

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2017

PREPARED BY:

FINANCE DEPARTMENT

Brenda Angelstad

Member GFOA of U.S. and Canada
Published June 12, 2018

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Comprehensive Annual Financial Report
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INTRODUCTORY SECTION

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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June 12, 2018

To the Honorable Mayor, Members of the City Council, and Citizens of Northfield:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Northfield for the fiscal year ended December 31, 2017.

This report consists of management's representations concerning the finances of the City of Northfield. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Northfield continues to build and refine a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Northfield's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Northfield's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Northfield's financial statements have been audited by Abdo, Eick, & Meyers; a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Northfield for the fiscal year ended December 31, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Northfield's financial statements for the fiscal year ended December 31, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

To the Honorable Mayor and City Council
City of Northfield, Minnesota

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to complement MD & A and should be read in conjunction with it. The City of Northfield's MD&A can be found immediately following the report of the independent auditors.

All City funds, departments, commissions, and other organizations for which the City of Northfield is financially accountable are presented within the Comprehensive Annual Financial Report. The Northfield Fire Relief Association does not meet the established criteria for inclusion in the reporting entity, and accordingly is excluded from this report.

Profile of the Government

The City of Northfield was formed in 1855 and was incorporated March 1875. The City of Northfield as it exists today consists of 7.6 square miles. As of the 2010 Census, Northfield has a population of 20,007. Northfield is a 45-mile drive from Minneapolis and Saint Paul.

Northfield is a Home Rule Charter city with the City Council appointing a City Administrator. The City Administrator has operating responsibilities for all City functions.

The City of Northfield provides various services to the residents in the community. The current services are:

- General Government
 - a. Mayor & City Council
 - b. Administration
 - c. Elections
 - d. Finance
 - e. City Attorney
 - f. Human Resources and Risk Management
 - g. Information Technology
 - h. Community Development, including Housing and Economic Development
 - i. Planning
 - j. General Government Building
- Public Safety
 - a. Police
 - b. Fire
 - c. Building Inspections

To the Honorable Mayor and City Council
City of Northfield, Minnesota

- Public Works
 - a. Engineering
 - b. Streets
 - c. Street Lighting
 - d. Water
 - e. Wastewater
 - f. Garbage
 - g. Storm Water Drainage
- Culture and Recreation
 - a. Ice Arena
 - b. Outdoor Pool at Memorial Park
 - c. Park Maintenance
 - d. Library
- Liquor Store
- Community Resource Center
- Municipal Hospital

The council is required to adopt a final budget prior to the close of the fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The City Administrator, Finance Director and other department directors prepare the annual budget each summer. A preliminary budget is presented to the City Council in August, prior to consideration of the preliminary property tax levy. Under Minnesota Statutes, a preliminary property tax levy must be adopted no later than September 30th of each year for the ensuing years' collection. This action establishes a maximum levy. Subsequent Council action may lower the preliminary levy but may not increase the levy. In addition, the City Council reviews the budgets for the enterprise funds and all other funds on an annual basis as part of the budgetary process.

In November, citizens receive a notice of proposed property taxes based upon the preliminary levies established by all taxing jurisdictions. Citizens are invited to a public hearing known as the Truth in Taxation hearings for each taxing unit. The City's hearing includes a presentation that addresses the budget, proposed property tax levy, other city operations, and the priorities of the City Council for the upcoming year. There is an opportunity for public comment, on these topics, at the public hearing as well as the following meeting at which the final property tax levy is adopted.

Economic condition and outlook

The estimated population as reported by the Minnesota Demographer for 2017 was 20,405 which represents 2.0 % increase from 2010. The 2010 Census established the City's population at 20,007. The population has remained steady over the last several years with a slight increase. This is reflective of the upturn of the economy and the increase in residential construction since the low in 2011. Another related trend is the unemployment rate for the area. In 2008, the rate peaked at 8.3%. Since then, the rate has come down each year and stands at 3.2% at the end of 2017.

	Revenue from Licenses & Permits:	Increase (Decrease)
2017	\$ 859,248	\$ 179,774
2016	679,474	250,717
2015	428,765	31,867
2014	396,898	(72,702)
2013	464,599	43,831
2012	420,768	80,314
2011	340,454	(272,970)
2010	613,424	(286,975)
2009	326,449	(184,057)
2008	510,506	(257,014)

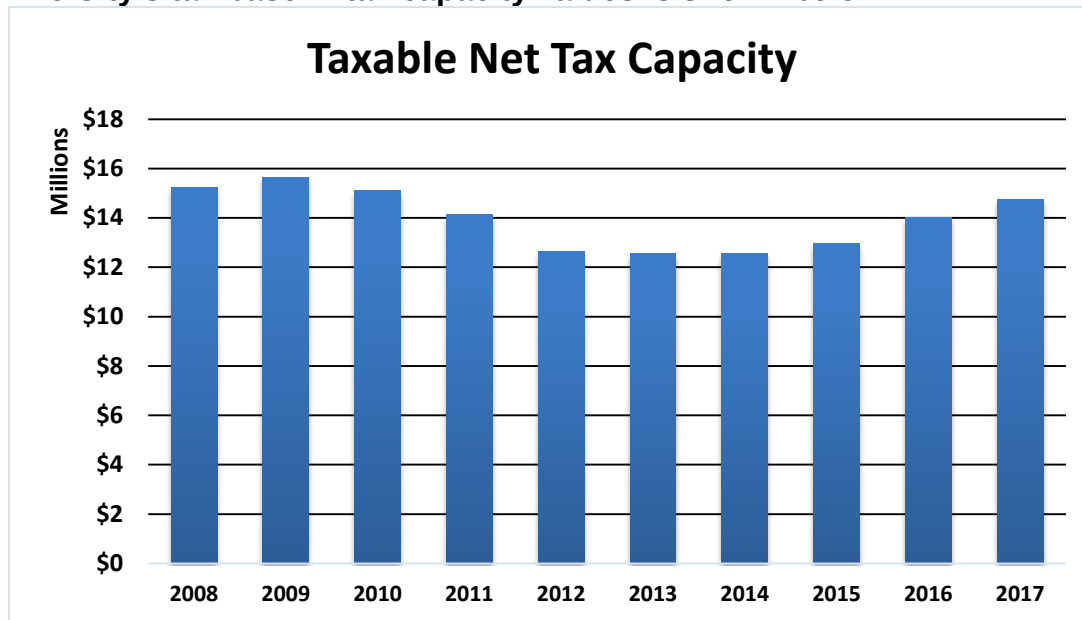
Business license activity went up in 2017. Building permit activity valuations increased in 2017 by approximately \$31.2 million when compared to 2016. The city issued 30 single family building permits and 35 commercial/industrial permits in 2017. The trend is continuing into 2018 with 11 single family permits and 29 commercial/industrial permits issued through May. Commercial projects in 2017 included a \$7.8 million dollar hotel project and a \$57.9 million dollar Science Building at Carleton College.

The multi-family residential housing sector has seen increased activity in the past year. The Community Development Office completed site plan reviews on several multi-family residential housing units planned for 2018 & 2019. A 95 unit Senior Housing Development by Benedictine

Health Systems, two other Senior Housing Projects, two Market Rate Rental Townhome Developments, and an Affordable Rental Townhome Development.

To the Honorable Mayor and City Council
City of Northfield, Minnesota

The City's tax base in tax capacity values is shown below:



The residential sector is moderately increasing, commercial and industrial values are gaining, but are still behind levels from the previous few years. We anticipate the base capacity to be stable with a modest increase over the next year.

Major Employers - Northfield is known for the quality educational institutions that have been landmarks in the community for over 100 years. Northfield's heritage dates back to 1855 when the City was established on the banks of the Cannon River. Soon a dam was constructed to power the Ames Flour Mill, which turned wheat from nearby fields into flour. Today, the Ames Flour Mill is the location of Post Consumer Brands, formerly Malt-O-Meal, a food manufacturer producing a significant part of the nation's breakfast cereals. The educational institutions and the mill remain major employers in Northfield.

To the Honorable Mayor and City Council
City of Northfield, Minnesota

Major employers in Northfield are as follows:

Employer	Products/Services	Employees
St. Olaf College	Education	860
Post Consumer Products (Malt-O-Meal)	Grain & Oilseed Milling	675
Carleton College	Education	700
Northfield Hospital	General Medical & Surgical Hospital	839
Northfield School District ISD #659	Education	730
McLane Minnesota Inc.	Grocery Distribution	480
Multek Flexible Circuits	Technology	450
Taylor Truck Line	Transportation	360
Three Links Care Center	Skilled Nursing Care Facility	250
Lutheran Home – The Cannon Valley	Retirement Community	250

Table 16 in the Statistical Section also details the principal employers for the current year along with a comparison from nine years ago.

Financing General Fund operations - The City's General Fund operations continue to be supported by two major categories of revenue. They are general property taxes at 47%, and intergovernmental revenues at 31%. Intergovernmental revenue includes state aids, such as local government aid, highway maintenance aid, fire relief aid and police aid; county grants include highway aid and support of library operations. Local Government Aid (LGA) is the single largest revenue source within the category of intergovernmental revenues.

The history and ratio to total budget of property taxes and intergovernmental revenues is shown below. The City of Northfield is heavily dependent upon state aid to support General Fund operations. Monitoring state legislative activity and the state's own fiscal condition has been a continual focus.

To the Honorable Mayor and City Council
City of Northfield, Minnesota

The Library Renovation project was substantially completed in 2016 and has enhanced the current library space and moderately expanded to meet current circulation and technology needs. This project represents significant public-private investment and partnership. The project and fund was closed in 2017 and required an additional transfer of \$177,017 from the General Fund.

The East Cannon River Trail Project which had been in process since the early 2000's was substantially completed in 2017. It connects Northfield with Dundas creating a connected trail between the two cities. This trail is also slated to become part of a larger state trail system called the Mills Town Trail.

		General Fund		
	Property Tax	Percent	Intergovernmental	Percent
	Revenue	of	Revenue	of
	\$	Total		Total
2017	5,624,778	47.81%	\$ 3,659,007	31.10%
2016	5,454,266	47.10%	3,674,908	31.73%
2015	5,235,618	46.54%	3,608,311	32.07%
2014	5,259,744	46.96%	3,517,984	31.41%
2013	5,315,103	50.54%	3,066,511	29.16%
2012	5,031,208	46.60%	3,103,346	28.75%
2011	4,664,647	44.91%	2,872,163	27.65%
2010	4,672,080	46.17%	2,927,131	28.93%
2009	4,593,318	43.48%	3,531,026	33.40%
2008	4,064,156	40.34%	4,250,050	34.00%
2007	3,728,589	37.37%	3,820,862	41.26%
2006	3,206,376	31.57%	3,549,170	43.89%
2005	2,820,434	32.40%	3,525,609	40.32%
2004	2,946,516	33.48%	4,007,563	39.14%

Long-Term Financial Planning

A debt study was conducted by Ehlers, Inc. during 2014. The study concentrated on the improvement bonds issued to help finance the street improvement program. A significant number of the city's streets are in need of rehabilitation. While financing the improvements includes special assessments and state street aid (in some instances), a significant portion of the costs are covered by general obligation debt. The debt study examined existing bonds and determined what amount of bonds could be issued over the next five years by allowing no more than a 3% annual increase in the improvement bond-related property tax levy.

The results of the debt study provided the framework for the 2015 - 2019 street improvement portion of the five-year capital improvement program. The debt study also looked at anticipated capital projects to give a holistic picture of bonding capacity with no more than a 3% increase over the next 10 years.

In 2014, a utility rate study was conducted by Ehlers, Inc. That study laid out a plan for our Water, Sewer, and Stormwater rates for the next 6 years based on operating expense and anticipated capital projects. We also chose to change the structure of our water rate, to create a true "conservation rate". We are anticipating the same amount of revenue for the water fund with the new rate structure. The Council authorized Wastewater and Storm Water rates to increase by 3% and 6% respectively in 2018. Refuse rates remained unchanged.

PFM Asset Management manages the majority of the City's investment portfolio. A smaller portion is kept in the 4M fund for cash flow and is managed in-house.

Major Initiatives

In 2017, the City focused on planning for the future by acting on the newly completed strategic plan, which includes 6 priority areas highlighted below.

- Economic Development – a Community that is Economically thriving
 - o Carleton's \$58 million Science Center in process
 - o Fairfield Inn & Suites by Marriott in process
 - o Northfield Hospital & Clinic's downtown Express Care Clinic in process
 - o Planning for City Ice Arena, St. Olaf to add ice on campus
- Affordable Housing – a Community where everyone can afford to live
 - o Planning for the Benedictine Living Community of Northfield (Senior Living campus)
- Infrastructure – a Community where infrastructure supports its objectives
 - o East Cannon River Trail completion

To the Honorable Mayor and City Council
City of Northfield, Minnesota

- o 2017 Street projects
 - o Utilities Facility Improvements
 - o Planning for Fire Hall expansion
- Diversity, Equity & Inclusion – a Community that welcomes everyone
 - o City ID approved – a Community that welcomes everyone
 - o New Bookmobile and Book Bike
- Operational Effectiveness – a Community with a Government that works
 - o Earned our 9th consecutive GFOA Award for Excellence in Financial Reporting
 - o Enhancements to City and Library websites
- Climate Change Impacts – a Community that's resilient and sustainable
 - o Community Solar Garden subscription

The City has a website located at www.ci.northfield.mn.us for use by citizens and other interested parties. Information is continuously provided here in a convenient manner. Updates are made continually and include progress reports on the City's major initiatives.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient services of the Finance Department staff and the consultation of the City's auditing firm. In particular, Mary Grant, Accounting Coordinator in the Finance Department and others in the City have our sincere appreciation for their contribution in the preparation of this report.

We also want to express our appreciation to the Mayor, members of the City Council, and City Administrator for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Brenda Angelstad
Finance Director

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City of Northfield, Minnesota
Principal City Officials
For the Year Ended December 31, 2017

Elected

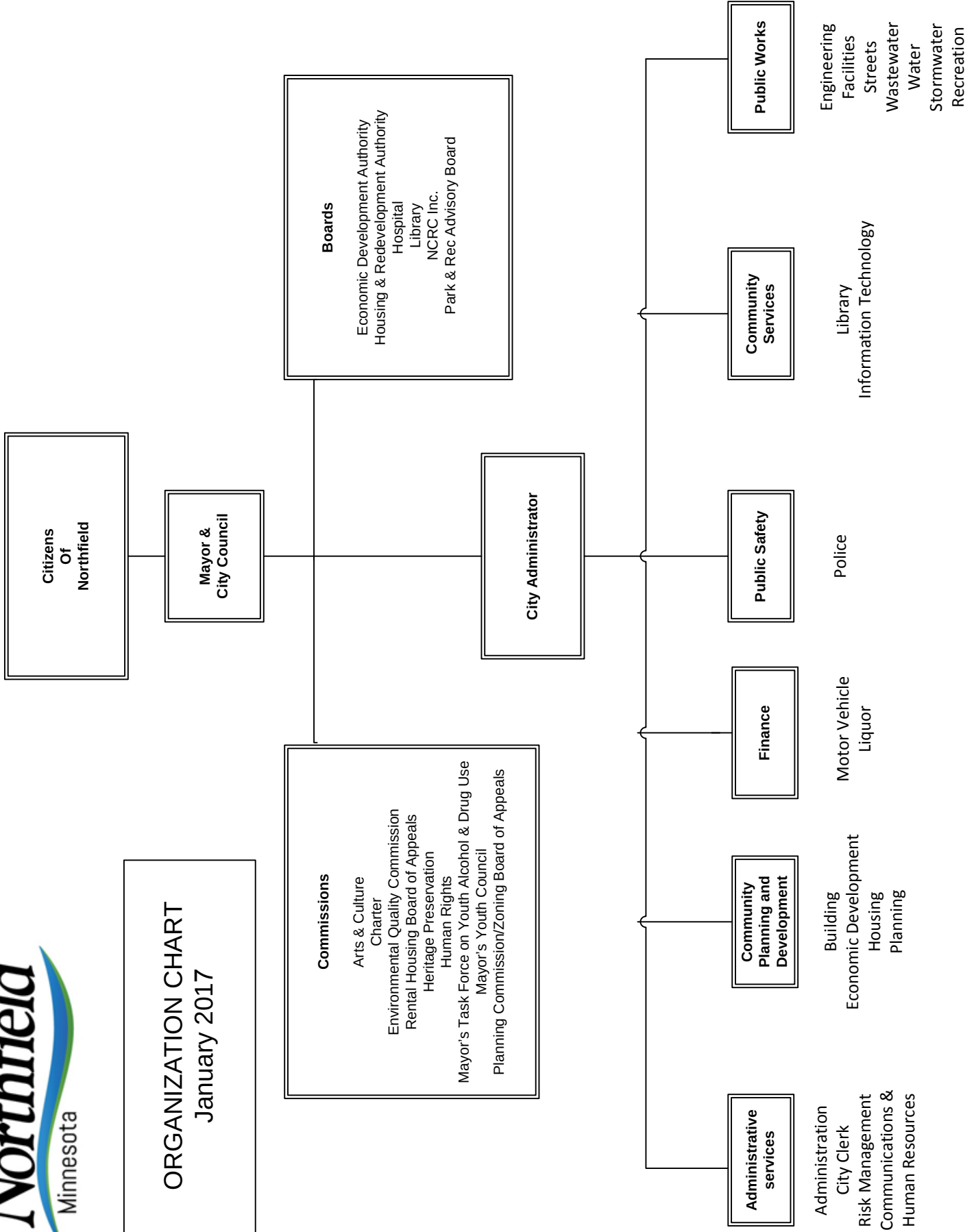
Name	Title	Term Expires
Rhonda Pownell	Mayor	12/31/20
Brad Ness	Council Member - At Large	12/31/20
Greg Colby	Council Member - At Large	12/31/17
Suzie Nakasian	Council Member - First Ward	12/31/18
David DeLong	Council Member - Second Ward	12/31/20
Erica Zweifel	Council Member - Third Ward	12/31/20
Jessica Peterson White	Council Member - Fourth Ward	12/31/18

Appointed

Ben Martig	City Administrator
Brenda Angelstad	Finance Director
Deb Little	City Clerk
Chris Hood	City Attorney
Flaherty & Hood, P.A.	Assistant City Attorney
Monte Nelson	Police Chief
David Bennett	Public Works Director / City Engineer
Chris Heinemann	Community Development/Planning Director
Teresa Jensen	Library / IT Director
Michelle Mahowald	Human Resources / Communications Director

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ORGANIZATION CHART January 2017



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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Northfield
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrell

Executive Director/CEO

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FINANCIAL SECTION
CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Northfield, Minnesota

Report on the Financial Statements

We have audited the accompanying 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 the City of Northfield, Minnesota, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Northfield Municipal Hospital discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Northfield Municipal Hospital, is based solely on the report of the other auditors. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Hospital were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 33 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the City's 2016 financial statements, and we expressed unmodified opinions on the respective 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 in our report dated June 12, 2017. In our opinion, the summarized comparative information presented herein for the respective proprietary fund financial statements as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

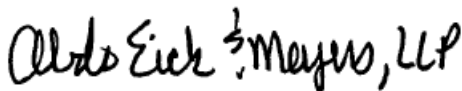
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, schedules, and statistical section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 12, 2018

People
+ Process®
Going
Beyond the
Numbers

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Management's Discussion and Analysis

As management of the City of Northfield (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 11 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$85,986,368 (*net position*). Of this amount, \$20,562,854 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,073,922 as compared to \$4,601,637 in the previous year. Charges for services increased by \$151,697 while public safety expenditures decreased by \$1,344,469.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,107,570, an increase of \$116,996 in comparison with the prior year. A key factor in this increase was the decrease in public safety expenditures. Of this total amount, \$7,193,619, is *available for spending* at the City's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

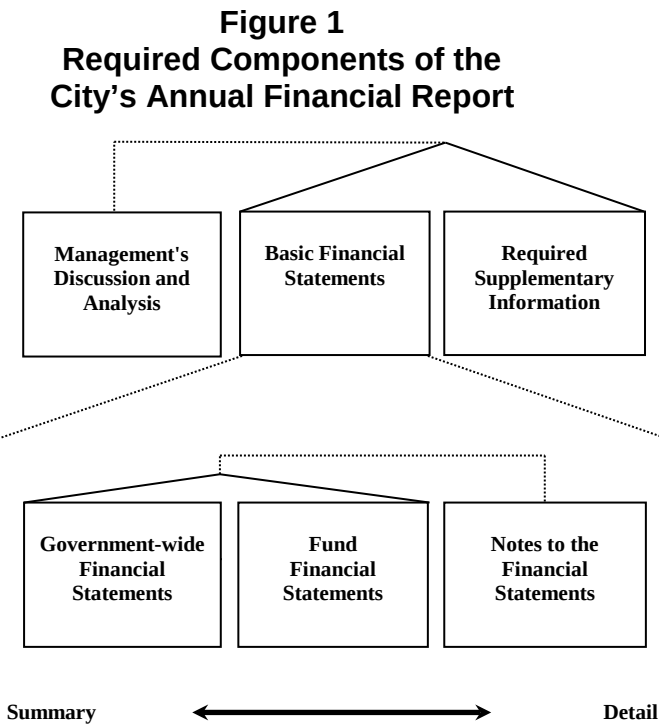


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	- Statement of Net Position - Statement of Activities	- Balance Sheet - Statement of Revenues, Expenditures, and Changes in Fund Balances	- Statement of Net Position - Statement of Revenues, Expenses and Changes in Net Position - Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highway, culture and recreation, housing and economic development, transit and miscellaneous. The business-type activities of the City include water, wastewater, garbage, storm water and municipal liquor store.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Economic Development Authority, Housing Redevelopment Authority and Municipal Hospital for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 47 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 53 individual governmental funds, which includes 21 Debt Service funds that are considered one fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund and 2018 Capital Project fund are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 53 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, garbage, storm water, and liquor store operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its information technology and insurance operations. Because both of these services predominately benefit governmental rather than *business-type functions*, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of its operations that are considered to be major fund of the City. Both internal service funds balances have been incorporated into the functions of the governmental activities that benefited from these services. Individual fund data for the internal services funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found starting on page 58 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 69 of this report.

