

CITY OF SPRINGFIELD
SPRINGFIELD, MINNESOTA

REQUIRED COMMUNICATIONS
AND FINANCIAL ANALYSIS
For the Year Ended December 31, 2025

CITY OF SPRINGFIELD
REQUIRED COMMUNICATIONS

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May 20, 2026

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, 2025. 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 24, 2025. 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 2025. 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 was:

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.

Honorable Mayor and
Members of the City Council
May 20, 2026

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 May 20, 2026.

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
May 20, 2026

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 governmental fund financial statements, public utilities commission financial statements, and summary financial report, 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.
Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

CITY OF SPRINGFIELD
FINANCIAL ANALYSIS

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City of Springfield
Springfield, Minnesota

Financial Analysis
December 31, 2025

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.

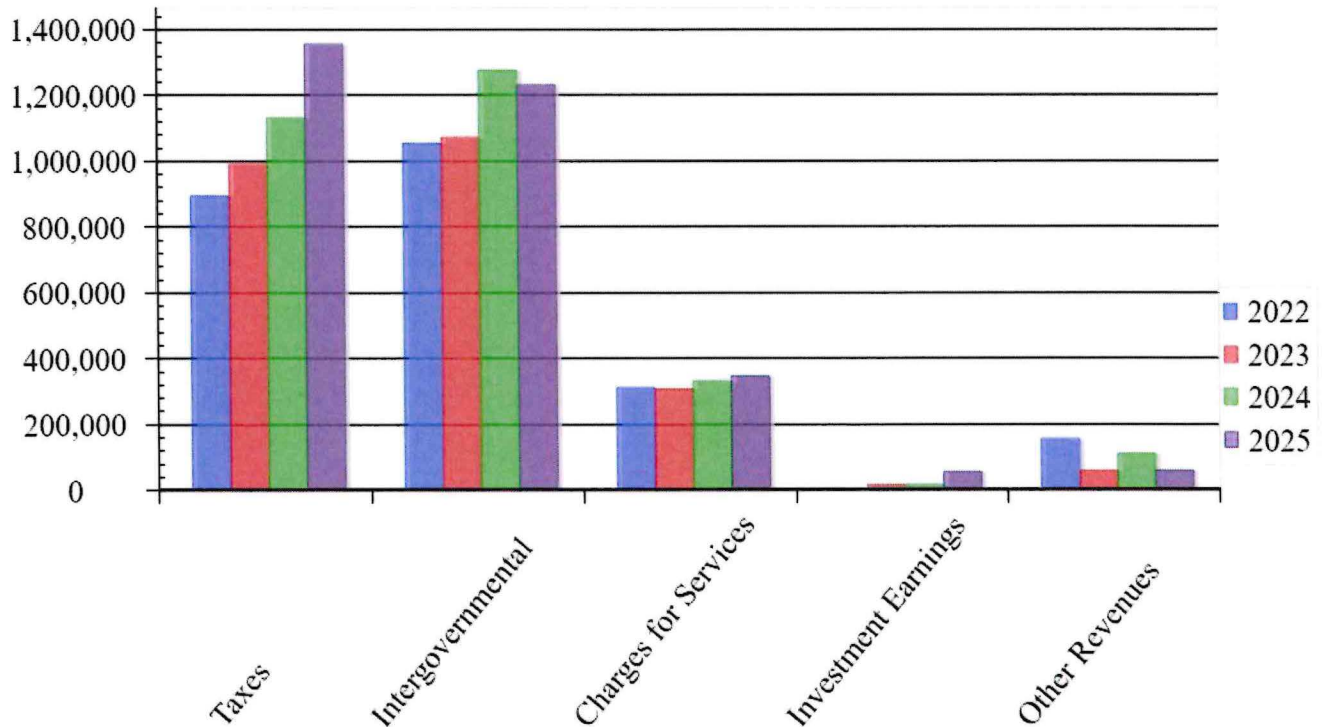
GENERAL FUND

In 2025, the City's General Fund experienced a 6.4 percent increase \$183,302 in revenues from \$2,868,729 to \$3,052,031. The following graphs illustrate the source of the revenues for the past four years. Revenues from taxes increased 19.7 percent or \$223,277. Intergovernmental revenues decreased due to the decrease in Local Government Aid (LGA) allocated to the general fund. Other revenues decreased 23.3 percent, due to the decrease in other revenues over the increase in charges for services and investment earnings.

