	9,513
411 - Capital Improvement Projects	935,741	773,642	743,769	605,889
Total	<u>\$ 961,061</u>	<u>\$ 792,397</u>	<u>\$ 1,016,796</u>	<u>\$ 148,598</u>

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City of Springfield
Springfield, Minnesota

Financial Analysis
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ENTERPRISE FUNDS

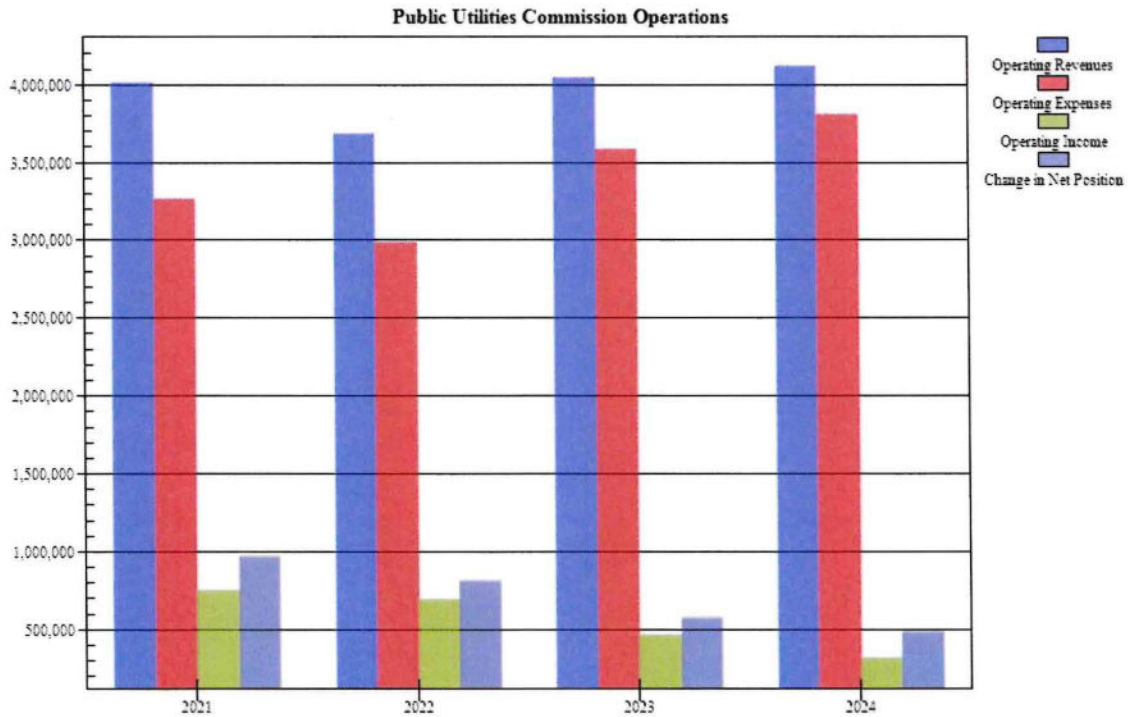
The City uses Enterprise Funds to account for operations that are financed and operated in a manner similar to private business enterprises. Enterprise funds are used where the intent is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The following analysis is of the City's enterprise funds which were in operation during 2024.

Public Utilities Commission

A comparison of the Public Utilities Commission operations for the past four years is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$ 4,013,852	\$ 3,682,942	\$ 4,047,857	\$ 4,124,120
Operating Expenses	<u>3,264,849</u>	<u>2,986,886</u>	<u>3,585,414</u>	<u>3,809,873</u>
Operating Income	749,003	696,056	462,443	314,247
Net nonoperating revenue (expense)	(4,949)	32,965	145,329	203,335
Transfers In (Out)	<u>218,279</u>	<u>79,691</u>	<u>(39,999)</u>	<u>(39,999)</u>
Change in Net Position	<u>\$ 962,333</u>	<u>\$ 808,712</u>	<u>\$ 567,773</u>	<u>\$ 477,583</u>
Cash and Investments	<u>\$ 3,332,624</u>	<u>\$ 4,141,972</u>	<u>\$ 4,476,521</u>	<u>\$ 4,856,857</u>
Bonds Payable	<u>\$ 1,489,505</u>	<u>\$ 1,361,539</u>	<u>\$ 1,951,757</u>	<u>\$ 1,782,246</u>