Required supplementary information. The required supplementary information can be found starting on page 121 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found starting on page 127 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$85,986,368 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (69.6 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Northfield's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Assets						
Current and other assets	\$ 24,061,397	\$ 21,413,396	\$ 2,648,001	\$ 14,110,308	\$ 13,390,279	\$ 720,029
Capital assets	51,613,650	52,653,772	(1,040,122)	32,469,279	32,873,649	(404,370)
Total Assets	75,675,047	74,067,168	1,607,879	46,579,587	46,263,928	315,659
Deferred outflows of resources	4,374,507	6,353,159	(1,978,652)	307,888	457,671	(149,783)
Liabilities						
Long-term liabilities						
outstanding	25,062,790	31,651,160	(6,588,370)	9,047,697	11,047,791	(2,000,094)
Other liabilities	1,123,697	1,140,454	(16,757)	499,651	782,756	(283,105)
Total Liabilities	26,186,487	32,791,614	(6,605,127)	9,547,348	11,830,547	(2,283,199)
Deferred inflows of resources	4,960,708	1,303,714	3,656,994	256,118	157,832	98,286
Net Position						
Net investment in						
capital assets	35,086,458	35,941,654	(855,196)	24,721,543	23,301,761	1,419,782
Restricted	4,652,288	4,603,145	49,143	-	-	-
Unrestricted	9,163,613	5,780,200	3,383,413	12,362,466	11,431,459	931,007
Total Net Position	\$ 48,902,359	\$ 46,324,999	\$ 2,577,360	\$ 37,084,009	\$ 34,733,220	\$ 2,350,789

An additional portion of the City's net position (6.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (23.9 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The City's net position increased by \$4,073,922 during the current fiscal year.

Governmental activities. Governmental activities increased the City's net position by \$1,723,133, accounting for 42.3 percent of the total change in net position mainly from capital grants and contributions of \$1,617,174. Key elements of these changes are as follows:

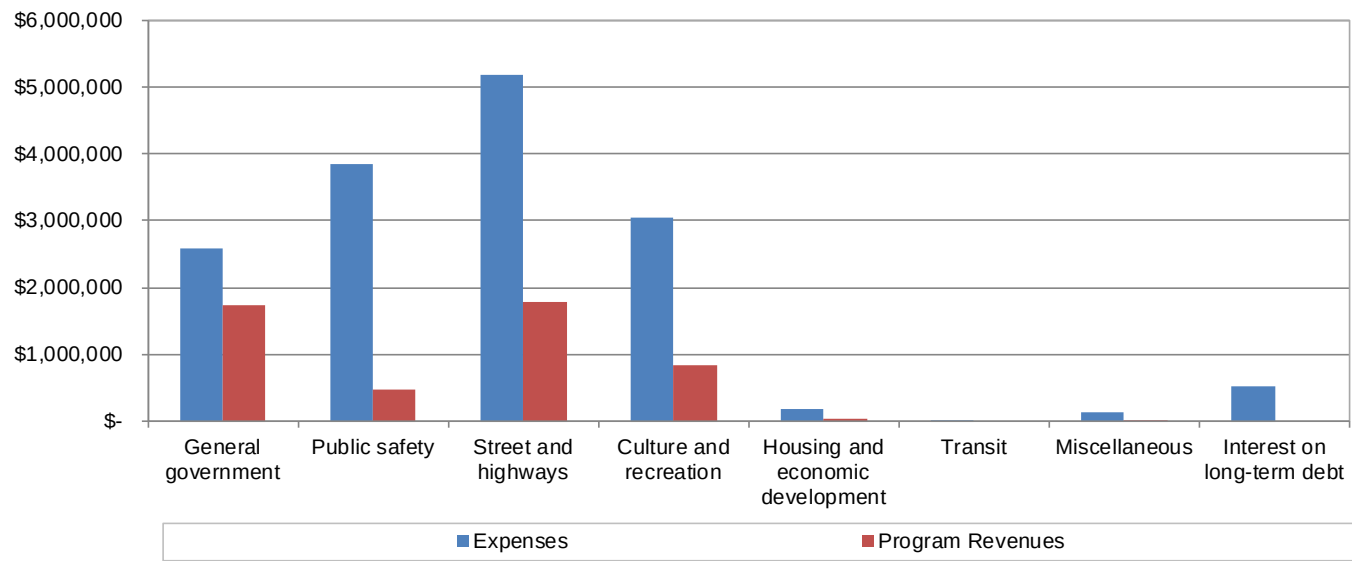
- Capital grants and contributions decreased \$1,173,458. Largely due to no longer receiving state and federal grants for the Woodley Street project.
- Property taxes/tax increment revenues increased \$123,889. Due to a tax levy increase that occurred in 2017.
- Grants and contributions not restricted to specific programs increased \$110,114. Largely relates to the City receiving a grant for the parks fund in current year in the amount of 394,500.
- Public safety expenses decreased \$1,344,469. Largely relating to a decrease in GASB 68 expense for the PEPFF plan.

City of Northfield's Changes in Net Position

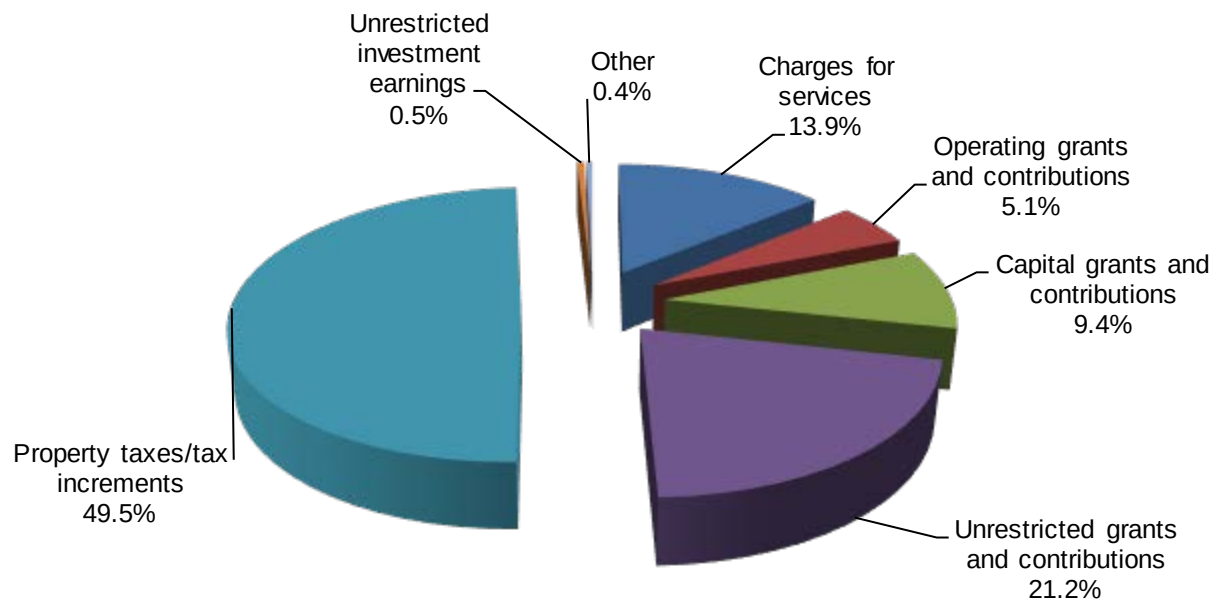
	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 2,401,812	\$ 2,335,761	\$ 66,051	\$ 11,326,578	\$ 11,240,932	\$ 85,646
Operating grants and contributions	872,076	1,085,300	(213,224)	18,079	7,500	10,579
Capital grants and contributions	1,617,174	2,790,632	(1,173,458)	-	-	-
General Revenues						
Property taxes/ tax increments	8,528,494	8,404,605	123,889	-	-	-
Grants and contributions not restricted to specific programs	3,649,679	3,539,565	110,114	-	-	-
Unrestricted investment earnings	78,011	100,699	(22,688)	80,603	104,139	(23,536)
Other	77,029	58,147	18,882	-	-	-
Total Revenues	<u>17,224,275</u>	<u>18,314,709</u>	<u>(1,090,434)</u>	<u>11,425,260</u>	<u>11,352,571</u>	<u>72,689</u>
Expenses						
General government	2,583,745	2,542,003	41,742	-	-	-
Public safety	3,850,606	5,195,075	(1,344,469)	-	-	-
Streets and highways	5,183,024	4,642,307	540,717	-	-	-
Culture and recreation	3,050,928	2,934,423	116,505	-	-	-
Housing and economic development	188,361	282,094	(93,733)	-	-	-
Transit	25,938	53,658	(27,720)	-	-	-
Miscellaneous	132,307	112,509	19,798	-	-	-
Interest on long-term debt	521,233	582,762	(61,529)	-	-	-
Water	-	-	-	1,655,023	1,544,092	110,931
Wastewater	-	-	-	3,244,493	3,120,760	123,733
Garbage	-	-	-	742,024	715,898	26,126
Storm water	-	-	-	458,757	404,546	54,211
Liquor store	-	-	-	2,939,174	2,935,516	3,658
Total Expenses	<u>15,536,142</u>	<u>16,344,831</u>	<u>(808,689)</u>	<u>9,039,471</u>	<u>8,720,812</u>	<u>318,659</u>
Increase in Net Position Before Transfers	1,688,133	1,969,878	(281,745)	2,385,789	2,631,759	(245,970)
Transfers	<u>35,000</u>	<u>125,000</u>	<u>(90,000)</u>	<u>(35,000)</u>	<u>(125,000)</u>	<u>90,000</u>
Change in Net Position	1,723,133	2,094,878	(371,745)	2,350,789	2,506,759	(155,970)
Net Position - January 1	46,324,999	44,230,121	2,094,878	34,733,220	32,226,461	2,506,759
Prior Period Adjustment (Note 10)	<u>854,227</u>	<u>-</u>	<u>854,227</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - December 31	<u>\$48,902,359</u>	<u>\$46,324,999</u>	<u>\$ 2,577,360</u>	<u>\$37,084,009</u>	<u>\$34,733,220</u>	<u>\$ 2,350,789</u>

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



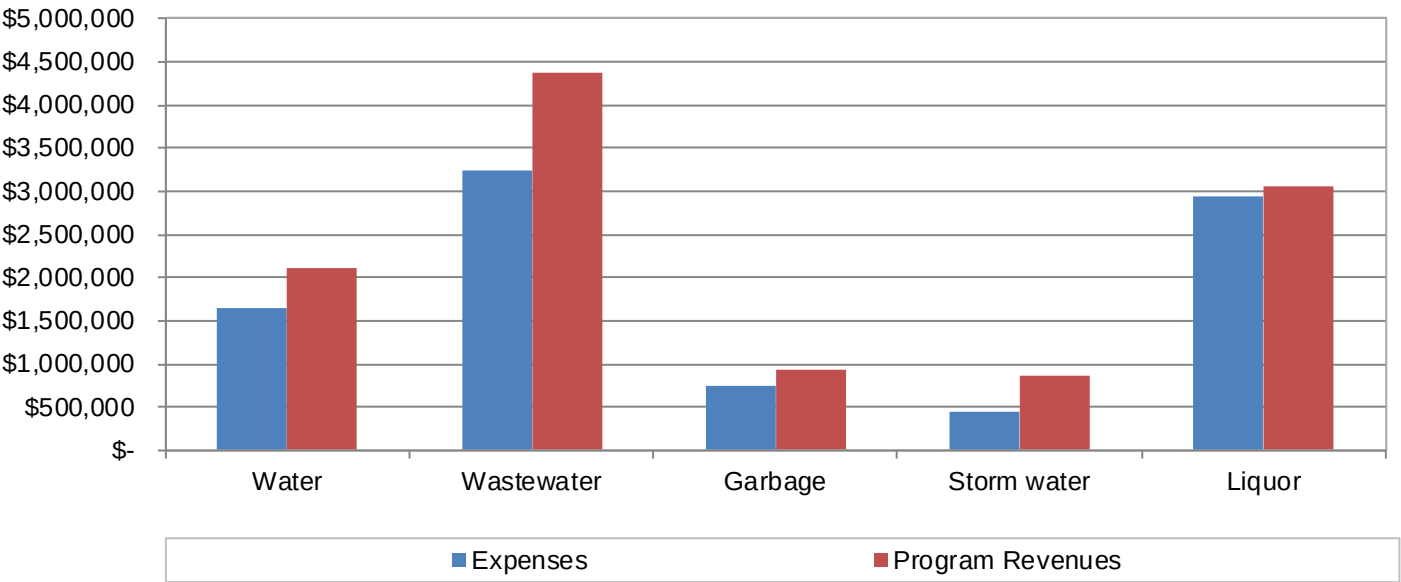
Revenues by Source - Governmental Activities



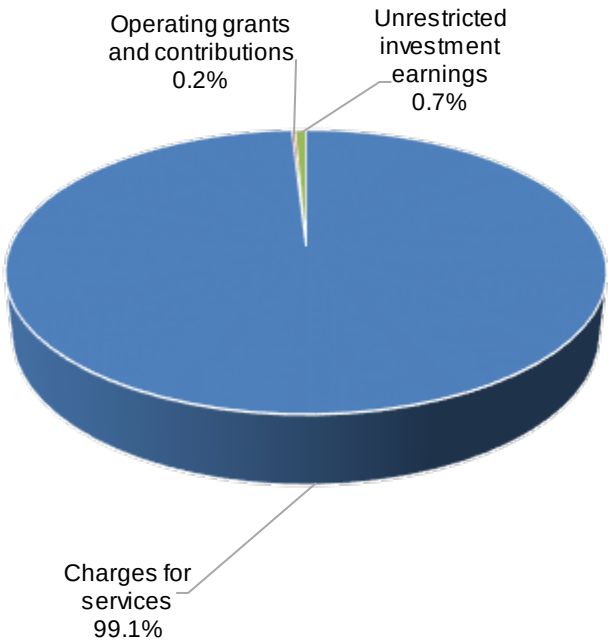
Business-type activities. Business-type activities increased the City’s net position by \$2,350,789, accounting for 57.7 percent of the total increase. Key elements of this increase are as follows:

- Water expenses increased \$110,931.
- Storm water expenses increased \$123,733.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,107,570, an increase of \$116,996 in comparison with the prior year. A key factor in this increase was the decrease in public safety expenditures. Of this total amount, \$7,193,619 is *available for spending* at the City's discretion (*unassigned fund balance*). The remainder of fund balance is not available for new spending because it is nonspendable (\$105,907), restricted (\$6,061,828), committed (\$1,237,342), or assigned (\$1,508,874).

The *General fund* is the chief operating fund of the City. At the end of the current year total fund balance of the General fund was \$7,648,180, most of which was unassigned. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 66.1 percent of total General fund expenditures.

The fund balance of the City's General fund increased as opposed to the budgeted decrease due to revenues coming in over budget and expenditures coming in under budget. Major variances that occurred in the General fund from its budget are noted below in the General Fund Budgetary Highlights.

The *Debt Service fund* has a total fund balance of \$3,840,793, all of which is restricted for the payment of debt service. The increase in fund balance during the current year in the Debt Service fund was \$188,538.

The *2018 Capital Project fund* has a total fund balance deficit of \$170,063. The fund deficit is to be eliminated through future bond issuances.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Wastewater, Garbage, Storm Water and Municipal Liquor Store funds at the end of the year totaled \$12,362,466. The total growth in net position for these funds totaled was \$2,350,789.

General Fund Budgetary Highlights

An amendment was made during the year which increased budgeted revenues and budgeted expenditures by \$27,300 for ice arena operations causing no effect on the budget. An additional amendment was made to increase transfers out by \$177,017. Revenues were over budget by \$67,209, expenditures were under budget by \$556,268, and the other financing sources (uses) were over budget by \$23,711 causing fund balance to increase in 2017.

The major variances in the budget for the General fund were:

- Licenses and permits were over budget by \$446,619 due to additional projects at the local colleges.
- Charges for services revenues were under budget by \$352,013.
- Total general government expenditures were under budget by \$181,816.
- Total public safety expenditures were under budget by \$133,742.
- Total culture and recreation expenditures were under budget by \$90,957.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$84,082,929 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 1.7 percent.

Major capital asset activity during the current fiscal year included the following:

- East Cannon River Trail project for total cost of \$618,975.
- Woodley Street projects had additional costs of \$266,766.
- 2018 Street improvement costs of \$170,063.
- Completion of Well #6 with additional costs of \$496,175.
- Completion of the ultraviolet project with additional costs of \$249,303.
- The purchase of a Zamboni in the amount of \$111,265.
- The purchase of a 2017 Elgin Pelican sweeper in the amount of \$135,923.

Additional information on the City's capital assets can be found in Note 3C starting on page 84 of this report.

City of Northfield's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 1,465,130	\$ 1,465,130	\$ -	\$ 918,554	\$ 918,554	\$ -
Buildings and Improvements	11,190,187	11,827,720	(637,533)	12,559,467	13,352,954	(793,487)
Infrastructure	33,976,759	32,769,578	1,207,181	18,278,158	17,243,403	1,034,755
Machinery and Equipment	2,268,595	2,320,721	(52,126)	550,374	401,780	148,594
Construction in Progress	2,712,979	4,270,623	(1,557,644)	162,726	956,958	(794,232)
Total	<u>\$ 51,613,650</u>	<u>\$ 52,653,772</u>	<u>\$ (1,040,122)</u>	<u>\$ 32,469,279</u>	<u>\$ 32,873,649</u>	<u>\$ (404,370)</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$17,797,500. Of this amount, \$830,000 comprises debt backed by the full faith and credit of the City, \$7,412,046 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, and \$527,500 represents tax increment bonds. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) in the amount of \$9,027,954.

City of Northfield's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	\$ 830,000	\$ 1,125,000	\$ (295,000)	\$ -	\$ -	\$ -
General Obligation improvement bonds	7,412,046	7,612,984	(200,938)	-	-	-
General Obligation tax increment bonds	527,500	584,000	(56,500)	-	-	-
General Obligation revenue bonds	1,470,000	1,660,000	(190,000)	7,557,954	9,352,016	(1,794,062)
Certificates of Participation	5,295,000	5,565,000	(270,000)	-	-	-
Capital Leases	1,390,483	1,592,705	(202,222)	154,405	176,922	(22,517)
Notes	1,256,212	1,380,677	(124,465)	-	-	-
Total	\$ 18,181,241	\$ 19,520,366	\$ (1,339,125)	\$ 7,712,359	\$ 9,528,938	\$ (1,816,579)

The City's total debt decreased by \$3,155,704 (10.9 percent) during the current fiscal year. The key factors in this decrease were the issuance of debt totaled \$1,405,000 and the retirement of debt totaled \$4,560,704. The City's bond rating was 'AA' from Standard & Poor's for their 2017 issues.

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$39,665,625, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3E starting on page 90 of this report.

Economic Factors and Next Year's Budgets and Rates

- The 2017 unemployment rate for Rice County, where the City is located, was 3.0 percent, which was a decrease from a year ago of 3.7 percent. This is favorable to the State's average unemployment rate of 3.4 percent and compares favorably to the national average rate of 3.9 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$7,466,114. This unassigned fund balance is designated for cash flow purposes and revenue stabilization.

The City's tax levy was increased by 8.0 percent for 2018.

For 2017, water rates remained the same. Wastewater rates were set to increase approximately 3.00 percent. Storm water rates were set to increase 6.01 percent.