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

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2025 Percent of Total</u>
Taxes	\$ 895,726	\$ 990,358	\$ 1,132,128	\$ 1,355,405	44.41
Intergovernmental	1,055,747	1,072,000	1,277,274	1,232,286	40.37
Charges for Services	311,647	309,440	331,840	347,938	11.40
Investment Earnings	3,065	17,260	16,189	56,088	1.84
Other Revenues	<u>154,712</u>	<u>59,558</u>	<u>111,298</u>	<u>60,314</u>	<u>1.98</u>
Total Revenues	<u>\$ 2,420,897</u>	<u>\$ 2,448,616</u>	<u>\$ 2,868,729</u>	<u>\$ 3,052,031</u>	<u>100.00</u>

Revenues by Source



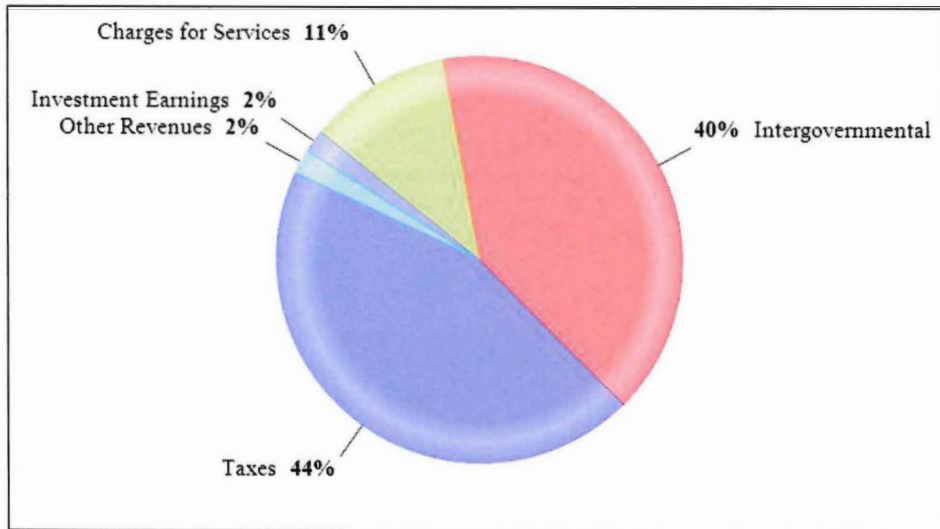
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December 31, 2025

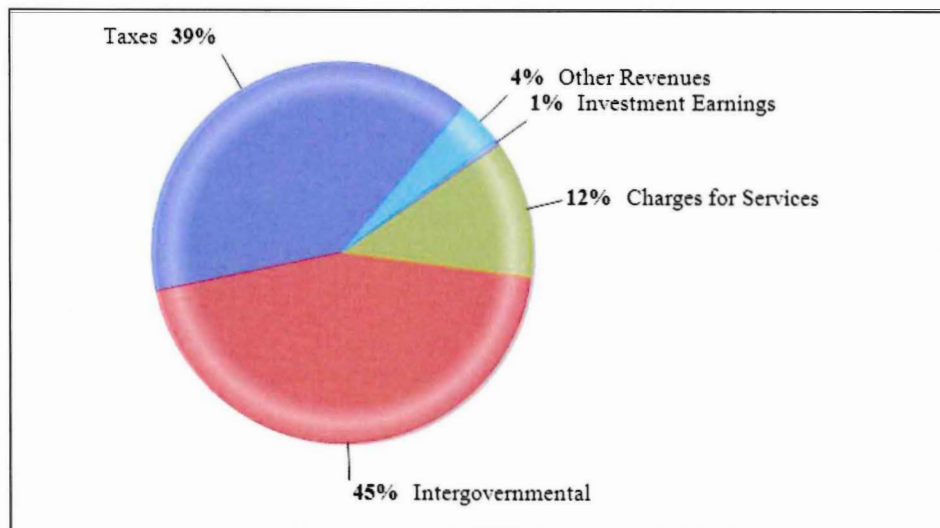
GENERAL FUND (Cont.)