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Springfield, Minnesota

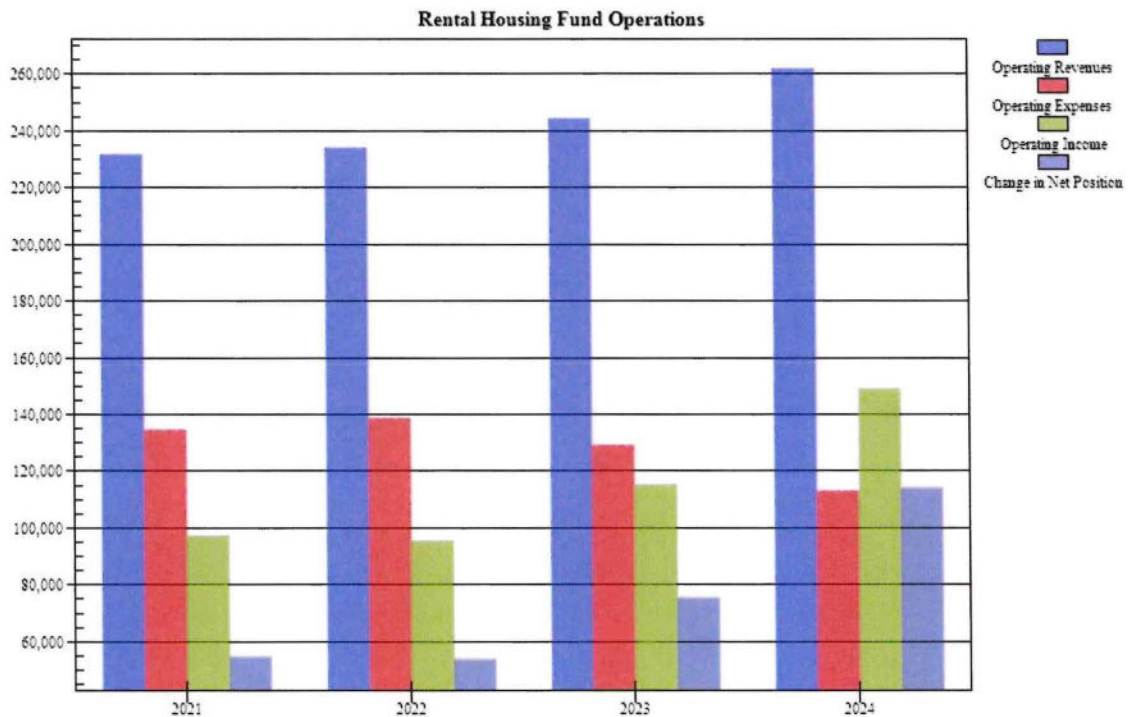
Financial Analysis
December 31, 2024

ENTERPRISE FUNDS (Cont.)

Rental Housing

A comparison of the Rental Housing Fund operations for the past four years is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$ 231,950	\$ 234,193	\$ 244,340	\$ 262,078
Operating Expenses	<u>134,537</u>	<u>138,593</u>	<u>129,134</u>	<u>113,010</u>
Operating Income	97,413	95,600	115,206	149,068
Net nonoperating revenue (expense)	<u>(42,893)</u>	<u>(42,117)</u>	<u>(40,091)</u>	<u>(35,151)</u>
Change in Net Position	<u>\$ 54,520</u>	<u>\$ 53,483</u>	<u>\$ 75,115</u>	<u>\$ 113,917</u>
Cash and Investments	<u>\$ 102,824</u>	<u>\$ 121,891</u>	<u>\$ 146,680</u>	<u>\$ 195,263</u>
Bonds Payable	<u>\$ 1,490,000</u>	<u>\$ 1,395,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,200,000</u>