For 2018, water rates will remain the same. Wastewater rates are set to increase approximately 3.00 percent. Storm water rates are set to increase 6.01 percent.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Northfield, 801 Washington Street, Northfield, Minnesota 55057-2598.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Northfield, Minnesota
Statement of Net Position
December 31, 2017

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing Redevelopment Authority	Municipal Hospital
Assets						
Cash and temporary investments	\$ 17,172,016	\$ 12,296,501	\$ 29,468,517	\$ 1,312,237	\$ 1,133,971	\$ 3,847,368
Restricted cash and investments	574,339	-	574,339	-	-	57,015,907
Receivables						
Interest	32,513	22,725	55,238	1,540	2,079	-
Delinquent taxes	71,933	-	71,933	2,152	2,161	-
Accounts, net of allowances	163,317	1,398,830	1,562,147	-	-	14,545,035
Notes, mortgages and leases, net of allowances	5,835	-	5,835	568,945	-	-
Special assessments	1,723,086	15,305	1,738,391	-	-	-
Intergovernmental	1,475,524	14,014	1,489,538	1,840	1,874	-
Internal balances	(26,045)	26,045	-	-	-	-
Inventories	529	316,173	316,702	-	-	1,798,646
Prepaid items	135,669	20,715	156,384	739	726	991,775
Land held for resale	49,937	-	49,937	-	377,729	-
Capital assets						
Nondepreciable	4,178,109	1,081,280	5,259,389	-	56,994	4,808,779
Depreciable	47,435,541	31,387,999	78,823,540	-	271,522	36,884,041
Investment in joint venture	2,682,744	-	2,682,744	-	-	-
Total Assets	75,675,047	46,579,587	122,254,634	1,887,453	1,847,056	119,891,551
Deferred Outflows of Resources						
Loss on refunding	-	-	-	-	-	548,242
Deferred pension resources	4,374,507	307,888	4,682,395	22,831	24,082	12,977,956
Excess consideration provided for acquisition	-	-	-	-	-	22,500
Total Deferred Outflows of Resources	4,374,507	307,888	4,682,395	22,831	24,082	13,548,698
Liabilities						
Accounts payable	449,649	320,503	770,152	218	2,464	2,937,797
Contracts payable	35,971	5,963	41,934	-	-	210,576
Deposits payable	98,887	200	99,087	-	700	-
Due to other governments	56,749	41,419	98,168	221	-	-
Accrued interest payable	170,362	69,321	239,683	-	-	86,588
Accrued wages payable	312,079	62,245	374,324	3,154	3,258	8,119,835
Noncurrent liabilities						
Due within one year	2,632,148	2,008,813	4,640,961	-	-	1,917,701
Due in more than one year	22,430,642	7,038,884	29,469,526	78,733	84,299	71,788,450
Total Liabilities	26,186,487	9,547,348	35,733,835	82,326	90,721	85,060,947
Deferred Inflows of Resources						
Deferred pension resources	4,960,708	256,118	5,216,826	18,992	20,033	8,951,414
Net Position						
Net investment in capital assets	35,086,458	24,721,543	59,808,001	-	328,516	11,059,072
Restricted for						
Police forfeitures	6,733	-	6,733	-	-	-
Debt service	3,434,676	-	3,434,676	-	-	286,281
Library	324,674	-	324,674	-	-	-
Public safety activities	21,867	-	21,867	-	-	-
Arts and Culture	9,250	-	9,250	-	-	-
Redevelopment and housing	513,181	-	513,181	-	-	-
Recreational activities	341,886	-	341,886	-	-	-
Rescue squad	21	-	21	-	-	-
Capital projects	963,225	-	963,225	-	-	-
Unrestricted	8,200,388	12,362,466	20,562,854	1,808,966	1,431,868	28,082,535
Total Net Position	\$ 48,902,359	\$ 37,084,009	\$ 85,986,368	\$ 1,808,966	\$ 1,760,384	\$ 39,427,888

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,583,745	\$ 1,737,772	\$ -	\$ -
Public safety	3,850,606	112,735	356,032	-
Streets and highways	5,183,024	110,099	202,163	1,483,338
Culture and recreation	3,050,928	441,206	258,473	133,836
Housing and economic development	188,361	-	55,208	-
Transit	25,938	-	-	-
Miscellaneous	132,307	-	200	-
Interest on long-term debt	521,233	-	-	-
Total Governmental Activities	<u>15,536,142</u>	<u>2,401,812</u>	<u>872,076</u>	<u>1,617,174</u>
Business-type Activities				
Water	1,655,023	2,103,303	-	-
Wastewater	3,244,493	4,378,493	2,000	-
Garbage	742,024	919,711	16,079	-
Storm water	458,757	860,801	-	-
Municipal Liquor Store	2,939,174	3,064,270	-	-
Total Business-type Activities	<u>9,039,471</u>	<u>11,326,578</u>	<u>18,079</u>	<u>-</u>
Total Primary Government	<u>\$ 24,575,613</u>	<u>\$ 13,728,390</u>	<u>\$ 890,155</u>	<u>\$ 1,617,174</u>
Component Units				
Economic Development Authority	<u>\$ 257,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Redevelopment Authority	<u>\$ 259,290</u>	<u>\$ 50,001</u>	<u>\$ -</u>	<u>\$ -</u>
Municipal Hospital	<u>\$ 108,304,653</u>	<u>\$ 105,976,342</u>	<u>\$ 94,917</u>	<u>\$ 30,000</u>

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Franchise taxes
Lodging taxes
Property taxes, levied for economic development
Property taxes, levied for housing redevelopment
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Other revenues
Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net position, January 1

Prior period adjustment (Note 10)

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing Redevelopment Authority	Municipal Hospital
\$ (845,973)	\$ -	\$ (845,973)	\$ -	\$ -	\$ -
(3,381,839)	-	(3,381,839)	-	-	-
(3,387,424)	-	(3,387,424)	-	-	-
(2,217,413)	-	(2,217,413)	-	-	-
(133,153)	-	(133,153)	-	-	-
(25,938)	-	(25,938)	-	-	-
(132,107)	-	(132,107)	-	-	-
(521,233)	-	(521,233)	-	-	-
<u>(10,645,080)</u>	<u>-</u>	<u>(10,645,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	448,280	448,280	-	-	-
-	1,136,000	1,136,000	-	-	-
-	193,766	193,766	-	-	-
-	402,044	402,044	-	-	-
-	125,096	125,096	-	-	-
<u>-</u>	<u>2,305,186</u>	<u>2,305,186</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(10,645,080)</u>	<u>2,305,186</u>	<u>(8,339,894)</u>			
			(257,539)	-	-
			-	(209,289)	-
			<u>-</u>	<u>-</u>	<u>(2,203,394)</u>
6,234,467	-	6,234,467	-	-	-
1,644,243	-	1,644,243	-	-	-
333,032	-	333,032	-	-	-
200,007	-	200,007	-	-	-
116,745	-	116,745	-	-	-
-	-	-	229,571	-	-
-	-	-	-	234,029	-
3,649,679	-	3,649,679	-	-	-
78,011	80,603	158,614	4,161	9,520	760,273
59,565	-	59,565	11,226	2,561	-
17,464	-	17,464	-	-	10,392
35,000	(35,000)	-	-	-	-
<u>12,368,213</u>	<u>45,603</u>	<u>12,413,816</u>	<u>244,958</u>	<u>246,110</u>	<u>770,665</u>
1,723,133	2,350,789	4,073,922	(12,581)	36,821	(1,432,729)
46,324,999	34,733,220	81,058,219	1,821,547	1,723,563	40,860,617
854,227	-	854,227	-	-	-
<u>\$ 48,902,359</u>	<u>\$ 37,084,009</u>	<u>\$ 85,986,368</u>	<u>\$ 1,808,966</u>	<u>\$ 1,760,384</u>	<u>\$ 39,427,888</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Northfield, Minnesota

Balance Sheet
Governmental Funds
December 31, 2017

	General	Debt Service	2018 Capital Project Fund	Other Governmental Funds	Totals
Assets					
Cash and temporary investments	\$ 7,272,338	\$ 4,098,581	\$ -	\$ 4,102,687	\$ 15,473,606
Cash held with fiscal agent	-	-	-	574,339	574,339
Receivables					
Interest	14,324	7,170	-	7,880	29,374
Delinquent taxes	69,617	41	-	2,275	71,933
Accounts	105,752	-	-	57,565	163,317
Notes, net of allowances	-	-	-	5,835	5,835
Special assessments	-	1,553,465	-	169,621	1,723,086
Intergovernmental	63,547	2,806	1,002,419	406,752	1,475,524
Due from other funds	549,884	-	-	-	549,884
Advance to other funds	-	-	-	136,000	136,000
Inventories	529	-	-	-	529
Prepaid items	103,062	-	-	2,316	105,378
Land held for resale	-	-	-	49,937	49,937
Total Assets	\$ 8,179,053	\$ 5,662,063	\$ 1,002,419	\$ 5,515,207	\$ 20,358,742
Liabilities					
Accounts payable	\$ 192,281	\$ 41,403	\$ 60,381	\$ 49,539	\$ 343,604
Contracts payable	-	-	-	35,971	35,971
Accrued wages payable	244,362	-	-	5,133	249,495
Due to other funds	-	95,910	109,682	344,292	549,884
Advance from other funds	-	136,000	-	-	136,000
Due to other governments	12,694	-	-	34,648	47,342
Deposits payable	11,919	-	-	86,968	98,887
Total Liabilities	461,256	273,313	170,063	556,551	1,461,183
Deferred Inflows of Resources					
Unavailable revenue - taxes	69,617	41	-	2,275	71,933
Unavailable revenue - special assessments	-	1,547,916	-	167,721	1,715,637
Unavailable revenue - intergovernmental	-	-	1,002,419	-	1,002,419
Total Deferred Inflows of Resources	69,617	1,547,957	1,002,419	169,996	2,789,989
Fund Balances					
Nonspendable					
Inventories	529	-	-	-	529
Prepaid items	103,062	-	-	2,316	105,378
Restricted					
Police forfeitures	6,733	-	-	-	6,733
Debt service	-	3,840,793	-	-	3,840,793
Library	-	-	-	324,674	324,674
Public safety activities	-	-	-	21,867	21,867
Arts and culture	-	-	-	9,250	9,250
Redevelopment and housing	-	-	-	512,154	512,154
Recreational activities	-	-	-	341,886	341,886
Rescue squad	-	-	-	21	21
Capital projects	-	-	-	1,004,450	1,004,450
Committed					
Capital projects	71,742	-	-	-	71,742
Community resource center operations	-	-	-	392,309	392,309
Motor vehicle operations	-	-	-	169,643	169,643
Communications	-	-	-	603,648	603,648
Assigned					
Capital projects	-	-	-	1,508,874	1,508,874
Unassigned	7,466,114	-	(170,063)	(102,432)	7,193,619
Total Fund Balances	7,648,180	3,840,793	(170,063)	4,788,660	16,107,570
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,179,053	\$ 5,662,063	\$ 1,002,419	\$ 5,515,207	\$ 20,358,742

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2017

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	\$ 16,107,570
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	51,583,650
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Severance payable	(813,202)
Bonds payable	(10,239,545)
Capital lease payable	(6,685,484)
Notes payable	(1,256,212)
Other postemployment benefit payable	(319,491)
Pension liability	(5,340,023)
Bond discounts, net of accumulated amortization	29,437
Bond premium, net of accumulated amortization	(200,325)
Investment in joint ventures are not financial resources, and therefore, are not reported in the funds	2,682,744
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	71,933
Special assessments receivable	1,715,637
Intergovernmental receivable	1,002,419
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	4,305,508
Deferred inflows of pension resources	(4,903,312)
Governmental funds do not report a liability for accrued interest until due and payable.	(170,362)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>1,331,417</u>
Total Net Position - Governmental Activities	<u><u>\$ 48,902,359</u></u>

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Debt Service	2018 Capital Project Fund	Other Governmental Funds	Totals
Revenues					
Taxes	\$ 5,624,778	\$ 1,943,406	\$ -	\$ 933,534	\$ 8,501,718
Special assessments	-	575,626	-	5,136	580,762
Licenses and permits	859,249	-	-	-	859,249
Intergovernmental	3,659,007	-	-	885,272	4,544,279
Charges for services	1,219,595	-	-	235,252	1,454,847
Fines and forfeits	98,171	-	-	-	98,171
Investment earnings	16,127	25,788	-	36,096	78,011
Miscellaneous	287,191	-	-	212,698	499,889
Total Revenues	<u>11,764,118</u>	<u>2,544,820</u>	<u>-</u>	<u>2,307,988</u>	<u>16,616,926</u>
Expenditures					
Current					
General government	2,106,224	-	-	327,257	2,433,481
Public safety	4,159,937	-	-	131,956	4,291,893
Public works	2,489,659	-	-	-	2,489,659
Culture and recreation	2,180,036	-	-	220,239	2,400,275
Housing and economic development	-	1,362	-	184,533	185,895
Miscellaneous	130,676	-	-	382	131,058
Capital outlay					
General government	15,441	-	-	73,264	88,705
Public safety	-	-	-	193,330	193,330
Public works	3,774	-	170,063	1,482,056	1,655,893
Culture and recreation	5,435	-	-	761,856	767,291
Housing and economic development	-	-	-	21,506	21,506
Debt service					
Principal	158,883	2,541,903	-	43,339	2,744,125
Interest and other charges	46,576	502,490	-	13,270	562,336
Issuance fees	-	-	-	4,725	4,725
Total Expenditures	<u>11,296,641</u>	<u>3,045,755</u>	<u>170,063</u>	<u>3,457,713</u>	<u>17,970,172</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>467,477</u>	<u>(500,935)</u>	<u>(170,063)</u>	<u>(1,149,725)</u>	<u>(1,353,246)</u>
Other Financing Sources (Uses)					
Sale of capital assets	17,464	-	-	-	17,464
Transfers in	150,000	375,132	-	355,551	880,683
Debt issued	-	460,000	-	945,000	1,405,000
Bond premiums	-	(2,300)	-	15,078	12,778
Transfers out	(302,192)	(143,359)	-	(400,132)	(845,683)
Total Other Financing Sources (Uses)	<u>(134,728)</u>	<u>689,473</u>	<u>-</u>	<u>915,497</u>	<u>1,470,242</u>
Net Change in Fund Balances	332,749	188,538	(170,063)	(234,228)	116,996
Fund Balances, January 1	<u>7,315,431</u>	<u>3,652,255</u>	<u>-</u>	<u>5,022,888</u>	<u>15,990,574</u>
Fund Balances, December 31	<u>\$ 7,648,180</u>	<u>\$ 3,840,793</u>	<u>\$ (170,063)</u>	<u>\$ 4,788,660</u>	<u>\$ 16,107,570</u>

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2017

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ 116,996
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	2,446,608
Depreciation expense	(3,427,917)
The net effect of various miscellaneous transactions involving capital assets	
Sale of capital assets	(88,813)
The City has an equity interest in joint ventures. The net allocated gain or (loss) and contributions from this investment is not a current financial resource and therefore is not reported in the governmental funds.	960,219
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.	
Principal repayments	2,744,125
Debt issued or incurred	(1,405,000)
Premium on bonds issued, net of amortization expense	6,271
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	26,779
Long-term pension activity is not reported in governmental funds.	
Pension expense	(224,766)
Direct aid contributions	16,321
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Property taxes	(2,712)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	30,023
Federal and State grants	561,463
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefit costs	(98,647)
Compensated absences	(70,250)
Internal service funds are used by management to charge the costs of various services to individual funds.	
The net revenues of certain of the internal activities of internal service funds are reported in governmental activities	<u>132,433</u>
Change in Net Position - Governmental Activities	<u><u>\$ 1,723,133</u></u>

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,597,370	\$ 5,597,370	\$ 5,624,778	\$ 27,408
Licenses and permits	412,630	412,630	859,249	446,619
Intergovernmental	3,617,301	3,617,301	3,659,007	41,706
Charges for services	1,544,308	1,571,608	1,219,595	(352,013)
Fines and forfeits	147,000	147,000	98,171	(48,829)
Investment earnings	75,000	75,000	16,127	(58,873)
Miscellaneous	276,000	276,000	287,191	11,191
Total Revenues	<u>11,669,609</u>	<u>11,696,909</u>	<u>11,764,118</u>	<u>67,209</u>
Expenditures				
Current				
General government	2,288,040	2,288,040	2,106,224	181,816
Public safety	4,293,679	4,293,679	4,159,937	133,742
Public works	2,476,530	2,476,530	2,489,659	(13,129)
Culture and recreation	2,243,693	2,270,993	2,180,036	90,957
Miscellaneous	293,508	293,508	130,676	162,832
Capital outlay				
General government	15,000	15,000	15,441	(441)
Public works	5,500	5,500	3,774	1,726
Culture and recreation	4,200	4,200	5,435	(1,235)
Debt service				
Principal	158,883	158,883	158,883	-
Interest and other	46,576	46,576	46,576	-
Total Expenditures	<u>11,825,609</u>	<u>11,852,909</u>	<u>11,296,641</u>	<u>556,268</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(156,000)</u>	<u>(156,000)</u>	<u>467,477</u>	<u>623,477</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	17,464	17,464
Transfers in	156,000	156,000	150,000	(6,000)
Transfers out	(90,000)	(267,017)	(302,192)	(35,175)
Total Other Financing Sources (Uses)	<u>66,000</u>	<u>(111,017)</u>	<u>(134,728)</u>	<u>(23,711)</u>
Net Change in Fund Balances	(90,000)	(267,017)	332,749	599,766
Fund Balances, January 1	<u>7,315,431</u>	<u>7,315,431</u>	<u>7,315,431</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 7,225,431</u>	<u>\$ 7,048,414</u>	<u>\$ 7,648,180</u>	<u>\$ 599,766</u>

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Statements of Net Position (Continued on the Following Pages)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	\$ 6,378,580	\$ 6,260,950	\$ 3,186,931	\$ 3,012,971
Receivables				
Interest	11,799	10,061	5,900	26,029
Accounts	355,500	376,592	780,225	822,452
Intergovernmental	-	-	14,014	-
Inventories	24,037	19,611	-	-
Prepaid items	9,000	7,644	6,429	5,219
Total Current Assets	<u>6,778,916</u>	<u>6,674,858</u>	<u>3,993,499</u>	<u>3,866,671</u>
Noncurrent Assets				
Special assessments receivable - noncurrent	-	-	15,305	15,305
Capital assets				
Land	110,290	110,290	5,250	5,250
Buildings	1,563,528	1,563,528	23,794,485	23,794,485
Infrastructure	9,574,027	8,461,086	11,533,083	10,794,017
Machinery, equipment and vehicles	416,774	394,089	965,373	936,621
Construction in progress	-	616,766	137,333	321,937
Less accumulated depreciation	<u>(5,240,547)</u>	<u>(4,894,172)</u>	<u>(15,302,272)</u>	<u>(14,128,970)</u>
Total Capital Assets	<u>6,424,072</u>	<u>6,251,587</u>	<u>21,133,252</u>	<u>21,723,340</u>
Total Noncurrent Assets	<u>6,424,072</u>	<u>6,251,587</u>	<u>21,148,557</u>	<u>21,738,645</u>
Total Assets	<u>13,202,988</u>	<u>12,926,445</u>	<u>25,142,056</u>	<u>25,605,316</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>108,470</u>	<u>160,869</u>	<u>98,573</u>	<u>142,065</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds
603		604		609				
Garbage		Storm Water		Municipal Liquor Store		Total		
2017	2016	2017	2016	2017	2016	2017	2016	
\$ 1,090,783	\$ 884,571	\$ 417,509	\$ 167,872	\$ 1,222,698	\$ 1,216,603	\$ 12,296,501	\$ 11,542,967	\$ 1,698,410
2,011	5,969	753	12,756	2,262	1,886	22,725	56,701	3,139
141,261	141,030	90,532	85,610	31,312	31,220	1,398,830	1,456,904	-
-	-	-	-	-	-	14,014	-	-
-	-	-	-	292,136	268,376	316,173	287,987	-
37	23	80	263	5,169	5,012	20,715	18,161	30,291
1,234,092	1,031,593	508,874	266,501	1,553,577	1,523,097	14,068,958	13,362,720	1,731,840
-	-	-	-	-	-	15,305	15,305	-
-	-	803,014	803,014	-	-	918,554	918,554	-
-	-	-	-	193,804	193,804	25,551,817	25,551,817	-
-	-	6,677,868	6,592,704	56,835	56,835	27,841,813	25,904,642	-
75,641	75,641	170,928	13,011	80,392	80,392	1,709,108	1,499,754	36,155
-	-	25,393	18,255	-	-	162,726	956,958	-
(75,641)	(75,641)	(2,798,574)	(2,566,448)	(297,705)	(292,845)	(23,714,739)	(21,958,076)	(6,155)
-	-	4,878,629	4,860,536	33,326	38,186	32,469,279	32,873,649	30,000
-	-	4,878,629	4,860,536	33,326	38,186	32,484,584	32,888,954	30,000
1,234,092	1,031,593	5,387,503	5,127,037	1,586,903	1,561,283	46,553,542	46,251,674	1,761,840
3,154	4,074	2,766	9,148	94,925	141,515	307,888	457,671	68,999

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Statements of Net Position (Continued)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2017	2016	2017	2016
Liabilities				
Current Liabilities				
Accounts payable	\$ 71,682	\$ 137,129	\$ 152,458	\$ 384,458
Contracts payable	-	-	5,963	-
Due to other governments	1,095	1,105	3,047	1,162
Accrued interest payable	2,375	4,352	61,155	67,737
Accrued wages payable	23,776	20,771	21,708	20,832
Compensated absences payable - current portion	24,167	8,006	15,049	18,663
Deposits payable	-	-	-	-
Capital leases - current portion	2,340	2,251	21,059	20,265
Bonds payable - current portion	180,000	182,500	1,495,000	1,382,500
Total Current Liabilities	305,435	356,114	1,775,439	1,895,617
Noncurrent Liabilities				
Compensated absences payable, net of current portion	20,343	17,542	71,464	65,670
Other postemployment benefits payable	25,603	14,365	50,409	55,791
Pension liability	369,171	443,781	339,939	395,399
Capital leases payable, net of current portion	13,100	15,441	117,906	138,965
Bonds payable, net of current portion	78,680	260,851	5,210,000	6,705,000
Total Noncurrent Liabilities	506,897	751,980	5,789,718	7,360,825
Total Liabilities	812,332	1,108,094	7,565,157	9,256,442
Deferred Inflows of Resources				
Deferred pension resources	89,050	54,987	81,999	48,993
Net Position				
Net investment in capital assets	6,149,952	5,790,544	14,289,287	13,476,610
Unrestricted	6,260,124	6,133,689	3,304,186	2,965,336
Total Net Position	\$ 12,410,076	\$ 11,924,233	\$ 17,593,473	\$ 16,441,946

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds
603		604		609				
Garbage		Storm Water		Municipal Liquor Store		Total		
2017	2016	2017	2016	2017	2016	2017	2016	
\$ 14,180	\$ 13,520	\$ 27,943	\$ 15,062	\$ 54,240	\$ 54,059	\$ 320,503	\$ 604,228	\$ 106,045
-	-	-	1,548	-	-	5,963	1,548	-
7,229	7,032	155	-	29,893	29,939	41,419	39,238	9,407
-	-	5,791	8,502	-	-	69,321	80,591	-
11	6	235	712	16,515	14,630	62,245	56,951	62,584
-	-	-	-	7,136	8,670	46,352	35,339	-
-	-	-	-	200	200	200	200	-
-	-	-	-	-	-	23,399	22,516	-
-	-	264,062	229,062	-	-	1,939,062	1,794,062	-
21,420	20,558	298,186	254,886	107,984	107,498	2,508,464	2,634,673	178,036
-	-	-	-	22,549	19,183	114,356	102,395	-
-	-	-	-	16,228	9,985	92,240	80,141	-
10,876	11,339	14,432	29,409	327,357	393,869	1,061,775	1,273,797	237,945
-	-	-	-	-	-	131,006	154,406	-
-	-	350,827	619,284	-	-	5,639,507	7,585,135	-
10,876	11,339	365,259	648,693	366,134	423,037	7,038,884	9,195,874	237,945
32,296	31,897	663,445	903,579	474,118	530,535	9,547,348	11,830,547	415,981
2,624	1,405	3,481	3,644	78,964	48,803	256,118	157,832	57,396
-	-	4,263,740	4,012,190	18,564	23,424	24,721,543	23,302,768	30,000
1,202,326	1,002,365	459,603	216,772	1,110,182	1,100,036	12,336,421	11,418,198	1,327,462
<u>\$ 1,202,326</u>	<u>\$ 1,002,365</u>	<u>\$ 4,723,343</u>	<u>\$ 4,228,962</u>	<u>\$ 1,128,746</u>	<u>\$ 1,123,460</u>	37,057,964	34,720,966	<u>\$ 1,357,462</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.						26,045	12,254	
Net position of business-type activities						\$ 37,084,009	\$ 34,733,220	