Revenues as a percent of total for 2025 and 2024 are as follows:

General Fund
2025 Revenues



General Fund
2024 Revenues



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Financial Analysis
December 31, 2025

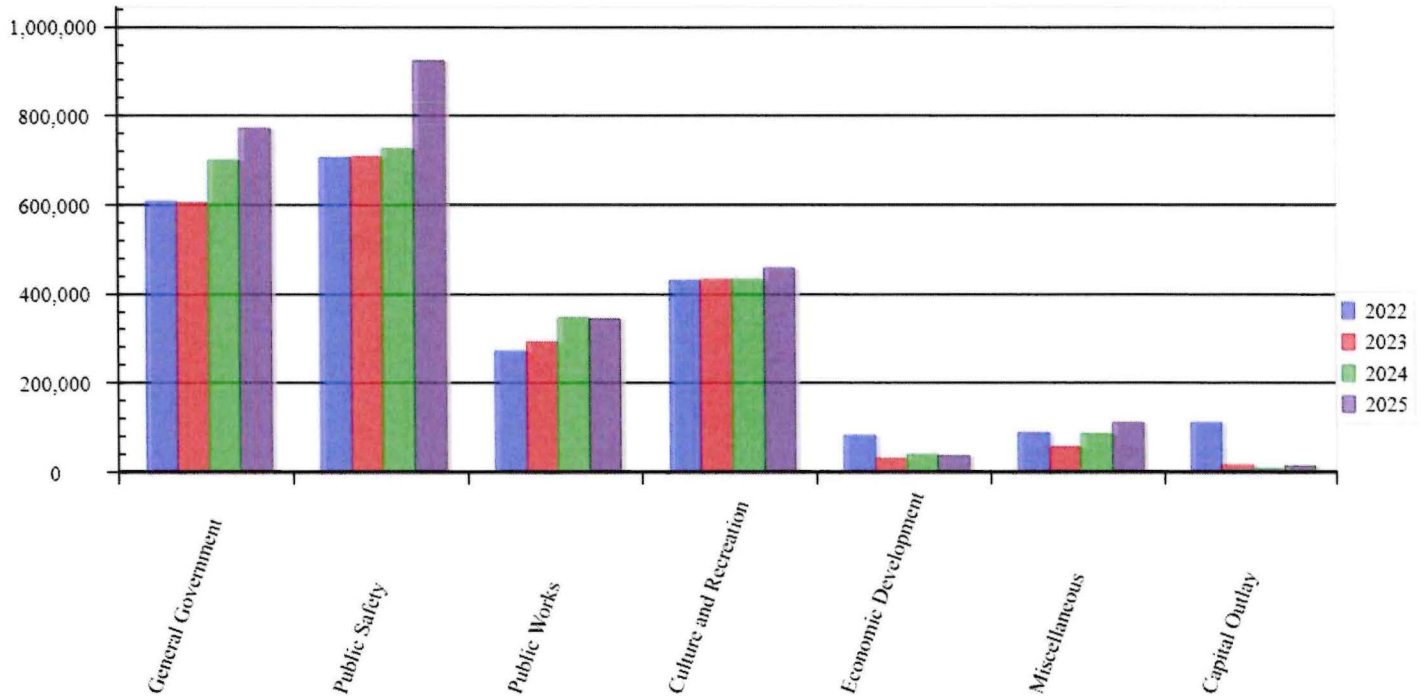
GENERAL FUND (Cont.)

Total General Fund expenditures increased from 2024 to 2025 from \$2,342,855 to \$2,663,590 or 13.7 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>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2025 Percent of Total</u>
Current					
General Government	\$ 607,912	\$ 605,212	\$ 701,180	\$ 772,005	28.98
Public Safety	706,954	708,932	726,451	925,116	34.73
Public Works	271,483	292,782	347,739	345,337	12.97
Culture and Recreation	430,417	432,269	432,535	458,066	17.20
Economic Development	82,273	30,440	39,381	36,979	1.39
Miscellaneous	<u>88,697</u>	<u>57,942</u>	<u>86,708</u>	<u>111,057</u>	<u>4.17</u>
Total Current	2,187,736	2,127,577	2,333,994	2,648,560	99.44
Capital Outlay	<u>110,872</u>	<u>15,477</u>	<u>8,861</u>	<u>15,030</u>	<u>0.56</u>
Total Expenditures	<u>\$ 2,298,608</u>	<u>\$ 2,143,054</u>	<u>\$ 2,342,855</u>	<u>\$ 2,663,590</u>	<u>100.00</u>