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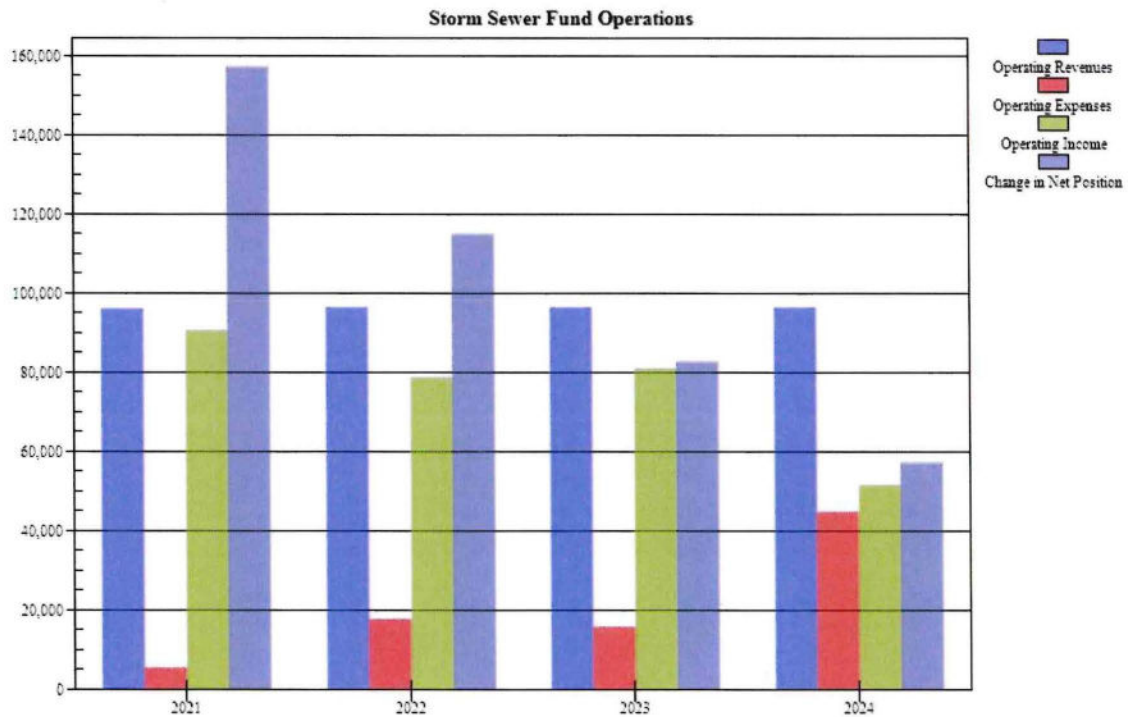
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ENTERPRISE FUNDS (Cont.)

Storm Sewer Utility

A comparison of the Storm Sewer Fund operations for the past four years is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$ 96,064	\$ 96,258	\$ 96,395	\$ 96,358
Operating Expenses	<u>5,470</u>	<u>17,722</u>	<u>15,514</u>	<u>44,780</u>
Operating Income	90,594	78,536	80,881	51,578
Net nonoperating revenue (expense)	17,398	(11,239)	1,501	5,475
Transfers In	<u>49,112</u>	<u>47,607</u>	-	-
Change in Net Position	<u>\$ 157,104</u>	<u>\$ 114,904</u>	<u>\$ 82,382</u>	<u>\$ 57,053</u>
Cash and Investments	<u>\$ 208,767</u>	<u>\$ 257,875</u>	<u>\$ 314,783</u>	<u>\$ 345,727</u>
Bonds Payable	<u>\$ 623,213</u>	<u>\$ 573,630</u>	<u>\$ 535,597</u>	<u>\$ 496,358</u>



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City of Springfield
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ENTERPRISE FUNDS (Cont.)

Community Ambulance Fund

A comparison of the Community Ambulance Fund operations for the pas four years is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues	\$ 178,444	\$ 237,190	\$ 287,985	\$ 260,180
Operating Expenses	<u>276,850</u>	<u>285,612</u>	<u>358,678</u>	<u>445,982</u>
Operating Income (Loss)	(98,406)	(48,422)	(70,693)	(185,802)
Net nonoperating revenue (expense)	19,389	(63,225)	(102,179)	28,158
Transfers In	<u>10,285</u>	<u>20,570</u>	<u>20,570</u>	<u>22,803</u>
Change in Net Position	<u>\$ (68,732)</u>	<u>\$ (91,077)</u>	<u>\$ (152,302)</u>	<u>\$ (134,841)</u>
Cash and Investments	<u>\$ 134,491</u>	<u>\$ 108,554</u>	<u>\$ -</u>	<u>\$ -</u>