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2017	2016	2017	2016
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Gross Profit	-	-	-	-
Charges for services	2,077,455	2,040,480	4,359,218	4,253,179
Penalties	8,967	9,932	19,152	21,545
Total Operating Revenues	2,086,422	2,050,412	4,378,370	4,274,724
Operating Expenses				
Personal services	585,625	522,925	487,018	466,781
Pension expense	11,986	75,799	21,161	(22,951)
Supplies	245,504	178,436	561,030	533,713
Other services and charges	320,309	301,916	457,213	408,992
Insurance	19,800	19,800	27,167	27,167
Utilities	115,457	112,333	342,843	371,473
Depreciation	355,075	331,735	1,184,166	1,145,277
Total Operating Expenses	1,653,756	1,542,944	3,080,598	2,930,452
Operating Income	432,666	507,468	1,297,772	1,344,272
Nonoperating Revenues (Expenses)				
Intergovernmental	-	1,367	2,000	7,500
Investment income	42,464	37,584	21,280	39,244
Other income (expense)	909	3,035	123	1,538
Rents	15,972	15,972	-	-
Interest expense	(6,168)	(11,451)	(169,648)	(201,561)
Total Nonoperating Revenues (Expenses)	53,177	46,507	(146,245)	(153,279)
Income Before Contributions and Transfers	485,843	553,975	1,151,527	1,190,993
Capital Contributions to (From) Other Funds	-	527,156	-	(527,156)
Transfers Out	-	-	-	-
Transfers in	-	-	-	-
Change in Net Position	485,843	1,081,131	1,151,527	663,837
Net Position, January 1	11,924,233	10,843,102	16,441,946	15,778,109
Net Position, December 31	\$ 12,410,076	\$ 11,924,233	\$ 17,593,473	\$ 16,441,946

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds
603		604		609				
Garbage		Storm Water		Municipal Liquor Store		Total		
2017	2016	2017	2016	2017	2016	2017	2016	
\$ -	\$ -	\$ -	\$ -	\$ 3,061,127	\$ 3,142,917	\$ 3,061,127	\$ 3,142,917	\$ -
-	-	-	-	(2,279,044)	(2,303,230)	(2,279,044)	(2,303,230)	-
-	-	-	-	782,083	839,687	782,083	839,687	-
911,183	912,645	857,483	822,665	-	-	8,205,339	8,028,969	1,078,114
8,524	8,498	3,312	3,320	-	-	39,955	43,295	-
919,707	921,143	860,795	825,985	782,083	839,687	9,027,377	8,911,951	1,078,114
19,899	19,072	20,375	31,947	444,263	427,297	1,557,180	1,468,022	466,629
1,680	2,271	(8,752)	9,330	10,358	17,135	36,433	81,584	15,417
2,980	1,758	29,541	14,458	13,323	16,313	852,378	744,678	124,533
713,468	689,355	170,895	101,327	162,796	148,288	1,824,681	1,649,878	383,135
4,239	4,239	1,220	1,220	8,332	4,873	60,758	57,299	-
315	290	-	-	18,582	18,455	477,197	502,551	-
-	-	232,126	225,125	4,860	4,860	1,776,227	1,706,997	-
742,581	716,985	445,405	383,407	662,514	637,221	6,584,854	6,211,009	989,714
177,126	204,158	415,390	442,578	119,569	202,466	2,442,523	2,700,942	88,400
-	-	-	-	-	-	2,000	8,867	49,353
6,752	9,161	2,533	11,464	7,574	6,686	80,603	104,139	8,317
16,083	44	(549)	(216)	3,143	5,298	19,709	9,699	154
-	-	-	-	-	-	15,972	15,972	-
-	-	(12,993)	(21,446)	-	-	(188,809)	(234,458)	-
22,835	9,205	(11,009)	(10,198)	10,717	11,984	(70,525)	(95,781)	57,824
199,961	213,363	404,381	432,380	130,286	214,450	2,371,998	2,605,161	146,224
-	-	-	-	-	-	-	-	-
-	-	-	-	(125,000)	(125,000)	(125,000)	(125,000)	-
-	-	90,000	-	-	-	90,000	-	-
199,961	213,363	494,381	432,380	5,286	89,450	2,336,998	2,480,161	146,224
1,002,365	789,002	4,228,962	3,796,582	1,123,460	1,034,010	34,720,966	32,240,805	1,211,238
<u>\$ 1,202,326</u>	<u>\$ 1,002,365</u>	<u>\$ 4,723,343</u>	<u>\$ 4,228,962</u>	<u>\$ 1,128,746</u>	<u>\$ 1,123,460</u>	<u>\$ 37,057,964</u>	<u>\$ 34,720,966</u>	<u>\$ 1,357,462</u>
Change in net position as shown above						\$ 2,336,998	\$ 2,480,161	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						13,791	26,598	
Change in net position of business-type activities						\$ 2,350,789	\$ 2,506,759	

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Statements of Cash Flows
Proprietary Funds (Continued on the Following Pages)
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,107,514	\$ 2,064,415	\$ 4,406,583	\$ 4,218,870
Payments to suppliers and vendors	(690,527)	(658,689)	(1,392,029)	(1,250,519)
Payments to and on behalf of employees	(540,568)	(483,999)	(462,924)	(480,473)
Other receipts	16,881	19,007	123	1,538
Net Cash Provided (Used) by Operating Activities	893,300	940,734	2,551,753	2,489,416
Cash Flows from Noncapital Financing Activities				
Intergovernmental revenue	-	1,367	2,000	7,500
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	1,367	2,000	7,500
Cash Flows from Capital and Related Financing Activities				
(Increase) decrease in due from other funds	-	123,456	-	-
Increase (decrease) in due to other funds	-	-	-	-
Acquisition of capital assets	(621,328)	(383,898)	(836,825)	(1,353,347)
Proceeds from bond issue	-	-	-	1,107,397
Principal paid on revenue bonds payable	(182,500)	(222,498)	(1,382,500)	(1,932,500)
Principal paid on capital lease payable	(2,252)	(13,146)	(20,265)	(12,490)
Interest paid on revenue bonds payable	(10,316)	(5,228)	(181,612)	(220,674)
Net Cash Provided (Used) by Capital And Related Financing Activities	(816,396)	(501,314)	(2,421,202)	(2,411,614)
Cash Flows from Investing Activities				
Interest received (paid)	40,726	49,407	41,409	23,418
Net Increase (Decrease) in Cash and Cash Equivalents	117,630	490,194	173,960	108,720
Cash and Cash Equivalents, January 1	6,260,950	5,770,756	3,012,971	2,904,251
Cash and Cash Equivalents, December 31	<u>\$ 6,378,580</u>	<u>\$ 6,260,950</u>	<u>\$ 3,186,931</u>	<u>\$ 3,012,971</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds
603		604		609					
Garbage		Storm Water		Municipal Liquor Store		Total			
2017	2016	2017	2016	2017	2016	2017	2016		
\$ 919,476	\$ 923,349	\$ 855,873	\$ 812,852	\$ 3,061,035	\$ 3,117,120	\$ 11,350,481	\$ 11,136,606	\$ 1,078,114	
(721,839)	(698,247)	(181,782)	(112,032)	(2,516,217)	(2,531,470)	(5,502,394)	(5,250,957)	(499,677)	
(18,218)	(16,839)	(29,610)	(20,975)	(424,064)	(407,688)	(1,475,384)	(1,409,974)	(451,169)	
16,083	44	-	-	3,143	5,298	36,230	25,887	154	
195,502	208,307	644,481	679,845	123,897	183,260	4,408,933	4,501,562	127,422	
-	-	-	-	-	-	2,000	8,867	49,353	
-	-	90,000	-	-	-	90,000	-	-	
-	-	-	-	(125,000)	(125,000)	(125,000)	(125,000)	-	
-	-	90,000	-	(125,000)	(125,000)	(33,000)	(116,133)	51,686	
-	-	-	-	-	-	-	123,456	-	
-	-	-	(123,456)	-	-	-	(123,456)	-	
-	-	(250,219)	(252,459)	-	-	(1,708,372)	(1,989,704)	(30,000)	
-	-	-	113,823	-	-	-	1,221,220	-	
-	-	(229,062)	(253,638)	-	-	(1,794,062)	(2,408,636)	-	
-	-	-	-	-	-	(22,517)	(25,636)	-	
-	-	(20,099)	(26,315)	-	-	(212,027)	(252,217)	-	
-	-	(499,380)	(542,045)	-	-	(3,736,978)	(3,454,973)	(30,000)	
10,710	5,760	14,536	(1,292)	7,198	9,379	114,579	86,672	10,144	
206,212	214,067	249,637	136,508	6,095	67,639	753,534	1,017,128	159,252	
884,571	670,504	167,872	31,364	1,216,603	1,148,964	11,542,967	10,525,839	1,539,158	
\$ 1,090,783	\$ 884,571	\$ 417,509	\$ 167,872	\$ 1,222,698	\$ 1,216,603	\$ 12,296,501	\$ 11,542,967	\$ 1,698,410	

The notes to the financial statements are an integral part of this statement.

City of Northfield, Minnesota
Statements of Cash Flows
Proprietary Funds (Continued)
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2017	2016	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 432,666	\$ 507,468	\$ 1,297,772	\$ 1,344,272
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Other income (expense) related to operations	16,881	19,007	123	1,538
Depreciation	355,075	331,735	1,184,166	1,145,277
(Increase) decrease in assets				
Accounts receivable	21,092	14,003	42,227	(55,854)
Due from other governments	-	-	(14,014)	-
Inventories	(4,426)	(341)	-	-
Prepaid items	(1,356)	(3,407)	(1,210)	(120)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	52,399	(132,499)	43,492	(107,111)
Increase (decrease) in liabilities				
Accounts payable	28,321	34,027	16,710	76,534
Due to other governments	(10)	(684)	1,885	(8,539)
Accrued wages payable	3,005	8,492	876	4,800
Other postemployment benefits payable	11,238	1,375	7,492	802
Compensated absences payable	18,962	(43,594)	(5,312)	5,195
Pension liability	(74,610)	195,743	(55,460)	89,787
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	34,063	9,409	33,006	(7,165)
Net Cash Provided (Used) by Operating Activities	<u>\$ 893,300</u>	<u>\$ 940,734</u>	<u>\$ 2,551,753</u>	<u>\$ 2,489,416</u>
Schedule of Noncash Investing Capital and Financing Activities				
Capital assets acquired on account	\$ -	\$ 93,768	\$ -	\$ 242,747
Capital assets contributed by (to) other funds	\$ -	\$ 527,156	\$ -	\$ (527,156)
Amortization of bond (premium) discount, net	\$ 2,171	\$ 2,171	\$ 5,382	\$ 1,868
Premium on bonds issued	\$ -	\$ -	\$ -	\$ 32,397

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds
603		604		609					
Garbage		Storm Water		Municipal Liquor Store		Total			
2017	2016	2017	2016	2017	2016	2017	2016		
\$ 177,126	\$ 204,158	\$ 415,390	\$ 442,578	\$ 119,569	\$ 202,466	\$ 2,442,523	\$ 2,700,942	\$ 88,400	
16,083	44	(549)	(216)	3,143	5,298	35,681	25,671	154	
-	-	232,126	225,125	4,860	4,860	1,776,227	1,706,997	-	
(231)	2,206	(4,922)	(13,133)	(92)	(25,797)	58,074	(78,575)	-	
-	-	-	-	-	-	(14,014)	-	-	
-	-	-	-	(23,760)	314	(28,186)	(27)	-	
(14)	(23)	183	(149)	(157)	(282)	(2,554)	(3,981)	(10,639)	
920	(3,385)	6,382	(7,729)	46,590	(110,974)	149,783	(361,698)	30,158	
660	(387)	11,333	14,668	181	(25,890)	57,205	98,952	42,124	
197	76	155	-	(46)	2,682	2,181	(6,465)	(8,077)	
5	6	(477)	337	1,885	2,673	5,294	16,308	130	
-	-	-	-	6,243	573	24,973	2,750	-	
-	-	-	-	1,832	761	15,482	(37,638)	-	
(463)	5,314	(14,977)	17,000	(66,512)	126,841	(212,022)	434,685	(38,029)	
1,219	298	(163)	1,364	30,161	(265)	98,286	3,641	23,201	
\$ 195,502	\$ 208,307	\$ 644,481	\$ 679,845	\$ 123,897	\$ 183,260	\$ 4,408,933	\$ 4,501,562	\$ 127,422	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,515	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ 4,395	\$ 2,253	\$ -	\$ -	\$ 11,948	\$ 6,292	\$ -	
\$ -	\$ -	\$ -	\$ 3,823	\$ -	\$ -	\$ -	\$ 36,220	\$ -	

The notes to the financial statements are an integral part of this statement.

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Northfield (the City) was incorporated in 1875. The City operates under a Home Rule Charter as defined by Minnesota Statutes which provides for a Mayor Council form of government. The Council exercises legislative authority and determines all matters of policy. The Council appoints the city administrator who is responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. Each discretely presented component unit has a December 31 year end.

Discretely Presented Component Units. The component unit's columns in the combined financial statements include the financial data of the Economic Development Authority (EDA), the Housing and Redevelopment Authority and the Northfield Municipal Hospital. These component units are presented in separate columns to emphasize that they are legally separate from the City.

The Northfield Economic Development Authority (EDA) was created pursuant to Minnesota Statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The seven member board consists of two Council members and five other Council approved members. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council. The EDA is reported as a governmental fund type. Separate financial statements are not issued for this component unit. Condensed statement information for the EDA is presented starting on page 191 of these financial statements.

The Northfield Housing and Redevelopment Authority (HRA) were created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out certain redevelopment projects. The governing board, which is comprised of five members, one of which is a City Council member, is appointed by the Mayor and approved by the City Council. The Council reviews and approved HRA tax levies, and the City provides major community development financing for HRA activities. The HRA is reported as a governmental fund type. Separate financial statements are not issued for this component unit. Condensed statement information for the EDA is presented starting on page 193 of these financial statements.

The Northfield Municipal Hospital board of directors is appointed by the City Council. The Hospital has its own budget review and prepares its own financial statements. The City can impose its will on the Hospital, and the outstanding bonded indebtedness is the hospital's debt and is not the responsibility of the City. The Hospital is reported as a discretely presented enterprise fund. Complete financial statements may be obtained at the entity's administrative offices, Northfield Municipal Hospital, 2000 North Avenue, Northfield, MN 55057.

Joint venture and joint powers agreement. The cities of Northfield and Dundas, Minnesota and the townships of Bridgewater, Northfield, Webster, Forest, Waterford, Sciota and Greenvale, Minnesota (Rural Fire) formed the Northfield Area Fire and Rescue Service, Northfield, Minnesota (NAFRS), established under Minnesota statutes, section 471.59 on April 1, 2014 to provide fire protection, suppression, prevention, technical rescue and non-transport emergency medical services to these communities. The Board consists of eight voting Board members which consists of five board members appointed by the Northfield City Council, two Board members appointed by Rural Fire and one Board member appointed by the Dundas City Council. There are also 5 ex-officio (nonvoting) Board members. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Organization's activities.

Note 1: Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Note 1: Summary of Significant Accounting Policies (Continued)

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2018 Capital Project fund* accounts for project costs and funding for the 2018 Street project.

The City reports the following major proprietary funds:

The *Water fund* accounts for the water service charges which are used to finance the water system operating expenses.

The *Wastewater fund* accounts for the wastewater service charges which are used to finance the sanitary sewer system operating expenses.

The *Garbage fund* accounts for the revenues and expenses associated with organized collection of refuse and recycling within the City.

The *Storm Water fund* accounts for revenues and expenses with storm water disposal.

The *Municipal Liquor Store fund* accounts for operations of the municipal liquor store.

Additionally, the City reports the following fund types:

Internal Service funds are used to provide insurance coverage and data processing to other departments of the City.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and sanitation collection functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2017:

- Federal agency securities and US government securities of \$16,068,353 are valued using quoted market prices (Level 1 inputs)
- Commercial paper and Municipal securities of \$4,468,464 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2017 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration Risk* - The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2017. The City has no allowance for uncollectible accounts, as the City is generally able to certify amounts not collected to the County for collection as special assessments. All trade receivables for the Municipal Hospital are shown net of an allowance for uncollectible accounts.

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items/Unearned Charges

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method except for the governmental funds which are recorded at cost or are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or unearned charges in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense when consumed rather than when purchased.

Restricted Assets

Restricted assets include assets set aside by the Hospital Board of Directors for future capital improvements, assets set aside under bond indenture agreements and assets set aside under employee health insurance arrangements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2017, no interest was capitalized in connection with construction in progress.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land Improvements	10 - 30
Building and Improvements	20 - 40
Infrastructure	10 - 30
Machinery and Equipment	5 - 20

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. However, a liability is recognized for that portion of accumulating sick leave benefits that is vested as severance pay. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2017.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The City participates in various pension plans, total pension expense for the year ended December 31, 2017 was \$7,726,401. The components of pension expense are noted in the plan summaries in Note 4.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has two items that qualifies for reporting in this category. One is the loss on refunding reported in the government-wide statement of net position. A loss on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: taxes, special assessments and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Net patient and Resident Service Revenue

Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined.

Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements.

Contributions

From time to time, the Hospital receives contributions from individuals and private organizations. Revenue contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds. The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 40 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring capital assets.
- b. Restricted net position - Consists of net position balances restricted by limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and special revenue funds except the C.C. Cloherty Endowed Book fund, Arts and Culture fund, Transit Grants fund, TZD Enforcement Fund, Jefferson Square TIF fund, Whittier Trust fund, Rescue Squad Trust fund and Spring Creek TIF fund which are not legally obligated to complete budgets. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator so that a budget may be prepared. Before September 30th, the proposed budget is presented to the Council for review and the proposed levy is adopted. The Council holds public hearings and a final budget and a final tax levy are prepared and adopted in early December.

The City's legal level of budgetary control is at the fund level for funds other than the General Fund. The legal level of budgetary control for the General fund is at the department level. The City's department heads may make transfers of appropriations within a department with the approval of the City Administrator. Transfers of appropriations between departments require the approval of the Administrator. Transfers of appropriations between funds require the approval of the Council. Budgeted amounts are as originally adopted, or as amended by the Council. There were budget amendments made during the year. Total budgeted revenues and expenditures remained constant, however there was a net increase in transfers of \$177,017 due to closing a fund.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2017, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Special Revenue			
Community Resource Center	\$ 214,503	\$ 214,574	\$ 71
Library Gift	12,500	13,903	1,403
Master Development Tax Increment Financing	40,000	119,506	79,506

These over expenditures were funded by transfers in and available fund balance.

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2017:

Fund	Amount
Major	
Capital Projects	
2018 Capital Project	\$ 170,063
Nonmajor	
Capital Projects	
NAFRS Building	102,432

The above deficits will be eliminated through future taxes and assessments and future bond proceeds.

Note 3: Detailed Notes on all Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At year end, the City's carrying amount of deposits was \$1,686,992 and the bank balance was \$2,225,222. The bank balance was covered by federal depository insurance totaling \$500,000. Of the remaining balance, \$1,725,222 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Investments

As of December 31, 2017, the City had the following investments that are insured or registered, or securities held by the city or it's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at amortized costs					
Broker Money Market Accounts	N/A	less than 6 months	\$ 246,025		
4-M Fund	N/A	less than 6 months	10,016,480		
Non-pooled investments at fair value					
Commercial paper	N/A	less than 6 months	1,991,455	\$ -	\$ 1,991,455
Commercial paper	N/A	less than 1 year	989,975	-	989,975
Municipal securities	AAA/AA1	1 to 3 years	854,974	-	854,974
Municipal securities	AAA/AA1	more than 3 years	632,060	-	632,060
Federal Agency Securities	AA+/AAA	less than 6 months	773,583	773,583	-
Federal Agency Securities	AA+/AAA	less than 1 year	2,007,991	2,007,991	-
Federal Agency Securities	AA+/AAA	1 to 3 years	6,096,704	6,096,704	-
Federal Agency Securities	AA+/AAA	more than 3 years	-	-	-
U.S. Government securities	AA+/AAA	less than 1 year	1,867,663	1,867,663	-
U.S. Government securities	AA+/AAA	1 to 3 years	5,322,412	5,322,412	-
Total investments			\$ 30,799,322	\$ 16,068,353	\$ 4,468,464

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$2,750.