Expenditures by Function



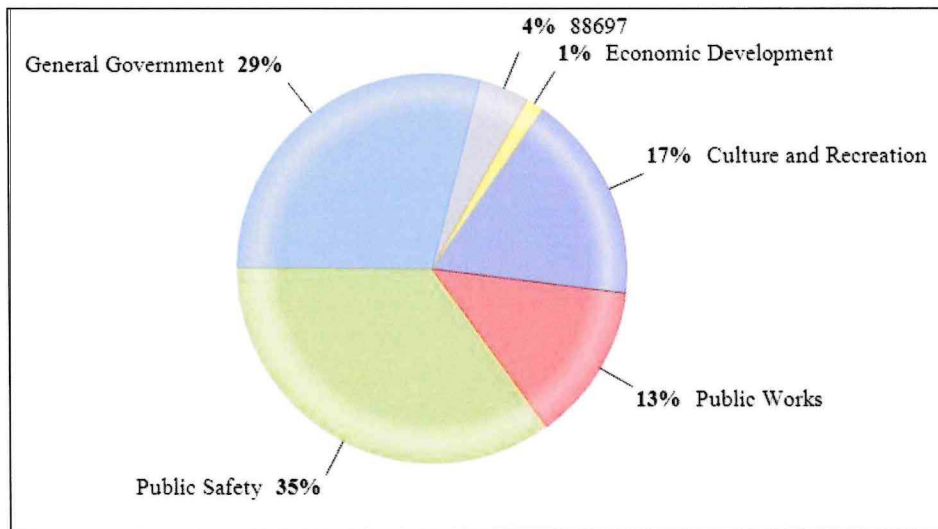
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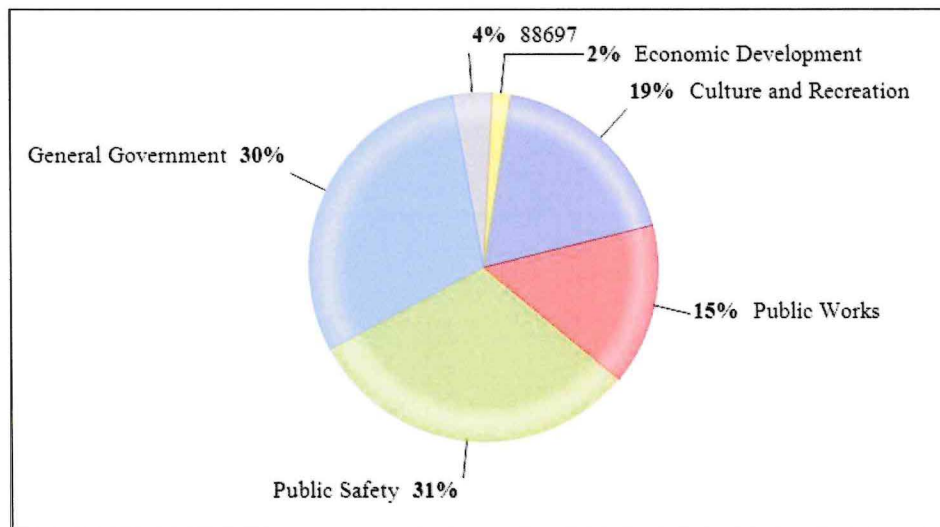
GENERAL FUND (Cont.)

The next graphs illustrate the General Fund expenditures by function for fiscal years 2025 and 2024. Public Safety accounted for the largest portion of expenditures at 35 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 29 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
2025 Expenditures



General Fund
2024 Expenditures



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City of Springfield
Springfield, Minnesota

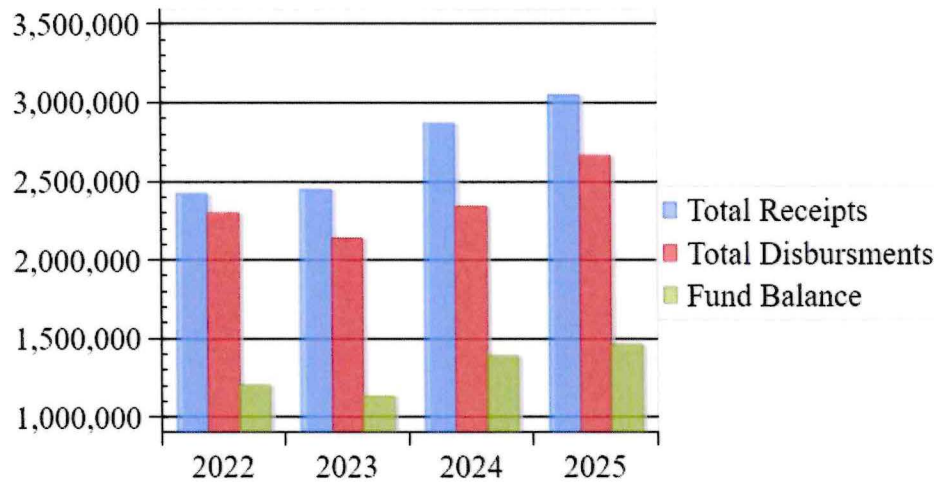
Financial Analysis
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GENERAL FUND (Cont.)

The General Fund fund balance increased by \$71,771 in 2025 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 \$801,154 represents 26.2 percent of 2025 revenues. Maintaining a fund balance as described above will ensure adequate working capital and cash flow for the City.

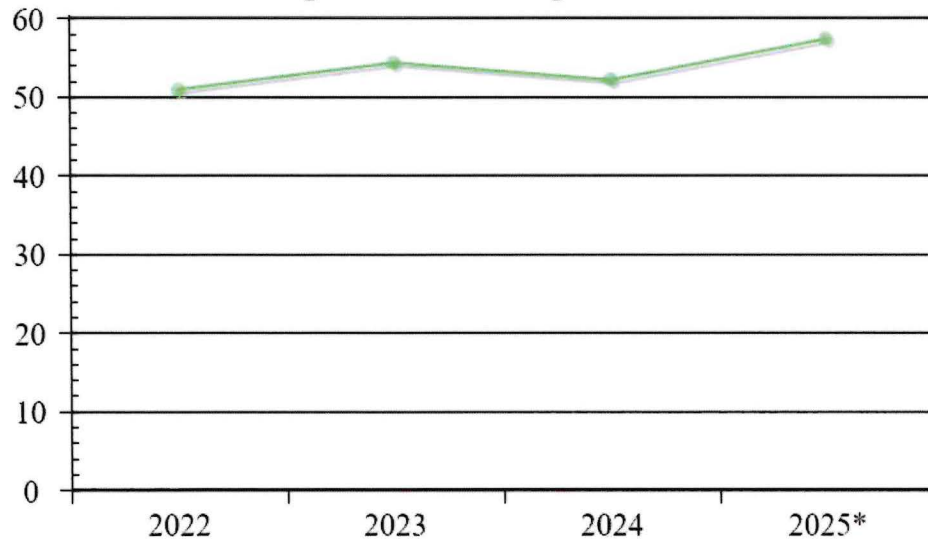
The following graph compares the revenues, expenditures and fund balance for the past four years.

Receipts, Disbursements and Fund Balance



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

Fund Balance as a Percentage of Subsequent Years Expenditures



* Using 2026 budgeted expenditures

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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>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Major:				
251 - Medical Center	\$ 1,167,421	\$ 1,163,647	\$ 1,128,029	\$ 1,019,560
Nonmajor:				
228 - Recreation Complex	69,265	15,648	56,208	126,460
241 - Small Cities Grant II	18,570	35,613	46,932	37,840
242 - Small Cities Grant	77,026	53,167	62,745	85,069
278 - Community Center	405,404	296,285	319,702	300,949
210 - Library Board	<u>156,832</u>	<u>139,425</u>	<u>828,466</u>	<u>855,452</u>
Total	<u>\$ 1,894,518</u>	<u>\$ 1,703,785</u>	<u>\$ 2,442,082</u>	<u>\$ 2,425,330</u>