A reconciliation of cash and investments as shown on the statement of net position for the City, including the component unit HRA and EDA is as follows:

Deposits - City Pooled Account	\$ 1,686,992
Investments - City Pooled Account	30,799,322
Cash on Hand	<u>2,750</u>
Total	<u><u>\$ 32,489,064</u></u>
Cash and Investments - Primary Government	\$ 29,468,517
Restricted Cash and Investments - Primary Government	574,339
Cash and Investments - Component Unit - EDA	1,312,237
Cash and Investments - Component Unit - HRA	<u>1,133,971</u>
Total	<u><u>\$ 32,489,064</u></u>

Component Unit - Municipal Hospital

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other State or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

The Hospital's deposits in banks at December 31, 2017 were a carrying value of \$11,716,445 and were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

The Hospital had the following investments at December 31, 2017:

	Amount	Fair Value Measurement Using	
		Level 1	Level 2
Federal Home Loan Bank	\$ 8,591,411	\$ -	\$ 8,591,411
Federal National Mortgage Association	5,387,057	-	5,387,057
Federal Home Loan Mortgage Corp	11,989,517	-	11,989,517
Federal Agricultural Mortgage Corp	1,075,802	-	1,075,802
Federal Farm Credit Bank	13,723,653	-	13,723,653
U.S. Treasury Notes	817,000	-	817,000
Certificate of Deposit	7,562,390	7,562,390	-
Total	\$ 49,146,830	\$ 7,562,390	\$ 41,584,440

- Federal Home Loan Bank: Consists of discount notes and notes with interest rates of 0.75 percent to 5.375 percent maturing from 2018 to 2026 and have AA+ to AAA ratings by Standard & Poor's.
- Federal National Mortgage Association: Consists of discount notes and notes with interest rates of 0.875 percent to 3.5 percent maturing from 2018 to 2032 and have AA+ to AAA ratings by Standard & Poor's.
- Federal Home Loan Mortgage Corp: Consists of discount notes with interest rates of .875 percent to 4.875 percent maturing from 2018 to 2032 and has AA+ ratings by Standard & Poor's.
- Federal Agricultural Mortgage Corp: Consists of discount notes with interest rates of 0.93 percent maturing in 2018 and have an AA+ rating by Standard & Poor's.
- US Treasury Notes: Consists of discount notes with interest rates of 2.125 percent maturing in 2021 and have AA+ ratings by Standard & Poor's.
- Federal Farm Credit Bank: Consists of discount notes with interest rates ranging from 1.36 percent to 2.69 percent maturing in 2019 to 2027 and have AA+ ratings by Standard & Poor's.
- Certificates of Deposits (CD): Consists of deposits with interest rates ranging from 0.95 percent to 2.55 percent maturing in 2018 to 2022.

Interest rate risk - The Hospital has a formal investment policy that addresses permissible investments, portfolio diversification and instrument maturities. Within these parameters, the liquidity of the investments is a concern maximizing income and the quality of the investments are paramount.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. As of December 31, 2017, the Hospital's investments were rated as shown above.

Concentration of credit risk - The Hospital does not place a limit on the amount of the total portfolio that may be invested in any one depository or issuer. The Finance Department is responsible for the formulation, documentation and monitoring of investment strategy consistent with the investment policy.

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Hospital does not have a formal policy regarding the holding of securities by counter parties however, as of December 31, 2017 the Hospital did not have any such arrangements.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net Position for the Component Unit - Municipal Hospital is as follows:

Deposits	\$ 11,716,445
Investments	<u>49,146,830</u>
Total	<u>\$ 60,863,275</u>
Cash and Investments	\$ 3,847,368
Restricted Assets	<u>57,015,907</u>
Total	<u>\$ 60,863,275</u>

B. Receivables

The Hospital provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Patients and residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice. Past due accounts are individually analyzed for collectability, and then turned over to collection agents. Accounts for which no payments have been received are analyzed and after approval are written off. In addition, an allowance is estimated for other accounts based on historical experience of the Hospital. At December 31, 2017, the allowance for uncollectible accounts was \$4,408,000.

Patient Receivables

Patient receivables reported as current assets by the Hospital at December 31, 2017 consist of the following:

Receivable from Patients and Their Insurance Carriers	\$ 14,804,247
Receivable from Medicare	2,572,828
Receivables from Medicaid	<u>1,294,607</u>
Total Patient Receivable	18,671,682
Less: Allowance For Doubtful Accounts	<u>(4,408,000)</u>
Patient Receivable, Net	<u>\$ 14,263,682</u>

There are other accounts receivable in the amount of \$281,353 for 2017.

Notes/Lease Receivable

The City has made several business subsidy loans to local businesses. The terms of repayment vary with each loan. The total of these notes receivable for December 31, 2017 is \$5,835.

The EDA - component unit has several business subsidy loans to local businesses. The terms of repayment vary with each loan. The total of these notes receivable for December 31, 2017 is \$639,983. There is an allowance for uncollectible accounts for \$71,038 on these loans.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

C. Capital Assets

Capital asset activity for primary government for the year ended December 31, 2017 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 1,465,130	\$ -	\$ -	\$ 1,465,130
Construction in progress	4,270,623	1,980,053	(3,537,697)	2,712,979
Total Capital Assets not being Depreciated	5,735,753	1,980,053	(3,537,697)	4,178,109
Capital Assets being Depreciated				
Buildings and improvements	22,591,401	9,841	-	22,601,242
Infrastructure	73,701,320	3,600,961	-	77,302,281
Machinery, equipment and vehicles	7,303,775	423,450	(859,206)	6,868,019
Total Capital Assets being Depreciated	103,596,496	4,034,252	(859,206)	106,771,542
Less Accumulated Depreciation for				
Buildings and improvements	(10,763,681)	(647,374)	-	(11,411,055)
Infrastructure	(40,931,742)	(2,393,780)	-	(43,325,522)
Machinery, equipment and vehicles	(4,983,054)	(386,763)	770,393	(4,599,424)
Total Accumulated Depreciation	(56,678,477)	(3,427,917)	770,393	(59,336,001)
Total Capital Assets being Depreciated, Net	46,918,019	606,335	(88,813)	47,435,541
Governmental Activities Capital Assets, Net	<u>\$ 52,653,772</u>	<u>\$ 2,586,388</u>	<u>\$ (3,626,510)</u>	<u>\$ 51,613,650</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 918,554	\$ -	\$ -	\$ 918,554
Construction in progress	956,958	1,144,239	(1,938,471)	162,726
Total Capital Assets not being Depreciated	1,875,512	1,144,239	(1,938,471)	1,081,280
Capital Assets being Depreciated				
Buildings and improvements	25,551,817	-	-	25,551,817
Infrastructure	25,904,642	1,937,171	-	27,841,813
Machinery, equipment, and vehicles	1,499,754	228,918	(19,564)	1,709,108
Total Capital Assets being Depreciated	52,956,213	2,166,089	(19,564)	55,102,738
Less Accumulated Depreciation for				
Buildings and improvements	(12,198,863)	(793,487)	-	(12,992,350)
Infrastructure	(8,661,239)	(902,416)	-	(9,563,655)
Machinery, equipment, and vehicles	(1,097,974)	(80,324)	19,564	(1,158,734)
Total Accumulated Depreciation	(21,958,076)	(1,776,227)	19,564	(23,714,739)
Total Capital Assets being depreciated, net	30,998,137	389,862	-	31,387,999
Business-type Activities Capital Assets, Net	<u>\$ 32,873,649</u>	<u>\$ 1,534,101</u>	<u>\$ (1,938,471)</u>	<u>\$ 32,469,279</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 135,757
Public safety	342,672
Streets and highways, including depreciation of general infrastructure assets	2,314,765
Culture and recreation	608,785
Miscellaneous	25,938
Total Depreciation Expense - Governmental Activities	<u>\$ 3,427,917</u>
Business-type Activities	
Water	\$ 355,075
Sewer	1,184,166
Storm Sewer	232,126
Municipal Liquor Store	4,860
Total Depreciation Expense - Business-type Activities	<u>\$ 1,776,227</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Discretely Presented Component Units

Capital asset activity for the Municipal Hospital for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Municipal Hospital				
Capital Assets not being Depreciated				
Land	\$ 3,694,360	\$ 73,724	\$ -	\$ 3,768,084
Construction in progress	338,752	701,943	-	1,040,695
Total Capital Assets not being Depreciated	<u>4,033,112</u>	<u>775,667</u>	<u>-</u>	<u>4,808,779</u>
Capital Assets being Depreciated				
Land improvements	761,008	-	(5,875)	755,133
Buildings and improvements	61,018,939	707,846	(3,645)	61,723,140
Machinery, equipment and vehicles	30,047,287	1,249,057	(1,573,856)	29,722,488
Total Capital Assets being Depreciated	<u>91,827,234</u>	<u>1,956,903</u>	<u>(1,583,376)</u>	<u>92,200,761</u>
Less Accumulated Depreciation for				
Land improvements	(366,584)	(64,772)	5,875	(425,481)
Buildings and improvements	(29,004,604)	(2,872,348)	2,403	(31,874,549)
Machinery, equipment and vehicles	(22,103,920)	(2,477,841)	1,565,071	(23,016,690)
Total Accumulated Depreciation	<u>(51,475,108)</u>	<u>(5,414,961)</u>	<u>1,573,349</u>	<u>(55,316,720)</u>
Total Capital Assets being Depreciated, Net	<u>40,352,126</u>	<u>(3,458,058)</u>	<u>(10,027)</u>	<u>36,884,041</u>
Municipal Hospital Capital Assets, Net	<u>\$ 44,385,238</u>	<u>\$ (2,682,391)</u>	<u>\$ (10,027)</u>	<u>\$ 41,692,820</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Capital asset activity for the HRA for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
HRA				
Capital Assets not being Depreciated				
Land	\$ 56,994	\$ -	\$ -	\$ 56,994
Capital Assets being Depreciated				
Buildings and structures	353,676	-	-	353,676
Less Accumulated Depreciation for Buildings and structures	(69,558)	(12,596)	-	(82,154)
Total Capital Assets being Depreciated, Net	284,118	(12,596)	-	271,522
HRA Capital Assets, Net	\$ 341,112	\$ (12,596)	\$ -	\$ 328,516

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

Discretely Presented Component Units	
Municipal Hospital	\$ 5,414,961
HRA	\$ 12,596

Construction Commitments

The City has active construction projects as of December 31, 2017. The projects include street construction and various public facilities. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
East Cannon River Trail	\$ 683,442	\$ 72,298
2017 Street Reclamation	775,951	34,181
Lift Station Pump	113,288	16,213
Total	\$ 1,572,681	\$ 122,692

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental		
General	Debt Service	\$ 95,910
	2018 Capital Project Fund	109,682
	Other nonmajor	344,292
Total		<u>\$ 549,884</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include temporary loans made to other funds caused by the timing of bond sales, temporary capital loans and special assessment collections in the subsequent year.

Advances to/from Other Funds

The Master Development TIF fund loaned the Presidential Commons TIF fund \$100,000 to pay qualified TIF expenditures. The loan is to be paid back with semi-annual payments to be made on August 1 and February 1. Payments will commence on the first payment date in which available tax increment funds exist, at an interest rate of 3.0 percent. The balance of these advances at December 31, 2017 was \$136,000.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Interfund Transfers

	Transfer in				Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Storm Water Fund	
Transfer Out					
General fund	\$ -	\$ -	\$ 212,192	\$ 90,000	\$ 302,192
Debt Service fund	-	-	143,359	-	143,359
Nonmajor governmental funds	25,000	375,132	-	-	400,132
Municipal liquor fund	125,000	-	-	-	125,000
Total	<u>\$ 150,000</u>	<u>\$ 375,132</u>	<u>\$ 355,551</u>	<u>\$ 90,000</u>	<u>\$ 970,683</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service fund to establish mandatory reserve accounts, 3) move unrestricted General fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The following transfers were made during 2017:

- From the Liquor fund (\$125,000) to the General fund to transfer profits.
- From the Park fund (\$25,000) to the General fund to help fund ice arena operations.
- From the General fund (\$90,000) to the Storm Water fund to finance capital improvements.
- From the General fund to the Library Capital Project fund (\$193,017) to close the fund.
- From the General fund to the Transit Grants fund (\$19,175) to close the fund.
- From the Debt Service fund to the Community Resource fund (\$142,724) to close the fund.
- From the Debt Service fund to the Capital Reserve fund (\$635) to close the fund.
- From the 2015 Capital Project fund (\$165,379) to the Debt Service fund to close the fund.
- From the 2016 Capital Project fund (\$209,753) to the Debt Service fund to close the fund.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

E. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

Primary Government Debt

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds of 2012C	\$ 495,000	2.00 %	12/27/12	02/01/19	\$ 200,000
G.O. Bonds of 2016C	630,000	2.00	09/15/16	02/01/22	630,000
Total General Obligation Bonds					<u>\$ 830,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2018	\$ 220,000	\$ 14,400	\$ 234,400
2019	225,000	9,950	234,950
2020	125,000	6,450	131,450
2021	130,000	3,900	133,900
2022	130,000	1,300	131,300
Total	<u>\$ 830,000</u>	<u>\$ 36,000</u>	<u>\$ 866,000</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

General Obligation Tax Increment Bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of redevelopment properties will be used to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Bonds of 2002	\$ 140,000	3.20 - 5.40 %	08/01/02	07/31/27	\$ 67,500
G.O. Taxable Tax Increment Refunding Bonds of 2017B	460,000	1.55 - 2.60	09/07/17	02/01/25	460,000
Total General Obligation Tax Increment Bonds					<u>\$ 527,500</u>

The annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31,	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2018	\$ 66,500	\$ 11,965	\$ 78,465
2019	61,500	11,741	73,241
2020	62,000	10,409	72,409
2021	62,000	8,897	70,897
2022	62,000	7,382	69,382
2023 - 2027	213,500	12,183	225,683
Total	<u>\$ 527,500</u>	<u>\$ 62,577</u>	<u>\$ 590,077</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2007A	\$ 2,065,000	4.00 %	10/24/07	02/01/18	\$ 255,000
G.O. Improvement Bonds of 2009A	2,750,000	2.00 - 3.00	12/28/09	02/01/20	350,000
G.O. Improvement Bonds of 2010A	1,417,900	0.65 - 3.60	12/28/10	02/01/21	622,046
G.O. Improvement Bonds of 2011A	1,160,000	0.50 - 2.85	07/14/11	02/01/22	615,000
G.O. Improvement Bonds of 2012A	965,000	0.50 - 2.15	07/12/12	02/01/23	570,000
G.O. Improvement Bonds of 2013A	830,000	2.00 - 3.50	08/08/13	02/01/24	590,000
G.O. Improvement Bonds of 2014A	1,205,000	2.00 - 2.50	09/03/14	02/01/25	970,000
G.O. Improvement Bonds of 2015A	1,595,000	2.00 - 2.15	11/03/15	02/01/26	1,700,000
G.O. Improvement Bonds of 2016C	795,000	1.55 - 2.00	09/15/16	02/01/27	795,000
G.O. Improvement Bonds of 2017A	945,000	2.00 - 2.25	09/07/17	02/01/28	945,000
Total G.O. Special Assessments Bonds					<u>\$ 7,412,046</u>

The annual debt service requirements to maturity for general obligation special assessments bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2018	\$ 1,240,938	\$ 154,819	\$ 1,395,757
2019	1,090,512	129,076	1,219,588
2020	1,110,511	103,625	1,214,136
2021	920,085	79,384	999,469
2022	765,000	59,316	824,316
2023 - 2027	2,190,000	102,505	2,292,505
2028	95,000	1,069	96,069
Total	<u>\$ 7,412,046</u>	<u>\$ 629,794</u>	<u>\$ 8,041,840</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

The EDA has issued public project lease revenue bonds for financing building projects in accordance with Minnesota statutes. The agreements are supported by capital leases between the EDA and the City. The bonds will be paid back with future property tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
G.O. EDA Public Project Revenue Refunding Bonds of 2014A	\$ 2,005,000	2.00 - 2.50 %	09/03/14	02/01/24	<u>\$ 1,470,000</u>
Business-type					
G.O. Utility Revenue Bonds of 2007A	1,230,000	4.00	10/24/07	02/01/18	175,000
G.O. Utility Revenue Bonds of 2009A	1,550,000	2.00 - 3.00	12/28/09	02/01/20	125,000
G.O. Utility Revenue Bonds of 2010A	887,100	0.65 - 6.30	12/28/10	02/01/26	547,954
G.O. Revenue Refunding Bonds of 2012C	1,145,000	2.00	12/27/12	02/01/22	495,000
G.O. Revenue Refunding Bonds of 2013B	8,920,000	0.40 - 2.80	08/08/13	08/20/21	4,595,000
G.O. Revenue Refunding Bonds of 2015A	610,000	2.00	11/03/15	02/01/20	435,000
G.O. Utility Revenue Bonds of 2016C	1,185,000	1.55 - 2.00	09/15/16	02/01/27	<u>1,185,000</u>
Total Business-type					<u>7,557,954</u>
Total G.O. Revenue Bonds					<u><u>\$ 9,027,954</u></u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds			G.O. Revenue Bonds		
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 195,000	\$ 32,813	\$ 227,813	\$ 1,939,062	\$ 162,864	\$ 2,101,926
2019	200,000	28,613	228,613	1,679,488	130,764	1,810,252
2020	205,000	24,056	229,056	1,474,489	96,185	1,570,674
2021	205,000	19,188	224,188	1,429,915	60,446	1,490,361
2022	215,000	13,937	228,937	230,000	21,663	251,663
2023 - 2027	450,000	11,374	461,374	805,000	42,309	847,309
Total	<u>\$ 1,470,000</u>	<u>\$ 129,981</u>	<u>\$1,599,981</u>	<u>\$ 7,557,954</u>	<u>\$ 514,231</u>	<u>\$ 8,072,185</u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Wastewater	Storm Water
Revenue	\$ 2,086,422	\$ 4,378,370	\$ 860,795
Principal and Interest	192,816	1,564,112	249,161
Percent of Revenue	9%	36%	29%

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Certificates of Participation

These certificates were issued to facilitate financing costs associated with the design, construction, installation, and equipping of the public safety center. The participation certificates are secured by lease revenues.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Certificates of Participation of 2012B	\$ 6,280,000	0.75 - 3.13 %	09/18/12	04/01/33	<u>\$ 5,295,000</u>

The annual debt service requirements to maturity for certificates of participation are as follows:

Year Ending December 31,	Certificates of Participation Governmental Activities		
	Principal	Interest	Total
2018	\$ 275,000	\$ 142,960	\$ 417,960
2019	280,000	137,960	417,960
2020	285,000	132,168	417,168
2021	290,000	125,840	415,840
2022	300,000	118,905	418,905
2023 - 2027	1,605,000	474,345	2,079,345
2028 - 2032	1,855,000	219,115	2,074,115
2033	405,000	6,328	411,328
Total	<u>\$ 5,295,000</u>	<u>\$ 1,357,621</u>	<u>\$ 6,652,621</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Notes Payable

These notes were issued to fund the Community Resource Center and the Crossing Tax increment district projects.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable Tax increment Note of 2006 - The Crossing	\$ 2,035,776	3.89 %	08/01/08	08/01/26	<u>\$ 1,256,212</u>

The annual debt service requirements to maturity for notes payable are as follows:

Year Ending December 31,	Notes payable Governmental Activities		
	Principal	Interest	Total
2018	\$ 128,460	\$ 46,249	\$ 174,709
2019	133,466	41,243	174,709
2020	138,668	36,041	174,709
2021	144,072	30,637	174,709
2022	149,687	25,022	174,709
2023 - 2026	561,859	50,469	612,328
Total	<u>\$ 1,256,212</u>	<u>\$ 229,661</u>	<u>\$ 1,485,873</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Capital Leases Payable

The Capital Lease Payable - Energy Improvement was used for city-wide energy improvements. These obligations are being funded through ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
Capital Lease Payable - Energy Improvements	\$ 2,414,139	3.88 %	03/28/08	08/01/23	\$ 1,390,483
Business-type					
Capital Lease Payable - Energy Improvements	204,170	3.88	03/28/08	08/01/23	<u>154,405</u>
Total Capital Leases					<u><u>\$ 1,544,888</u></u>

The annual debt service requirements to maturity for capital leases payable are as follows:

Year Ending December 31,	Capital Leases Business-type Activities			Capital Leases Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 23,399	\$ 5,769	\$ 29,168	\$ 210,140	\$ 51,921	\$ 262,061
2019	24,315	4,854	29,169	218,368	43,693	262,061
2020	25,267	3,905	29,172	226,919	35,143	262,062
2021	26,256	2,918	29,174	235,804	26,257	262,061
2022	27,285	1,892	29,177	245,037	17,024	262,061
2023	27,883	825	28,708	254,215	7,846	262,061
Total	<u>\$ 154,405</u>	<u>\$ 20,163</u>	<u>\$ 174,568</u>	<u>\$ 1,390,483</u>	<u>\$ 181,884</u>	<u>\$ 1,572,367</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 1,125,000	\$ -	\$ (295,000)	\$ 830,000	\$ 220,000
General obligation special assessment bonds	7,612,984	945,000	(1,145,938)	7,412,046	1,240,938
General obligation tax increment bonds	584,000	460,000	(516,500)	527,500	66,500
General obligation revenue bonds	1,660,000	-	(190,000)	1,470,000	195,000
Plus amounts for unamortized premiums	208,559	15,078	(23,312)	200,325	-
Less amounts for unamortized discounts	(31,400)	-	1,963	(29,437)	-
Total Bonds Payable	11,159,143	1,420,078	(2,168,787)	10,410,434	1,722,438
Certificates of Participation	5,565,000	-	(270,000)	5,295,000	275,000
Capital Leases Payable	1,592,705	-	(202,222)	1,390,483	210,140
Notes Payable	1,380,677	-	(124,465)	1,256,212	128,460
Other Post-employment benefit liability	220,844	98,647	-	319,491	-
Pension liability					
GERF	3,926,653	827,494	(1,457,880)	3,296,267	-
PEPFF	7,063,186	-	(4,781,485)	2,281,701	-
Compensated Absences payable	742,952	534,605	(464,355)	813,202	296,110
Governmental Activity Long-term Liabilities	<u>\$ 31,651,160</u>	<u>\$ 2,880,824</u>	<u>\$ (9,469,194)</u>	<u>\$ 25,062,790</u>	<u>\$ 2,632,148</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
General obligation					
revenue bonds	\$ 9,352,016	\$ -	\$ (1,794,062)	\$ 7,557,954	\$ 1,939,062
Capital Leases Payable	176,922	-	(22,517)	154,405	23,399
Plus amounts for unamortized premiums	82,972	-	(11,948)	71,024	-
	<u>9,611,910</u>	<u>-</u>	<u>(1,828,527)</u>	<u>7,783,383</u>	<u>1,962,461</u>
Total Bonds Payable					
Other Post-employment benefit liability	48,609	24,973	-	73,582	-
Pension Liability					
GERF	1,273,797	272,885	(484,907)	1,061,775	-
Compensated Absences payable	113,475	90,718	(75,236)	128,957	46,352
	<u>113,475</u>	<u>90,718</u>	<u>(75,236)</u>	<u>128,957</u>	<u>46,352</u>
Business-type Activity Long-term Liabilities	<u>\$ 11,047,791</u>	<u>\$ 388,576</u>	<u>\$ (2,388,670)</u>	<u>\$ 9,047,697</u>	<u>\$ 2,008,813</u>

In the coming years, the other postemployment benefit obligation is expected to be liquidated by the General fund for the governmental liability.