**City of Springfield
Springfield, Minnesota**

**Financial Analysis
December 31, 2025**

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>	Fund Balance December 31			
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Nonmajor:				
324 - 2021B G.O. Improvement Bonds	\$ 289,350	\$ 312,628	\$ 409,269	\$ 344,787
378 - TIF District 1-4	-	-	-	799
323 - 2018A G.O. Improvement Bonds	286,177	278,559	276,323	281,477
327 - 2010A G.O. Bonds	88,194	85,094	77,306	50,280
322 - 2021B G.O. Bonds	1,385	3,286	4,722	6,275
320 - 2021A G.O. Tax Abatement Bond	<u>13,834</u>	<u>20,391</u>	<u>22,384</u>	<u>29,401</u>
Total	<u>\$ 678,940</u>	<u>\$ 699,958</u>	<u>\$ 790,004</u>	<u>\$ 713,019</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>	Fund Balance (Deficit) December 31			
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Nonmajor:				
410 - Park Improvement Project	\$ 25,893	\$ 52,798	\$ -	\$ -
408 - FEMA Safe Room Project	(3,720)	218,304	(466,804)	(397,239)
405 - Martha Anderson Vet Park	(3,418)	1,925	9,513	-
411 - Capital Improvement Projects	<u>773,642</u>	<u>743,769</u>	<u>605,889</u>	<u>651,895</u>
Total	<u>\$ 792,397</u>	<u>\$ 1,016,796</u>	<u>\$ 148,598</u>	<u>\$ 254,656</u>

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ENTERPRISE FUNDS

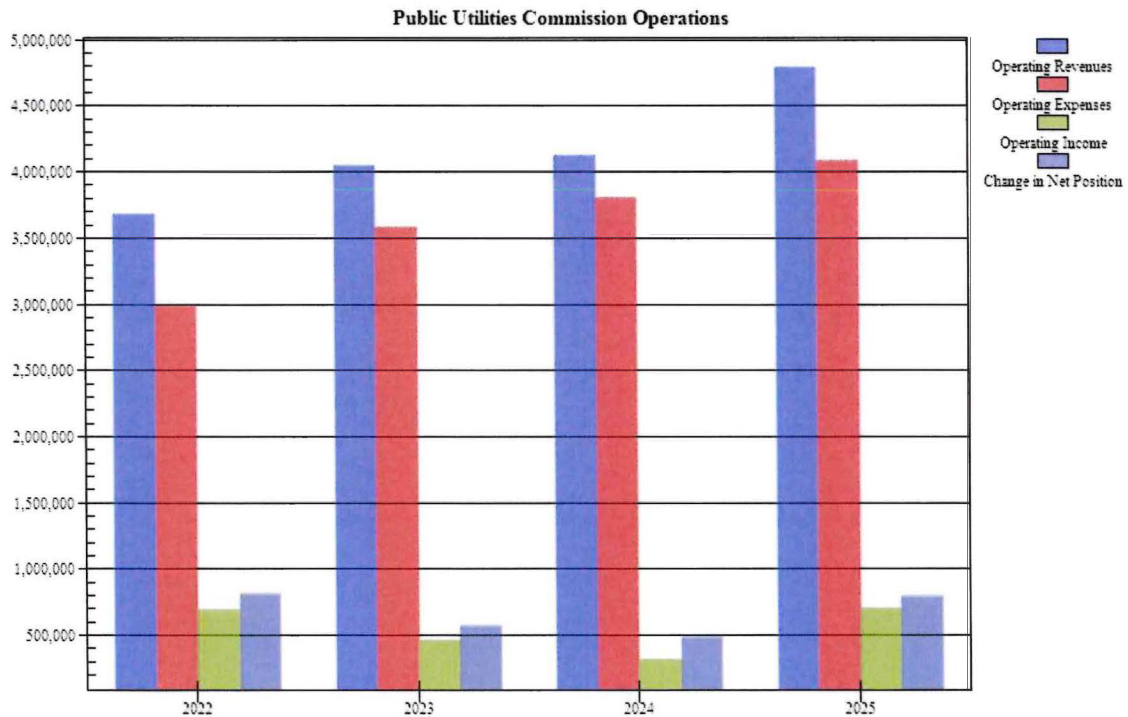
The City uses Enterprise Funds to account for operations that are financed and operated in a manner similar to private business enterprises. Enterprise funds are used where the intent is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered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

The following analysis is of the City's enterprise funds which were in operation during 2025.

Public Utilities Commission

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

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues	\$ 3,682,942	\$ 4,047,857	\$ 4,124,120	\$ 4,797,236
Operating Expenses	<u>2,986,886</u>	<u>3,585,414</u>	<u>3,809,873</u>	<u>4,091,613</u>
Operating Income	696,056	462,443	314,247	705,623
Net nonoperating revenue (expense)	32,965	145,329	203,335	175,533
Transfers In (Out)	<u>79,691</u>	<u>(39,999)</u>	<u>(39,999)</u>	<u>(91,949)</u>
Change in Net Position	<u>\$ 808,712</u>	<u>\$ 567,773</u>	<u>\$ 477,583</u>	<u>\$ 789,207</u>
Cash and Investments	<u>\$ 4,141,972</u>	<u>\$ 4,476,521</u>	<u>\$ 4,856,857</u>	<u>\$ 4,943,556</u>
Bonds Payable	<u>\$ 1,361,539</u>	<u>\$ 1,951,757</u>	<u>\$ 1,782,246</u>	<u>\$ 1,610,415</u>



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Springfield, Minnesota

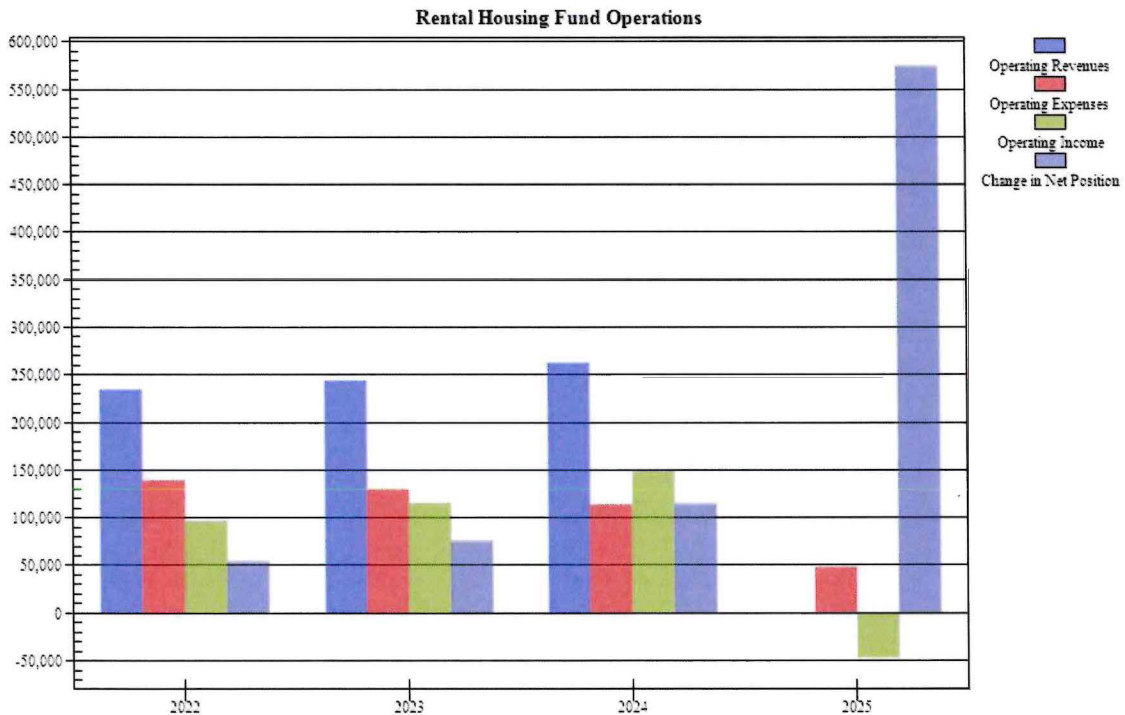
Financial Analysis
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ENTERPRISE FUNDS (Cont.)

Rental Housing

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

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues	\$ 234,193	\$ 244,340	\$ 262,078	\$ -
Operating Expenses	<u>138,593</u>	<u>129,134</u>	<u>113,010</u>	<u>47,663</u>
Operating Income	95,600	115,206	149,068	(47,663)
Net nonoperating revenue (expense)	<u>(42,117)</u>	<u>(40,091)</u>	<u>(35,151)</u>	<u>621,628</u>
Change in Net Position	<u>\$ 53,483</u>	<u>\$ 75,115</u>	<u>\$ 113,917</u>	<u>\$ 573,965</u>
Cash and Investments	<u>\$ 121,891</u>	<u>\$ 146,680</u>	<u>\$ 195,263</u>	<u>\$ -</u>
Bonds Payable	<u>\$ 1,395,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,200,000</u>	<u>\$ 340,000</u>