Conduit Debt Obligations

From time to time, the City has issued Housing Revenue Bonds, Health Care Facilities Revenue Bonds and School Facilities Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of rental housing, educational or health care facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2017, the total conduit debt issued for issues outstanding totaled \$14,826,586.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Component Unit Debt

Revenue Bonds - Municipal Hospital

The following bonds were issued to provide partial funding for the construction of the Farmington Clinic, Campus Clinic, and to extinguish the Hospital Revenue Bonds Series 2001C and Series 2006. They will be retired from net revenues of the Hospital.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Hospital Revenue Bonds of 2015	\$ 8,405,000	2.98 %	12/29/15	11/01/25	\$ 7,495,000
Hospital Revenue Bonds of 2016	25,000,000	2.56	08/05/16	08/01/31	23,138,748
					<u>\$ 30,633,748</u>

The annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Revenue Bonds		
	Component Unit - Municipal Hospital		
	Principal	Interest	Total
2018	\$ 1,917,701	\$ 798,970	\$ 2,716,671
2019	1,964,811	747,407	2,712,218
2020	2,017,883	694,584	2,712,467
2021	2,071,941	640,328	2,712,269
2022	2,127,011	584,613	2,711,624
2023 - 2027	13,513,382	1,859,343	15,372,725
2028 - 2031	7,021,019	342,124	7,363,143
Total	<u>\$ 30,633,748</u>	<u>\$ 5,667,369</u>	<u>\$ 36,301,117</u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Hospital
Revenue	\$ 105,976,342
Principal and Interest	2,756,040
Percent of Revenue	3%

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities-					
Municipal Hospital					
Bonds Payable					
Revenue bonds	\$ 32,500,275	\$ -	\$ (1,866,527)	\$ 30,633,748	\$ 1,917,701
Pension Liability					
GERF	52,533,192	-	(9,460,789)	43,072,403	-
Component Unit					
Long-term Liabilities	<u>\$ 85,033,467</u>	<u>\$ -</u>	<u>\$ (11,327,316)</u>	<u>\$ 73,706,151</u>	<u>\$ 1,917,701</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities -					
EDA					
Pension liability					
GERF	<u>\$ 29,812</u>	<u>\$ 59,689</u>	<u>\$ (10,768)</u>	<u>\$ 78,733</u>	<u>\$ -</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities -					
HRA					
Other Post-employment					
benefit liability	\$ -	\$ 1,249	\$ -	\$ 1,249	\$ -
Pension Liability					
GERF	96,136	21,639	(34,725)	83,050	-
Component Unit					
Long-term Liabilities	<u>\$ 96,136</u>	<u>\$ 22,888</u>	<u>\$ (34,725)</u>	<u>\$ 84,299</u>	<u>\$ -</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$3,654,282, \$3,441,249 and \$3,182,456, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$294,689, \$273,813 and \$265,741, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF Pension Costs

At December 31, 2017, the City reported a liability of \$47,592,228 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$598,475. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.7455 percent which was an increase of 0.0329 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$7,325,913 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$1,642 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2017, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 143,923	\$ 273,660
Changes in Actuarial Assumptions	725,498	436,894
Net Difference Between Projected and Actual Earnings on Plan Investments	-	201,768
Changes in Proportion	229,288	138,911
Contributions to GERP Subsequent to the Measurement Date	165,009	-
Total	<u>\$ 1,263,718</u>	<u>\$ 1,051,233</u>

Deferred outflows of resources totaling \$165,009 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2017	\$ (35,568)
2018	277,789
2019	(9,755)
2020	(184,990)
2021	-
Thereafter	-

At December 31, 2017, the City's component units reported their proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Component Units					
	Economic Development Authority		Housing Redevelopment Authority		Municipal Hospital	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,600	\$ 4,944	\$ 2,743	\$ 5,215	\$ 1,419,537	\$ 2,770,667
Changes in Actuarial Assumptions	13,108	7,893	13,825	8,326	7,150,950	4,318,014
Net Difference Between Projected and Actual Earnings on Plan Investments	-	3,645	-	3,845	-	1,862,733
Changes in Proportion	4,142	2,510	4,369	2,647	2,759,429	-
Contributions to GERP Subsequent To the Measurement Date	2,981	-	3,145	-	1,648,040	-
Total	<u>\$ 22,831</u>	<u>\$ 18,992</u>	<u>\$ 24,082</u>	<u>\$ 20,033</u>	<u>\$ 12,977,956</u>	<u>\$ 8,951,414</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling \$2,981, \$3,145 and \$1,648,040, related to pensions resulting from the EDA, HRA and Municipal Hospital's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

	Component Units		
	Economic Development Authority	Housing Redevelopment Authority	Municipal Hospital
2017	\$ (643)	\$ (678)	\$ 955,085
2018	5,019	5,294	3,644,892
2019	(176)	(186)	(393,423)
2020	(3,342)	(3,526)	(1,828,052)
2021	-	-	-
Thereafter	-	-	-

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$2,281,701 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.1690 percent which was a decrease of 0.007 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$90,589 for its proportionate share of PEPFF's pension expense. The City also recognized \$15,210 for the year ended December 31, 2017, as pension grant revenue for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2017, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 53,531	\$ 625,501
Changes in Actuarial Assumptions	3,167,908	3,239,449
Net Difference Between Projected and Actual Earnings on Plan Investments	-	198,205
Changes in Proportion	41,507	102,438
Contributions to PEPFF Subsequent to the Measurement Date	155,731	-
Total	<u>\$ 3,418,677</u>	<u>\$ 4,165,593</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling \$155,731 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2017	\$ (124,022)
2018	125,140
2019	(53,515)
2020	(192,381)
2021	(657,869)
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERS through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERS was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

GERS

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
	<u>100.00 %</u>	
Total		

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

City Proportionate Share of NPL			
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF			
Primary government	\$ 6,759,647	\$ 4,358,042	\$ 2,391,892
Component Unit - EDA	122,121	78,733	43,212
Component Unit - HRA	128,817	83,050	45,582
Component Unit - Municipal Hospital	66,808,497	43,072,403	23,640,098
	1 Percent Decrease (4.60%)	Current (5.60%)	1 Percent Increase (6.60%)
PEPFF - Primary Government	4,297,109	2,281,701	617,871

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 5: Defined Contribution Plan

The City has City Council members that are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of 1 percent (.0025) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2017 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 2,590	\$ 2,590	5.00%	5.00%	5.00%

The City and council member's contributions to the PEDCP plan for the years ending December 31, 2017, 2016 and 2015 were \$2,590, \$2,046 and \$2,001, respectively.

Note 6: Postemployment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The component unit is included in the City's plan. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2017, the City contributed \$80,972 for retirees receiving disability health care benefits.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 6: Postemployment Benefits Other Than Pensions (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

Annual Required Contribution	\$ 210,811
Interest on Net OPEB Obligation	9,431
Adjustment to Annual Required Contribution	<u>(14,401)</u>
Annual OPEB cost (expense)	205,841
Contributions Made	<u>(80,972)</u>
Increase in Net OPEB Obligation	124,869
Net OPEB Obligation - Beginning of Year	<u>269,453</u>
Net OPEB Obligation - End of Year	<u><u>\$ 394,322</u></u>
Primary Government	\$ 393,073
Component Unit - HRA	1,249
Total Net OPEB Obligation	<u><u>\$ 394,322</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the proceeding two fiscal years are as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	\$ 205,841	39.3 %	\$ 394,322
12/31/16	71,222	83.9	269,453
12/31/15	71,540	84.4	257,998

Note 6: Postemployment Benefits Other Than Pensions (Continued)

D. Funded Status and Funding Progress

As of December 31, 2017 the City's actuarial accrued liability for benefits was \$2,062,977, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$5,733,488, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 36.0 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent for unfunded plans for the investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments. The actuarial inflationary rate used was 2.5 percent. The initial healthcare trend rate was 6.5 percent, reduced by decrements to an ultimate rate of 5 percent after six years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017, was thirty years.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 7: Commitments and Contingent Liabilities

A. Land Lease

The Hospital leases the land on which the facility is located from a local college. The lease term is for 60 years with two 20 year options. The annual rent expense for the first twenty years of the lease is approximately \$6,000. The rent expense in subsequent years will be equal to 5 percent of the appraised market price for rural agricultural land in the Dakota/Rice County Region. The rent expense would be adjusted to current market rates if certain events were to occur, such as the sale of the Hospital.

B. Operating Leases

The Hospital lease equipment and facilities under operating leases expiring at various dates through February 2022. The leases have been classified as operating leases and, accordingly, all rents are charged to expenses as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2017, that has initial or remaining lease terms in excess of one year.

Year Ending December 31,	Amount
2018	\$ 139,358
2019	107,517
2020	56,825
2021	52,200
2022	8,700
Total	<u>\$ 364,600</u>

C. Self-insurance Plan

The Hospital self-insures their employee health and dental insurance program. The Hospital has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative functions. Claims are accrued as incurred. The amounts charged to expense include administration fees, stop-loss insurance premiums, claims paid, and accruals for claims incurred but not yet paid at year end. Insurance expense for the year ended December 31, 2017 was \$5,475,506 and is included with Accrued Payroll and Benefits.

Estimates of amounts incurred but not reported at December 31, 2017 and 2016 are as follows:

	2017	2016
Beginning IBNR	\$ 1,366,185	\$ 1,932,141
Claims Paid	(6,434,788)	(5,598,184)
Claims Incurred	6,237,099	5,032,228
Ending IBNR	<u>\$ 1,168,496</u>	<u>\$ 1,366,185</u>

Note 7: Commitments and Contingent Liabilities (Continued)

D. Medical Malpractice Insurance

The Hospital purchases medical malpractice insurance under claims made policy on a fixed-premium basis. The Hospital is responsible for any individual claims exceeding \$1,000,000, and for aggregate claims exceeding \$3,000,000 for a policy year. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. During fiscal year 2007, the RAC's identified and corrected a significant amount of improper overpayments to providers in the demonstration states, which did not include Minnesota. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. While the hospital was selected for a RAC audit during 2017 and 2016, they were not materially impacted and appear to have appropriate policies and procedures to mitigate the risks related to RAC reviews.

Management believes that the Hospital is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

E. Annexation Agreements

The City of Northfield has annexation agreements with four surrounding townships. Under the agreements, the City is required to make annual payments to the townships. The payments continue through 2018. For 2017, the payment was \$4,800.

Note 8: Net Patient Service Revenue

A. Medicare

By Minnesota statute, a nursing facility, which participates in Medicaid program, must also participate in the Medicare program. This program is administered by the United States Centers for Medicare and Medicaid Services (CMS).

The Northfield Hospital Long Term Care Center is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system.

Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual surveys. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

Inpatient acute care services provided to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Outpatient services provided to Medicare outpatient program beneficiaries are subject to the Ambulatory Payment Classification (APC) method. Medicare reimburses the Hospital a predetermined amount for most outpatient services. The following services are excluded from the APC payment methodology; services already paid on a fee schedule, services to SNF residents which are already included in the SNF's payment, and certain drugs, biological and medical devices identified as pass-through items. The APC payments are not based on the provider's annual cost report.

Physician-Based Clinic services are reimbursed using the Medicare Physician Fee Schedule.

B. Medicaid

The Northfield Hospital Long Term Care Center participates in the Medicaid program that is administered by the Minnesota Department of Human Services (DHS). Medicaid and private paying residents are classified into one of 48 Resource Utilization Groups (RUG) for purposes of establishing payment rates.

Effective January 1, 2016, nursing facilities are paid under the Value Based Nursing Facility Reimbursement System (VBR) as approved during the 2015 Minnesota State Legislative Session. Under the VBR system, care related costs are reimbursed at actual cost subject to certain limitations. Other operating costs are reimbursed using a pricing model, which results in the rates of these costs being the same for all nursing facilities in the state. Certain other costs, such as qualifying employer health insurance costs, are reimbursed at an external fixed payment rate and will be cost based with no limitations. Reimbursement for historic property related costs is a separate component of the rate that has been frozen since 2010. Additional reimbursement for new property related costs is possible under certain conditions.

The change to the VBR system includes a hold harmless provision which protects nursing home facilities from being paid at rates lower than those in effect December 31, 2015. Nursing facilities are also protected from significant decreases in rates in a single year due to changes in care related costs.

By Minnesota Statute, a nursing facility may not charge private paying residents in multiple occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

Hospital inpatient services rendered to Medicaid program beneficiaries are reimbursed under a reimbursement methodology similar to inpatient Medicare. Hospital outpatient and Physician-Based clinic Medicaid services are reimbursed using the Medicaid fee schedule.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 8: Net Patient Service Revenue (Continued)

Other

The Hospital has also entered into payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges, and prospectively determined rates. As of August 1, 2014 the Hospital Blue Cross contract moved to APR-DRG for inpatient acute care services and EAPG for outpatient services.

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient and resident service revenue increased for the year ended December 31, 2017 by approximately \$13,419 and by \$63,806 for the year ended December 31, 2016 due to changes in estimated settlement amounts.

A summary of patient and resident revenues and contractual adjustments is as follows:

	2017	2016
Total Patient and Resident Revenues	\$ 237,685,719	\$ 221,771,655
Contractual Adjustments		
Medicare	(55,483,263)	(48,221,909)
Medicaid	(4,036,823)	(4,183,924)
Commercial / HMO's	(64,379,588)	(59,638,621)
Provision of bad debts	(2,335,223)	(2,253,836)
Other	(6,562,030)	(6,369,747)
Total Contractual Adjustments	<u>(132,796,927)</u>	<u>(120,668,037)</u>
Net Patient and Resident Revenues	<u>\$ 104,888,792</u>	<u>\$ 101,103,618</u>

Note 9: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

Note 9: Other Information (Continued)

C. Federal and State funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2017.

D. Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

E. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2017, the City is under the legal debt margin.

F. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2017 was \$2,898,810 for LGA. This accounted for 25 percent of General fund revenues.

G. Electronic Health Record Incentive Program

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals and providers that demonstrate meaningful use of certified EHR technology.

The Hospital initially demonstrated meaningful use in 2011. Incentive payments of \$55,776 were received in the fiscal years ending December 31, 2017. This amount is recognized as other operating revenue in the statement of revenues, expenses and changes in net position. The final amount of the payment related to the hospital's attestation of Meaningful Use will be determined based on information from the organization's Medicare cost reports for the years ended December 31, 2014. Events could occur that would cause the final payment to differ materially upon final settlement, therefore the hospital has estimated a 10 percent reserve for a potential payback of the incentive dollars for the hospital.

H. Joint Powers Agreement

The cities of Northfield and Dundas, Minnesota and the townships of Bridgewater, Northfield, Webster, Forest, Waterford, Sciota and Greenvale, Minnesota (Rural Fire) formed the Northfield Area Fire and Rescue Service, Northfield, Minnesota (NAFRS), established under Minnesota statutes, section 471.59 on April 1, 2014 to provide fire protection, suppression, prevention, technical rescue and non-transport emergency medical services to these communities. The Board consists of eight voting Board members which consists of five board members appointed by the Northfield City Council, two Board members appointed by Rural Fire and one Board member appointed by the Dundas City Council. There are also 5 ex-officio (nonvoting) Board members. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Organization's activities.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 9: Other Information (Continued)

Funding is provided by the communities at a ratio of 72.22 percent for Northfield, 5.37 percent for Dundas and 22.41 percent for Rural Fire. The percentages will remain at these levels through 2017 and will be updated every two years starting with the year 2018.

The net position of NAFRS as of December 31, 2017 was \$3,714,683. The City's portion of this is recorded as an investment in joint venture in the amount of at year end.

I. Tax Abatements

As of December 31, 2017, the City has two agreements entered into by the City listed below that abates City property taxes. Below is information specific to the agreement:

The City entered into a tax increment financing agreement (Jefferson Square TIF) on December 18, 2009 with a developer in which the developer incurred costs to rehab a 50 unit rental housing project. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$505,551 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1799) and has a maximum duration of December 31, 2037. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Spring Creek TIF) on November 20, 2009 with a developer in which the developer incurred costs to facilitate construction of a 28 unit affordable rental housing development. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$1,201,203 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1799) and has a maximum duration of December 31, 2040. The calculation of taxes abated during the fiscal year is noted in the chart below.

Lost revenue as it relates to tax abatements for the year ended December 31, 2017, was as follows:

	<u>City Tax Rate (Year of Establishment)</u>	<u>Captured Tax Capacity</u>	<u>Amount of Taxes Abated in the Fiscal Year</u>
Tax Increment Districts (PAYGO)			
Jefferson Square TIF	96.698%	\$ 6,008	\$ 5,810
Spring Creek TIF	123.440%	23,407	<u>28,894</u>
Total			<u><u>\$ 34,704</u></u>

J. Subsequent Events

On May 15, 2018 the City approved the issuance of \$4,215,000 in G.O. improvement bonds, series 2018A to fund the NAFRS building expansion project. This is a 20 year term bond. The payments will come from the NAFRS membership under the terms of the lease agreement.

Note 10: Prior Period Adjustment

The City restated its investment in joint venture as of December 31, 2016, which was understated by \$854,227 due to the adjustment of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the Volunteer Fire Department Relief Association, in the governmental activities.

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REQUIRED SUPPLEMENTARY
INFORMATION

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Northfield, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.7455 %	\$ 47,592,228	\$ 598,475	\$ 48,190,703	\$ 51,298,616	92.8 %	75.9 %
06/30/16	0.7125	57,859,590	755,451	58,615,041	48,384,386	119.6	68.9
06/30/15	0.6637	34,396,380	-	34,396,380	44,097,901	78.0	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/17	\$ 3,653,609	\$ 3,653,609	\$ -	\$ 51,299,443	7.1 %
12/31/16	3,441,249	3,441,249	-	48,626,595	7.1
12/31/15	3,182,075	3,182,075	-	44,176,501	7.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in actuarial assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in plan provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.1690 %	\$ 2,281,701	\$ -	\$ 2,281,701	\$ 1,731,626	131.8 %	85.4 %
06/30/16	0.1760	7,063,186	-	7,063,186	1,697,313	416.1	63.9
06/30/15	0.1720	1,954,322	-	1,954,322	1,536,019	127.2	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - Public Employees Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/17	\$ 294,689	\$ 294,689	\$ -	\$ 1,819,069	16.2 %
12/31/16	273,813	273,813	-	1,690,205	16.2
12/31/15	265,741	265,741	-	1,640,377	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

Schedule of Funding Progress for Other Post-Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/17	\$ -	\$ 2,062,977	\$ 2,062,977	- %	\$ 5,733,488	36.0 %
01/01/14	-	1,152,223	1,152,223	-	6,001,282	19.2
01/01/11	-	381,772	381,772	-	4,830,240	7.9

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Northfield, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 2,247,088	\$ 1,855,599	\$ 4,102,687
Restricted cash	-	574,339	574,339
Receivables			
Interest	4,139	3,741	7,880
Delinquent taxes	2,275	-	2,275
Accounts	57,565	-	57,565
Notes	5,835	-	5,835
Special assessments	-	169,621	169,621
Intergovernmental	10,066	396,686	406,752
Advance to other funds	136,000	-	136,000
Prepaid items	2,316	-	2,316
Land held for resale	-	49,937	49,937
	<u>2,465,284</u>	<u>3,049,923</u>	<u>5,515,207</u>
Total Assets			
	<u>\$ 2,465,284</u>	<u>\$ 3,049,923</u>	<u>\$ 5,515,207</u>
Liabilities			
Accounts payable	\$ 35,814	\$ 13,725	\$ 49,539
Contracts payable	-	35,971	35,971
Accrued wages payable	5,133	-	5,133
Due to other funds	9,646	334,646	344,292
Due to other governments	34,648	-	34,648
Deposits payable	-	86,968	86,968
Total Liabilities	<u>85,241</u>	<u>471,310</u>	<u>556,551</u>
Deferred Inflows of Resources			
Unavailable revenue - taxes	2,275	-	2,275
Unavailable revenue - special assessments	-	167,721	167,721
Total Deferred Inflows of Resources	<u>2,275</u>	<u>167,721</u>	<u>169,996</u>
Fund Balances			
Nonspendable			
Prepaid items	2,316	-	2,316
Restricted			
Library	324,674	-	324,674
Public safety activities	21,867	-	21,867
Arts and culture	9,250	-	9,250
Redevelopment and housing	512,154	-	512,154
Recreational activities	341,886	-	341,886
Rescue squad	21	-	21
Capital projects	-	1,004,450	1,004,450
Committed			
Community resource center operations	392,309	-	392,309
Motor vehicle operations	169,643	-	169,643
Communications	603,648	-	603,648
Assigned			
Capital projects	-	1,508,874	1,508,874
Unassigned	-	(102,432)	(102,432)
Total Fund Balances	<u>2,377,768</u>	<u>2,410,892</u>	<u>4,788,660</u>
Total Liabilities, Deferred Inflows Of Resources and Fund Balances	<u>\$ 2,465,284</u>	<u>\$ 3,049,923</u>	<u>\$ 5,515,207</u>

City of Northfield, Minnesota
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 195,662	\$ 507,583	\$ 703,245
Tax increment	30,282	-	30,282
Franchise fees	200,007	-	200,007
Intergovernmental			
Federal	82,550	-	82,550
State	-	556,472	556,472
County	-	246,250	246,250
Charges for services			
General government	201,585	-	201,585
Culture and recreation	-	4,179	4,179
Communication	29,488	-	29,488
Special assessments	-	5,136	5,136
Investment earnings	16,156	19,940	36,096
Miscellaneous			
Other	-	8,334	8,334
Contributions and donations	9,014	96,169	105,183
Refunds and reimbursements	99,181	-	99,181
Total Revenues	<u>863,925</u>	<u>1,444,063</u>	<u>2,307,988</u>
Expenditures			
Current			
General government	327,257	-	327,257
Public safety	29,524	102,432	131,956
Culture and recreation	186,921	33,318	220,239
Housing and economic development	184,533	-	184,533
Miscellaneous	382	-	382
Capital outlay			
General government	10,000	63,264	73,264
Public safety	-	193,330	193,330
Public works	-	1,482,056	1,482,056
Culture and recreation	-	761,856	761,856
Housing and economic development	21,506	-	21,506
Debt service			
Principal	43,339	-	43,339
Interest and other charges	13,270	-	13,270
Issuance fees	-	4,725	4,725
Total Expenditures	<u>816,732</u>	<u>2,640,981</u>	<u>3,457,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>47,193</u>	<u>(1,196,918)</u>	<u>(1,149,725)</u>
Other Financing Sources (Uses)			
Transfers in	161,899	193,652	355,551
Debt issued	-	945,000	945,000
Transfers out	-	(400,132)	(400,132)
Bond premiums	-	15,078	15,078
Total Other Financing Sources (Uses)	<u>161,899</u>	<u>753,598</u>	<u>915,497</u>
Net Change in Fund Balances	209,092	(443,320)	(234,228)
Fund Balances, January 1	<u>2,168,676</u>	<u>2,854,212</u>	<u>5,022,888</u>
Fund Balances, December 31	<u>\$ 2,377,768</u>	<u>\$ 2,410,892</u>	<u>\$ 4,788,660</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Resource Center - accounts for financial activity associated with the operations of the City's Community Resource Center.