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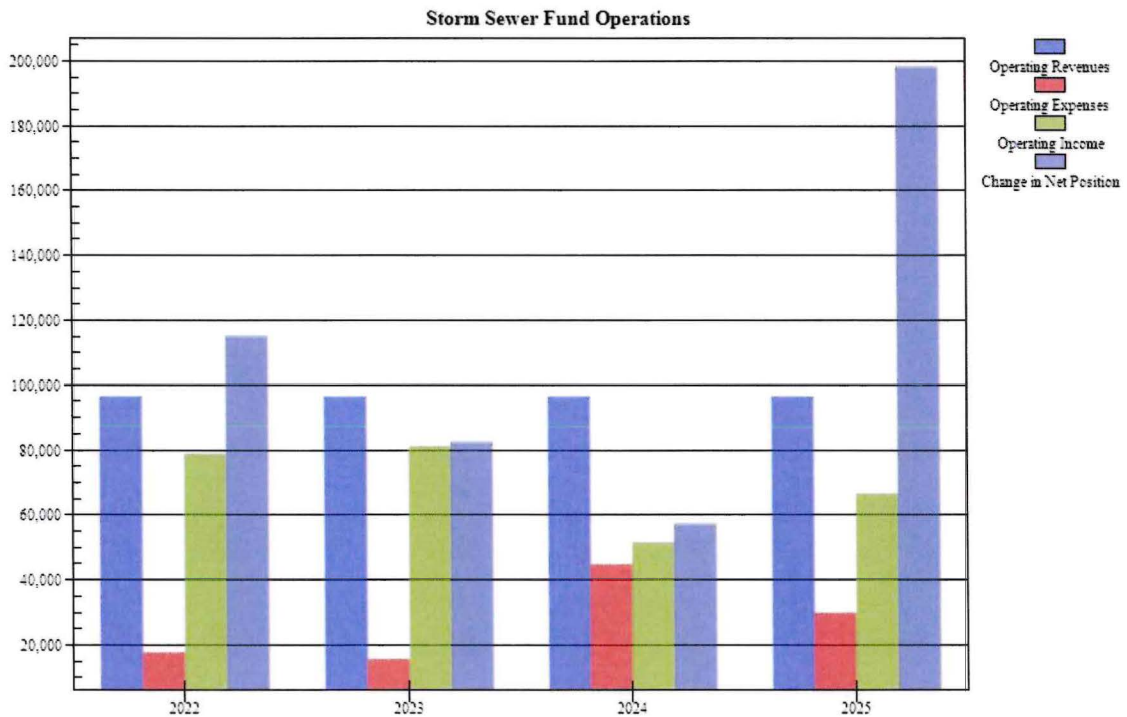
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ENTERPRISE FUNDS (Cont.)

Storm Sewer Utility

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

	<u>2022</u>		<u>2023</u>		<u>2024</u>		<u>2025</u>
Operating Revenues	\$ 96,258	\$	96,395	\$	96,358	\$	96,398
Operating Expenses	<u>17,722</u>		<u>15,514</u>		<u>44,780</u>		<u>29,838</u>
Operating Income	78,536		80,881		51,578		66,560
Net nonoperating revenue (expense)	(11,239)		1,501		5,475		173,090
Transfers In (Out)	<u>47,607</u>		<u>-</u>		<u>-</u>		<u>(41,560)</u>
Change in Net Position	<u>\$ 114,904</u>	\$	<u>\$ 82,382</u>	\$	<u>\$ 57,053</u>	\$	<u>\$ 198,090</u>
Cash and Investments	<u>\$ 257,875</u>	\$	<u>\$ 314,783</u>	\$	<u>\$ 345,727</u>	\$	<u>\$ 173,636</u>
Bonds Payable	<u>\$ 573,630</u>	\$	<u>\$ 535,597</u>	\$	<u>\$ 496,358</u>	\$	<u>\$ 455,910</u>



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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>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues	\$ 237,190	\$ 287,985	\$ 260,180	\$ 297,125
Operating Expenses	<u>285,612</u>	<u>358,678</u>	<u>445,982</u>	<u>385,864</u>
Operating Income (Loss)	(48,422)	(70,693)	(185,802)	(88,739)
Net nonoperating revenue (expense)	(63,225)	(102,179)	28,158	14,725
Transfers In	<u>20,570</u>	<u>20,570</u>	<u>22,803</u>	<u>20,570</u>
Change in Net Position	<u>\$ (91,077)</u>	<u>\$ (152,302)</u>	<u>\$ (134,841)</u>	<u>\$ (53,444)</u>
Cash and Investments	<u>\$ 108,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