Motor Vehicle - accounts for the issuance of licenses for motor vehicles, drivers and recreational vehicles.

Communication - accounts for the use of franchise fees.

Library Gift - accounts for donations received specifically for library purposes.

G.W. Bunday - accounts for bequests restricted for library purposes.

Scriver Memorial - accounts for the investment income to purchase library books and materials.

L.J. Gustafson - accounts for bequests restricted for library purposes.

Myrtle Houston Trust - established with a bequest from the Myrtle Houston Revocable Trust. The funds are designated for children's programs at the library.

C.C. Cloherty Endowed Book - the funds are designated for programs at the library.

Arts and Culture - accounts for community grants related to the fine arts.

Community Development Block Grant - accounts for the use of CDBG funds.

Transit Grant - accounts for the federal transit grant matching dollars and use of funds.

TZD Enforcement - accounts for the federal grants dollars used to develop areas for improving traffic safety initiatives.

Jefferson Square TIF - accounts for the financial activity associated with the TIF District.

Master Development TIF - accounts for the financial activity of TIF District No. 4.

Whittier Trust - accounts for monies restricted for youth activities.

Rescue Squad Trust - accounts for monies to be used for rescue squad equipment and apparatus.

Spring Creek TIF - accounts for the activity associated with the TIF District.

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City of Northfield, Minnesota
Nonmajor Special Revenue Funds (Continued on the Following Pages)
Combining Balance Sheet
December 31, 2017

	211	215	229	240	241
	Community Resource Center	Motor Vehicle Fund	Communication Fund	Library Gift Fund	G.W. Bunday Fund
Assets					
Cash and temporary investments	\$ 391,719	\$ 208,500	\$ 545,415	\$ 73,158	\$ 24,130
Receivables					
Interest	724	385	1,008	135	45
Delinquent taxes	1,248	-	-	-	-
Accounts	-	340	57,225	-	-
Notes	-	-	-	-	-
Intergovernmental	66	-	-	-	-
Advance to other funds	-	-	-	-	-
Prepaid items	-	2,316	-	-	-
	<u>-</u>	<u>2,316</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 393,757</u></u>	<u><u>\$ 211,541</u></u>	<u><u>\$ 603,648</u></u>	<u><u>\$ 73,293</u></u>	<u><u>\$ 24,175</u></u>
Liabilities					
Accounts payable	\$ 200	\$ 111	\$ -	\$ 17	\$ -
Accrued wages payable	-	5,133	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	34,338	-	310	-
Total Liabilities	<u>200</u>	<u>39,582</u>	<u>-</u>	<u>327</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue - taxes	1,248	-	-	-	-
	<u>1,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable					
Prepaid items	-	2,316	-	-	-
Restricted					
Library	-	-	-	72,966	24,175
Public safety activities	-	-	-	-	-
Arts and culture	-	-	-	-	-
Redevelopment and housing	-	-	-	-	-
Recreational activities	-	-	-	-	-
Rescue squad	-	-	-	-	-
Committed					
Community resource center operations	392,309	-	-	-	-
Motor vehicle operations	-	169,643	-	-	-
Communications	-	-	603,648	-	-
Total Fund Balances	<u>392,309</u>	<u>171,959</u>	<u>603,648</u>	<u>72,966</u>	<u>24,175</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 393,757</u></u>	<u><u>\$ 211,541</u></u>	<u><u>\$ 603,648</u></u>	<u><u>\$ 73,293</u></u>	<u><u>\$ 24,175</u></u>

242 Scriver Memorial Fund	243 L.J. Gustafson Fund	244 Myrtle Houston Trust Fund	245 C.C. Cloherty Endowed Book Fund	246 Arts and Culture Fund	250 Community Development Block Grant Fund	251 Transit Grants Fund	252 TZD Enforcement Fund	271 Jefferson Square TIF Fund
\$ 140,268	\$ 33,037	\$ 42,005	\$ 12,520	\$ 9,736	\$ -	\$ -	\$ 21,867	\$ 18,099
259	61	78	23	18	-	-	-	33
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	10,000	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 140,527</u>	<u>\$ 33,098</u>	<u>\$ 42,083</u>	<u>\$ 12,543</u>	<u>\$ 9,754</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 21,867</u>	<u>\$ 18,132</u>
\$ 197	\$ 511	\$ -	\$ 10	\$ 504	\$ -	\$ -	\$ -	\$ 7,011
-	-	-	-	-	-	-	-	-
-	-	-	-	-	9,646	-	-	-
-	-	-	-	-	-	-	-	-
<u>197</u>	<u>511</u>	<u>-</u>	<u>10</u>	<u>504</u>	<u>9,646</u>	<u>-</u>	<u>-</u>	<u>7,011</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
140,330	32,587	42,083	12,533	-	-	-	-	-
-	-	-	-	-	-	-	21,867	-
-	-	-	-	9,250	-	-	-	-
-	-	-	-	-	354	-	-	11,121
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>140,330</u>	<u>32,587</u>	<u>42,083</u>	<u>12,533</u>	<u>9,250</u>	<u>354</u>	<u>-</u>	<u>21,867</u>	<u>11,121</u>
<u>\$ 140,527</u>	<u>\$ 33,098</u>	<u>\$ 42,083</u>	<u>\$ 12,543</u>	<u>\$ 9,754</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 21,867</u>	<u>\$ 18,132</u>

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City of Northfield, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet (Continued)
December 31, 2017

	270	851	853	385	
	Master	Whittier	Rescue	Spring Creek	Total
	Development	Trust	Squad Trust	TIF Fund	Nonmajor
	TIF Fund	Fund	Fund		
Assets					
Cash and temporary investments	\$ 350,095	\$ 341,255	\$ 21	\$ 35,263	\$ 2,247,088
Receivables					
Interest	675	631	-	64	4,139
Delinquent taxes	1,027	-	-	-	2,275
Accounts	-	-	-	-	57,565
Notes	5,835	-	-	-	5,835
Intergovernmental	-	-	-	-	10,066
Advance to other funds	136,000	-	-	-	136,000
Prepaid items	-	-	-	-	2,316
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,316</u>
Total Assets	<u>\$ 493,632</u>	<u>\$ 341,886</u>	<u>\$ 21</u>	<u>\$ 35,327</u>	<u>\$ 2,465,284</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 27,253	\$ 35,814
Accrued wages payable	-	-	-	-	5,133
Due to other funds	-	-	-	-	9,646
Due to other governments	-	-	-	-	34,648
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,253</u>	<u>85,241</u>
Deferred Inflows of Resources					
Unavailable revenue - taxes	<u>1,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,275</u>
Fund Balances					
Nonspendable					
Prepaid items	-	-	-	-	2,316
Restricted					
Library	-	-	-	-	324,674
Public safety activities	-	-	-	-	21,867
Arts and culture	-	-	-	-	9,250
Redevelopment and housing	492,605	-	-	8,074	512,154
Recreational activities	-	341,886	-	-	341,886
Rescue squad	-	-	21	-	21
Committed					
Community resource center operations	-	-	-	-	392,309
Motor vehicle operations	-	-	-	-	169,643
Communications	-	-	-	-	603,648
Total Fund Balances	<u>492,605</u>	<u>341,886</u>	<u>21</u>	<u>8,074</u>	<u>2,377,768</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 493,632</u>	<u>\$ 341,886</u>	<u>\$ 21</u>	<u>\$ 35,327</u>	<u>\$ 2,465,284</u>

City of Northfield, Minnesota
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
(Continued on the Following Pages)
For the Year Ended December 31, 2017

	211	215	229	240	241
	Community Resource Center	Motor Vehicle Fund	Communication Fund	Library Gift Fund	G.W. Bunday Fund
Revenues					
Taxes					
Property taxes	\$ 189,472	\$ -	\$ -	\$ -	\$ -
Tax increment	-	-	-	-	-
Franchise fees	-	-	200,007	-	-
Intergovernmental					
Federal	-	-	-	-	-
Charges for services					
General government	-	201,585	-	-	-
Communication	-	-	29,488	-	-
Investment earnings	1,458	3,009	1,518	792	248
Miscellaneous					
Contributions and donations	-	-	-	8,194	-
Other	56,602	2,579	-	-	-
Total Revenues	<u>247,532</u>	<u>207,173</u>	<u>231,013</u>	<u>8,986</u>	<u>248</u>
Expenditures					
Current					
General government	-	195,237	132,020	-	-
Public safety	-	-	-	-	-
Culture and recreation	157,972	-	-	13,903	990
Housing and economic development	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Capital outlay					
General government	-	-	10,000	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Principal	43,339	-	-	-	-
Interest and other charges	13,263	-	-	-	-
Total Expenditures	<u>214,574</u>	<u>195,237</u>	<u>142,020</u>	<u>13,903</u>	<u>990</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,958	11,936	88,993	(4,917)	(742)
Other Financing Sources (Uses)					
Transfers in	<u>142,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	175,682	11,936	88,993	(4,917)	(742)
Fund Balances, January 1	<u>216,627</u>	<u>160,023</u>	<u>514,655</u>	<u>77,883</u>	<u>24,917</u>
Fund Balances, December 31	<u>\$ 392,309</u>	<u>\$ 171,959</u>	<u>\$ 603,648</u>	<u>\$ 72,966</u>	<u>\$ 24,175</u>

242 Scriver Memorial Fund	243 L.J. Gustafson Fund	244 Myrtle Houston Trust Fund	245 C.C. Cloherty Endowed Book Fund	246 Arts and Culture Fund	250 Community Development Block Grant Fund	251 Transit Grants Fund	252 TZD Enforcement Fund	271 Jefferson Square TIF Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,190
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	55,208	-	27,342	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,416	339	426	117	117	9	22	-	127
-	-	-	200	620	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,416</u>	<u>339</u>	<u>426</u>	<u>317</u>	<u>737</u>	<u>55,217</u>	<u>22</u>	<u>27,342</u>	<u>6,317</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	18,999	-
952	1,319	-	148	5,687	-	-	-	-
-	-	-	-	-	52,208	-	-	7,072
-	-	382	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>952</u>	<u>1,319</u>	<u>382</u>	<u>148</u>	<u>5,687</u>	<u>52,208</u>	<u>-</u>	<u>18,999</u>	<u>7,072</u>
464	(980)	44	169	(4,950)	3,009	22	8,343	(755)
-	-	-	-	-	-	19,175	-	-
464	(980)	44	169	(4,950)	3,009	19,197	8,343	(755)
<u>139,866</u>	<u>33,567</u>	<u>42,039</u>	<u>12,364</u>	<u>14,200</u>	<u>(2,655)</u>	<u>(19,197)</u>	<u>13,524</u>	<u>11,876</u>
<u>\$ 140,330</u>	<u>\$ 32,587</u>	<u>\$ 42,083</u>	<u>\$ 12,533</u>	<u>\$ 9,250</u>	<u>\$ 354</u>	<u>\$ -</u>	<u>\$ 21,867</u>	<u>\$ 11,121</u>

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City of Northfield, Minnesota
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2017

	270 Master Development TIF Fund	851 Whittier Trust Fund	853 Rescue Squad Trust Fund	385 Spring Creek TIF Fund	Total Nonmajor Special Revenue
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 195,662
Tax increment	-	-	-	30,282	30,282
Franchise fees	-	-	-	-	200,007
Intergovernmental					
Federal	-	-	-	-	82,550
Charges for services					
General government	-	-	-	-	201,585
Communication	-	-	-	-	29,488
Investment earnings	3,006	3,435	40	77	16,156
Miscellaneous					
Contributions and donations	-	-	-	-	9,014
Other	40,000	-	-	-	99,181
Total Revenues	<u>43,006</u>	<u>3,435</u>	<u>40</u>	<u>30,359</u>	<u>863,925</u>
Expenditures					
Current					
General government	-	-	-	-	327,257
Public safety	-	-	10,525	-	29,524
Culture and recreation	-	5,950	-	-	186,921
Housing and economic development	98,000	-	-	27,253	184,533
Miscellaneous	-	-	-	-	382
Capital outlay					
General government	-	-	-	-	10,000
Housing and economic development	21,506	-	-	-	21,506
Debt service					
Principal	-	-	-	-	43,339
Interest and other charges	-	-	-	7	13,270
Total Expenditures	<u>119,506</u>	<u>5,950</u>	<u>10,525</u>	<u>27,260</u>	<u>816,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,500)	(2,515)	(10,485)	3,099	47,193
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	161,899
Net Change in Fund Balances	(76,500)	(2,515)	(10,485)	3,099	209,092
Fund Balances, January 1	<u>569,105</u>	<u>344,401</u>	<u>10,506</u>	<u>4,975</u>	<u>2,168,676</u>
Fund Balances, December 31	<u>\$ 492,605</u>	<u>\$ 341,886</u>	<u>\$ 21</u>	<u>\$ 8,074</u>	<u>\$ 2,377,768</u>

City of Northfield, Minnesota
Community Resource Center
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Property taxes	\$ 189,475	\$ 189,472	\$ (3)	\$ 189,472
Investment earnings	2,000	1,458	(542)	1,570
Miscellaneous				
Other	56,603	56,602	(1)	56,602
Total Revenues	<u>248,078</u>	<u>247,532</u>	<u>(546)</u>	<u>247,644</u>
Expenditures				
Current				
Culture and recreation				
Supplies	-	8,072	(8,072)	-
Other services and charges	157,900	149,900	8,000	157,661
Debt service				
Principal	37,539	43,339	(5,800)	42,121
Interest and other charges	19,064	13,263	5,801	14,480
Total Expenditures	<u>214,503</u>	<u>214,574</u>	<u>(71)</u>	<u>214,262</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,575	32,958	(617)	33,382
Other Financing Sources (Uses)				
Transfers in	-	142,724	142,724	-
Net Change in Fund Balances	33,575	175,682	142,107	33,382
Fund Balances, January 1	<u>216,627</u>	<u>216,627</u>	-	<u>183,245</u>
Fund Balances, December 31	<u>\$ 250,202</u>	<u>\$ 392,309</u>	<u>\$ 142,107</u>	<u>\$ 216,627</u>

City of Northfield, Minnesota
Motor Vehicle Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Charges for services				
General government	\$ 218,000	\$ 201,585	\$ (16,415)	\$ 190,483
Investment earnings	1,200	3,009	1,809	946
Miscellaneous				
Other	-	2,579	2,579	264
Total Revenues	<u>219,200</u>	<u>207,173</u>	<u>(12,027)</u>	<u>191,693</u>
Expenditures				
Current				
General government				
Personal services	207,261	176,045	31,216	177,001
Supplies	2,600	1,121	1,479	2,971
Other services and charges	22,132	18,071	4,061	22,279
Total Expenditures	<u>231,993</u>	<u>195,237</u>	<u>36,756</u>	<u>202,251</u>
Net Change in Fund Balances	(12,793)	11,936	24,729	(10,558)
Fund Balances, January 1	<u>160,023</u>	<u>160,023</u>	-	<u>170,581</u>
Fund Balances, December 31	<u>\$ 147,230</u>	<u>\$ 171,959</u>	<u>\$ 24,729</u>	<u>\$ 160,023</u>

City of Northfield, Minnesota
Communication Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Franchise fees	\$ 169,000	\$ 200,007	\$ 31,007	\$ 206,945
Charges for service	30,000	29,488	(512)	30,024
Investment earnings	15,000	1,518	(13,482)	4,792
Total Revenues	<u>214,000</u>	<u>231,013</u>	<u>17,013</u>	<u>241,761</u>
Expenditures				
Current				
General government				
Personal services	3,837	2,707	1,130	2,616
Supplies	4,500	808	3,692	143
Other services and charges	147,179	128,505	18,674	108,711
Capital outlay				
General government	110,000	10,000	100,000	10,412
Total Expenditures	<u>265,516</u>	<u>142,020</u>	<u>123,496</u>	<u>121,882</u>
Net Change in Fund Balances	(51,516)	88,993	140,509	119,879
Fund Balances, January 1	<u>514,655</u>	<u>514,655</u>	<u>-</u>	<u>394,776</u>
Fund Balances, December 31	<u>\$ 463,139</u>	<u>\$ 603,648</u>	<u>\$ 140,509</u>	<u>\$ 514,655</u>

City of Northfield, Minnesota
Library Gift Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Investment earnings	\$ 2,500	\$ 792	\$ (1,708)	\$ 389
Contributions and donations	10,000	8,194	(1,806)	19,083
Total Revenues	<u>12,500</u>	<u>8,986</u>	<u>(3,514)</u>	<u>19,472</u>
Expenditures				
Current				
Culture and recreation				
Other services and charges	<u>12,500</u>	<u>13,903</u>	<u>(1,403)</u>	<u>18,734</u>
Net Change in Fund Balances	-	(4,917)	(4,917)	738
Fund Balances, January 1	<u>77,883</u>	<u>77,883</u>	-	<u>77,145</u>
Fund Balances, December 31	<u>\$ 77,883</u>	<u>\$ 72,966</u>	<u>\$ (4,917)</u>	<u>\$ 77,883</u>

City of Northfield, Minnesota
G.W. Bunday Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Investment earnings	\$ 1,000	\$ 248	\$ (752)	\$ 224
Expenditures				
Current				
Culture and recreation				
Other services and charges	4,000	990	3,010	713
Net Change in Fund Balances	(3,000)	(742)	2,258	(489)
Fund Balances, January 1	24,917	24,917	-	25,406
Fund Balances, December 31	<u>\$ 21,917</u>	<u>\$ 24,175</u>	<u>\$ 2,258</u>	<u>\$ 24,917</u>

City of Northfield, Minnesota
 Scriver Memorial Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2017
 With Comparative Actual Amounts for Year Ended December 31, 2016

	Final Budget	2017 Actual Amounts	Variance with Final Budget	2016 Actual Amounts
Revenues				
Investment earnings	\$ 3,500	\$ 1,416	\$ (2,084)	\$ 666
Expenditures				
Current				
Culture and recreation				
Other services and charges	3,500	952	2,548	995
Net Change in Fund Balances	-	464	464	(329)
Fund Balances, January 1	139,866	139,866	-	140,195
Fund Balances, December 31	<u>\$ 139,866</u>	<u>\$ 140,330</u>	<u>\$ 464</u>	<u>\$ 139,866</u>

City of Northfield, Minnesota
L.J. Gustafson Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Investment earnings	\$ 2,000	\$ 339	\$ (1,661)	\$ 162
Expenditures				
Current				
Culture and recreation				
Other services and charges	2,000	1,319	681	1,201
Net Change in Fund Balances	-	(980)	(980)	(1,039)
Fund Balances, January 1	33,567	33,567	-	34,606
Fund Balances, December 31	<u>\$ 33,567</u>	<u>\$ 32,587</u>	<u>\$ (980)</u>	<u>\$ 33,567</u>

City of Northfield, Minnesota
Myrtle Houston Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Investment earnings	\$ 1,200	\$ 426	\$ (774)	\$ 202
Expenditures				
Current				
Miscellaneous				
Other services and charges	1,200	382	818	2,700
Net Change in Fund Balances	-	44	44	(2,498)
Fund Balances, January 1	42,039	42,039	-	44,537
Fund Balances, December 31	<u>\$ 42,039</u>	<u>\$ 42,083</u>	<u>\$ 44</u>	<u>\$ 42,039</u>

City of Northfield, Minnesota
Community Development Block Grant (CDBG) Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Intergovernmental				
Federal	\$ 100,000	\$ 55,208	\$ (44,792)	\$ 214,986
Investment earnings	-	9	9	66
TOTAL REVENUES	100,000	55,217	(44,783)	215,052
Expenditures				
Current				
Housing and economic development				
Other services and charges	100,000	52,208	47,792	227,304
Net Change in Fund Balances	-	3,009	3,009	(12,252)
Fund Balances, January 1	(2,655)	(2,655)	-	9,597
Fund Balances, December 31	<u>\$ (2,655)</u>	<u>\$ 354</u>	<u>\$ 3,009</u>	<u>\$ (2,655)</u>

City of Northfield, Minnesota
Master Development Tax Increment Financing Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Tax increment	\$ -	\$ -	\$ -	\$ 2,114
Investment earnings	5,000	3,006	(1,994)	7,715
Other	-	40,000	40,000	-
Total Revenues	<u>5,000</u>	<u>43,006</u>	<u>38,006</u>	<u>9,829</u>
Expenditures				
Current				
Housing and economic development				
Other services and charges	-	98,000	(98,000)	115
Capital outlay				
Housing and economic development	40,000	21,506	18,494	822,610
Total Expenditures	<u>40,000</u>	<u>119,506</u>	<u>(79,506)</u>	<u>822,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(35,000)</u>	<u>(76,500)</u>	<u>(41,500)</u>	<u>(812,896)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	121,000
Net Change in Fund Balances	(35,000)	(76,500)	(41,500)	(691,896)
Fund Balances, January 1	<u>569,105</u>	<u>569,105</u>	<u>-</u>	<u>1,261,001</u>
Fund Balances, December 31	<u>\$ 534,105</u>	<u>\$ 492,605</u>	<u>\$ (41,500)</u>	<u>\$ 569,105</u>

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NONMAJOR CAPITAL PROJECT FUNDS

The Capital Project Funds accounts for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

2015 Capital Project - accounts for projects financed by the 2015A bond issue.

2016 Capital Project - accounts for projects financed by the 2016C bond issue.

2017 Capital Project - accounts for projects financed by the 2017A bond issue.

Park - accounts for park dedication fees and other contributions for park purposes.

Fire Replacement - accounts for the accumulation of resources for fire equipment purposes.

City Facilities - accounts for the accumulation of resources for city facility purposes.

Equipment and Vehicle Replacement - accounts for the accumulation of resources to be used for City vehicle and equipment replacement purposes.

Hauberg Park - accounts for donations received for future park improvements.

Public Safety Center Project - accounts for the funding and project costs for the Public Safety Center Project.

TIGER Grant Project - accounts for the proceeds of a Federal grant and internal resources to be used for the construction of a trail.

Library Capital Project - accounts for monies set aside for expansion and renovation of the Library.

NAFRS Building - accounts for the funding and NAFRS building expansion and renovation project.

Capital Reserve - accounts for monies set aside to help finance future City facilities and other capital improvements.

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City of Northfield, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2017

	413	416	417	418
	2012 Capital Project Fund	2015 Capital Project Fund	2016 Capital Project Fund	2017 Capital Project Fund
Assets				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 50,885
Restricted cash and investments	-	-	-	-
Receivables				
Interest	-	-	-	406
Special assessments				
Current	-	-	-	-
Delinquent	-	-	-	-
Noncurrent	-	-	-	-
Intergovernmental	-	-	-	-
Land held for resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,291</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 10,066
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,066</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for capital projects	-	-	-	41,225
Assigned for capital projects	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,225</u>
Total Liabilities, Deferred Inflows Or Resources and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,291</u>

451	453	454	455	456	460
Park Fund	Fire Replacement Fund	City Facilities Fund	Equipment and Vehicle Replacement	Hauberg Park	Public Safety Center Project
\$ -	\$ 75,846	\$ 37,111	\$ 435,318	\$ 3,708	\$ 388,169
-	-	-	-	-	574,339
-	140	69	805	7	717
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
394,500	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 394,500</u>	<u>\$ 75,986</u>	<u>\$ 37,180</u>	<u>\$ 436,123</u>	<u>\$ 3,715</u>	<u>\$ 963,225</u>
\$ -	\$ -	\$ -	\$ 39	\$ -	\$ -
35,971	-	-	-	-	-
235,140	-	-	-	-	-
-	-	-	-	-	-
<u>271,111</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	963,225
123,389	75,986	37,180	436,084	3,715	-
-	-	-	-	-	-
<u>123,389</u>	<u>75,986</u>	<u>37,180</u>	<u>436,084</u>	<u>3,715</u>	<u>963,225</u>
<u>\$ 394,500</u>	<u>\$ 75,986</u>	<u>\$ 37,180</u>	<u>\$ 436,123</u>	<u>\$ 3,715</u>	<u>\$ 963,225</u>

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City of Northfield, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2017

	462	463	475	Total
	Library Capital Project Fund	NAFRS Building	Capital Reserve Fund	Nonmajor Capital Projects
Assets				
Cash and temporary investments	\$ -	\$ -	\$ 864,562	\$ 1,855,599
Restricted cash and investments	-	-	-	574,339
Receivables				
Interest	-	-	1,597	3,741
Special assessments				
Current	-	-	15,251	15,251
Delinquent	-	-	372	372
Noncurrent	-	-	153,998	153,998
Intergovernmental	-	-	2,186	396,686
Land held for resale	-	-	49,937	49,937
	<u>-</u>	<u>-</u>	<u>49,937</u>	<u>49,937</u>
Total Assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,087,903</u></u>	<u><u>\$ 3,049,923</u></u>
Liabilities				
Accounts payable	\$ -	\$ 2,926	\$ 694	\$ 13,725
Contracts payable	-	-	-	35,971
Due to other funds	-	99,506	-	334,646
Deposits payable	-	-	86,968	86,968
Total Liabilities	<u>-</u>	<u>102,432</u>	<u>87,662</u>	<u>471,310</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	167,721	167,721
	<u>-</u>	<u>-</u>	<u>167,721</u>	<u>167,721</u>
Fund Balances				
Restricted for capital projects	-	-	-	1,004,450
Assigned for capital projects	-	-	832,520	1,508,874
Unassigned	-	(102,432)	-	(102,432)
Total Fund Balance	<u>-</u>	<u>(102,432)</u>	<u>832,520</u>	<u>2,410,892</u>
Total Liabilities, Deferred Inflows or Resources and Fund Balances	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,087,903</u></u>	<u><u>\$ 3,049,923</u></u>

City of Northfield, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Continued on the Following Pages)
For the Year Ended December 31, 2017

	416	417	418	451
	2015 Capital Project Fund	2016 Capital Project Fund	2017 Capital Project Fund	Park Fund
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 94,500
Intergovernmental				
State	-	42,772	-	463,700
County - Highway aid	-	246,250	-	-
Charges for services				
Culture and recreation	-	-	-	4,179
Special assessments	-	125	-	-
Investment earnings	1,644	455	561	6,609
Miscellaneous				
Contributions and donations	-	-	-	12,333
Other	-	-	-	-
Total Revenues	<u>1,644</u>	<u>289,602</u>	<u>561</u>	<u>581,321</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	33,318
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	266,766	905,751	-
Culture and recreation	-	-	-	630,602
Debt service				
Bond issuance costs	-	-	4,725	-
Total Expenditures	<u>-</u>	<u>266,766</u>	<u>910,476</u>	<u>663,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,644</u>	<u>22,836</u>	<u>(909,915)</u>	<u>(82,599)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(165,379)	(209,753)	-	(25,000)
Bond premiums	-	-	15,078	-
Bonds issued	-	-	945,000	-
Total Other Financing Sources (Uses)	<u>(165,379)</u>	<u>(209,753)</u>	<u>960,078</u>	<u>(25,000)</u>
Net Change in Fund Balances	(163,735)	(186,917)	50,163	(107,599)
Fund Balances, January 1	<u>163,735</u>	<u>186,917</u>	<u>(8,938)</u>	<u>230,988</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,225</u>	<u>\$ 123,389</u>

453	454	455	456	460
Fire Replacement Fund	City Facilities Fund	Equipment and Vehicle Replacement	Hauberg Park	Public Safety Center Project
\$ -	\$ 42,000	\$ 315,079	\$ -	\$ -
-	-	50,000	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
748	163	1,145	26	5,668
-	-	70,336	-	-
-	-	-	1,135	7,199
<u>748</u>	<u>42,163</u>	<u>436,560</u>	<u>1,161</u>	<u>12,867</u>
-	-	-	-	-
-	-	-	-	-
-	63,264	-	-	-
-	-	178,933	-	14,397
-	-	160,307	-	-
-	-	122,119	-	-
-	-	-	-	-
<u>-</u>	<u>63,264</u>	<u>461,359</u>	<u>-</u>	<u>14,397</u>
<u>748</u>	<u>(21,101)</u>	<u>(24,799)</u>	<u>1,161</u>	<u>(1,530)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
748	(21,101)	(24,799)	1,161	(1,530)
<u>75,238</u>	<u>58,281</u>	<u>460,883</u>	<u>2,554</u>	<u>964,755</u>
<u>\$ 75,986</u>	<u>\$ 37,180</u>	<u>\$ 436,084</u>	<u>\$ 3,715</u>	<u>\$ 963,225</u>

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City of Northfield, Minnesota
Nonmajor Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2017

	462	463	475	Total
	Library Capital Project Fund	NAFRS Building	Capital Reserve Fund	Nonmajor Capital Projects
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ 56,004	\$ 507,583
Intergovernmental				
State	-	-	-	556,472
County - Highway aid	-	-	-	246,250
Charges for services				
Culture and recreation	-	-	-	4,179
Special assessments	-	-	5,011	5,136
Investment earnings	-	-	2,921	19,940
Miscellaneous				
Contributions and donations	13,500	-	-	96,169
Other	-	-	-	8,334
Total Revenues	<u>13,500</u>	<u>-</u>	<u>63,936</u>	<u>1,444,063</u>
Expenditures				
Current				
Public safety	-	102,432	-	102,432
Culture and recreation	-	-	-	33,318
Capital outlay				
General government	-	-	-	63,264
Public safety	-	-	-	193,330
Public works	-	-	149,232	1,482,056
Culture and recreation	9,135	-	-	761,856
Debt service				
Issuance fees	-	-	-	4,725
Total Expenditures	<u>9,135</u>	<u>102,432</u>	<u>149,232</u>	<u>2,640,981</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,365</u>	<u>(102,432)</u>	<u>(85,296)</u>	<u>(1,196,918)</u>
Other Financing Sources (Uses)				
Transfers in	193,017	-	635	193,652
Transfers out	-	-	-	(400,132)
Bond premiums	-	-	-	15,078
Bonds issued	-	-	-	945,000
Total Other Financing Sources (Uses)	<u>193,017</u>	<u>-</u>	<u>635</u>	<u>753,598</u>
Net Change in Fund Balances	197,382	(102,432)	(84,661)	(443,320)
Fund Balances, January 1	<u>(197,382)</u>	<u>-</u>	<u>917,181</u>	<u>2,854,212</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ (102,432)</u>	<u>\$ 832,520</u>	<u>\$ 2,410,892</u>

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THE GENERAL FUND

The General fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund.

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City of Northfield, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 7,272,338	\$ 7,062,231
Receivables		
Interest	14,324	18,466
Delinquent taxes	69,617	69,726
Accounts	105,752	299,983
Intergovernmental	63,547	68,294
Inventories	529	547
Due from other funds	549,884	313,996
Prepaid items	<u>103,062</u>	<u>115,389</u>
Total Assets	<u><u>\$ 8,179,053</u></u>	<u><u>\$ 7,948,632</u></u>
Liabilities		
Accounts payable	\$ 192,281	\$ 331,945
Accrued wages payable	244,362	221,857
Due to other governments	12,694	-
Deposits payable	<u>11,919</u>	<u>9,673</u>
Total Liabilities	<u>461,256</u>	<u>563,475</u>
Deferred Inflows of Resources		
Unavailable revenue - taxes	<u>69,617</u>	<u>69,726</u>
Fund Balances		
Nonspendable		
Inventories	529	547
Prepaid items	103,062	115,389
Restricted		
Police forfeitures	6,733	6,491
Committed		
Capital projects	71,742	71,742
Unassigned	<u>7,466,114</u>	<u>7,121,262</u>
Total Fund Balances	<u>7,648,180</u>	<u>7,315,431</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u><u>\$ 8,179,053</u></u>	<u><u>\$ 7,948,632</u></u>

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City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on Following Pages)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 5,512,070	\$ 5,512,070	\$ 5,508,033	\$ 5,337,371
Hotel-motel tax	85,300	85,300	116,745	116,895
Total Taxes	<u>5,597,370</u>	<u>5,597,370</u>	<u>5,624,778</u>	<u>5,454,266</u>
Licenses and permits				
Business	67,630	67,630	75,889	74,008
Nonbusiness	<u>345,000</u>	<u>345,000</u>	<u>783,360</u>	<u>605,466</u>
Total Licenses and Permits	<u>412,630</u>	<u>412,630</u>	<u>859,249</u>	<u>679,474</u>
Intergovernmental				
Federal - other grants and aids	-	-	-	14,370
State				
Local government aid	2,898,829	2,898,829	2,898,810	2,889,833
Property tax credits	-	-	170	303
Street maintenance aid	190,235	190,235	202,163	203,741
Fire aid	151,000	151,000	147,770	151,652
Police aid	156,050	156,050	180,920	179,478
Other state aid	25,494	25,494	26,807	37,751
County				
Library aid	188,470	188,470	193,057	188,470
Highway	<u>7,223</u>	<u>7,223</u>	<u>9,310</u>	<u>9,310</u>
Total Intergovernmental	<u>3,617,301</u>	<u>3,617,301</u>	<u>3,659,007</u>	<u>3,674,908</u>
Charges for services				
General government	651,058	651,058	624,115	638,468
Public safety	119,800	119,800	85,274	97,562
Streets and highways	295,850	295,850	95,890	183,064
Culture and recreation	<u>477,600</u>	<u>504,900</u>	<u>414,316</u>	<u>416,210</u>
Total Charges For Services	<u>1,544,308</u>	<u>1,571,608</u>	<u>1,219,595</u>	<u>1,335,304</u>
Fines and forfeits	<u>147,000</u>	<u>147,000</u>	<u>98,171</u>	<u>82,032</u>
Investment earnings	<u>75,000</u>	<u>75,000</u>	<u>16,127</u>	<u>45,623</u>
Miscellaneous				
Contributions and donations	266,000	266,000	272,950	283,052
Other	<u>10,000</u>	<u>10,000</u>	<u>14,241</u>	<u>25,369</u>
Total Miscellaneous	<u>276,000</u>	<u>276,000</u>	<u>287,191</u>	<u>308,421</u>
Total Revenues	<u>11,669,609</u>	<u>11,696,909</u>	<u>11,764,118</u>	<u>11,580,028</u>

City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 69,815	\$ 69,815	\$ 68,002	\$ 1,813	\$ 67,166
Supplies	1,600	1,600	1,103	497	526
Other services and charges	195,153	195,153	130,624	64,529	153,523
Total Mayor and Council	266,568	266,568	199,729	66,839	221,215
City clerk					
Personal services	153,972	153,972	159,339	(5,367)	152,416
Supplies	1,300	1,300	277	1,023	396
Other services and charges	32,981	32,981	17,381	15,600	34,415
Total City Clerk	188,253	188,253	176,997	11,256	187,227
Administration					
Personal services	176,742	176,742	175,601	1,141	148,200
Supplies	2,200	2,200	839	1,361	1,124
Other services and charges	227,101	227,101	188,097	39,004	154,554
Total Administration	406,043	406,043	364,537	41,506	303,878
Finance					
Personal services	374,492	374,492	371,612	2,880	357,462
Supplies	3,000	3,000	2,493	507	3,583
Other services and charges	74,818	74,818	89,445	(14,627)	70,239
Total Finance	452,310	452,310	463,550	(11,240)	431,284
Elections					
Personal services	-	-	2,654	(2,654)	199
Supplies	-	-	386	(386)	1,329
Other services and charges	24,600	24,600	19,268	5,332	35,769
Total Elections	24,600	24,600	22,308	2,292	37,297
Human resources					
Personal services	240,794	240,794	232,610	8,184	219,497
Supplies	2,497	2,497	1,993	504	977
Other services and charges	157,314	157,314	123,322	33,992	186,961
Total Human Resources	400,605	400,605	357,925	42,680	407,435
Community development					
Personal services	95,252	95,252	115,186	(19,934)	100,637
Supplies	500	500	791	(291)	403
Other services and charges	30,121	30,121	20,833	9,288	25,294
Total Community Development	125,873	125,873	136,810	(10,937)	126,334

City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
General government (Continued)					
City Hall operations					
Supplies	\$ 35,500	\$ 35,500	\$ 27,988	\$ 7,512	\$ 26,695
Other services and charges	69,587	69,587	51,510	18,077	54,038
Total City Hall Operations	105,087	105,087	79,498	25,589	80,733
Planning and zoning					
Personal services	125,227	125,227	120,759	4,468	115,051
Supplies	500	500	90	410	239
Other services and charges	38,620	38,620	29,667	8,953	30,094
Total Planning and Zoning	164,347	164,347	150,516	13,831	145,384
Insurance	154,354	154,354	154,354	-	154,354
Total General Government	2,288,040	2,288,040	2,106,224	181,816	2,095,141
Public safety					
Police protection					
Personal services	2,895,237	2,895,237	2,869,817	25,420	2,772,352
Supplies	190,000	190,000	179,674	10,326	169,509
Other services and charges	396,093	396,093	325,293	70,800	353,820
Total Police Protection	3,481,330	3,481,330	3,374,784	106,546	3,295,681
Fire protection					
Personal services	151,000	151,000	147,770	3,230	151,652
Supplies	-	-	1,230	(1,230)	815
Other services and charges	380,000	380,000	379,961	39	379,815
Total Fire Protection	531,000	531,000	528,961	2,039	532,282
Building inspection					
Personal services	242,470	242,470	212,033	30,437	185,008
Supplies	12,800	12,800	9,547	3,253	8,094
Other services and charges	26,079	26,079	34,612	(8,533)	24,332
Total Building Inspection	281,349	281,349	256,192	25,157	217,434
Total Public Safety	4,293,679	4,293,679	4,159,937	133,742	4,045,397
Public works					
Engineering					
Personal services	430,240	430,240	433,198	(2,958)	404,434
Supplies	15,182	15,182	11,974	3,208	15,575
Other services and charges	79,813	79,813	72,154	7,659	88,494
Total Engineering	525,235	525,235	517,326	7,909	508,503
Streets					
Personal services	683,786	683,786	758,027	(74,241)	744,452
Supplies	205,500	205,500	162,604	42,896	140,398
Other services and charges	509,093	509,093	490,957	18,136	503,764
Total Streets	1,398,379	1,398,379	1,411,588	(13,209)	1,388,614

City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (Continued)					
Public works (Continued)					
Street lighting					
Supplies	\$ 30,000	\$ 30,000	\$ 51,081	\$ (21,081)	\$ 26,307
Other services and charges	270,000	270,000	268,825	1,175	231,872
Total Street Lighting	300,000	300,000	319,906	(19,906)	258,179
Facilities					
Personal services	171,790	171,790	157,063	14,727	141,969
Supplies	7,768	7,768	4,999	2,769	3,449
Other services and charges	73,358	73,358	78,777	(5,419)	80,312
Total Facilities	252,916	252,916	240,839	12,077	225,730
Total Public Works	2,476,530	2,476,530	2,489,659	(13,129)	2,381,026
Culture and recreation					
Ice arena					
Personal services	71,224	75,344	105,331	(29,987)	98,742
Supplies	29,917	36,932	29,575	7,357	40,948
Other services and charges	69,481	85,646	92,877	(7,231)	94,513
Total Ice Arena	170,622	197,922	227,783	(29,861)	234,203
Swimming pool					
Personal services	136,901	136,901	87,735	49,166	102,395
Supplies	52,750	52,750	44,117	8,633	50,339
Other services and charges	43,883	43,883	34,141	9,742	33,774
Total Swimming Pool	233,534	233,534	165,993	67,541	186,508
General parks					
Personal services	139,762	139,762	67,457	72,305	45,256
Supplies	74,620	74,620	79,258	(4,638)	83,829
Other services and charges	182,140	182,140	182,218	(78)	188,338
Total General Parks	396,522	396,522	328,933	67,589	317,423
Recreation administration					
Personal services	92,555	92,555	85,770	6,785	85,472
Supplies	300	300	-	300	-
Other services and charges	124,020	124,020	124,506	(486)	120,146
Total Recreation Administration	216,875	216,875	210,276	6,599	205,618
Library					
Personal services	845,431	845,431	869,773	(24,342)	841,183
Supplies	40,000	40,000	33,368	6,632	42,196
Other services and charges	340,709	340,709	343,910	(3,201)	257,153
Total Library	1,226,140	1,226,140	1,247,051	(20,911)	1,140,532
Total Culture and Recreation	2,243,693	2,270,993	2,180,036	90,957	2,084,284

City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

	2017			2016
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Expenditures (Continued)				
Current (Continued)				
Miscellaneous				
Unallocated				
Other services and charges	\$ 293,508	\$ 293,508	\$ 130,676	\$ 109,809
Total Current	11,595,450	11,622,750	11,066,532	10,715,657
Capital outlay				
General government	15,000	15,000	15,441	11,594
Public works	5,500	5,500	3,774	23,859
Culture and recreation	4,200	4,200	5,435	8,102
Total Capital Outlay	24,700	24,700	24,650	43,555
Debt service				
Principal	158,883	158,883	158,883	152,897
Interest and other charges	46,576	46,576	46,576	52,563
Total Debt Service	205,459	205,459	205,459	205,460
Total Expenditures	11,825,609	11,852,909	11,296,641	10,964,672
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(156,000)	(156,000)	467,477	615,356
Other Financing Sources (Uses)				
Sale of capital assets	-	-	17,464	25,337
Transfers in	156,000	156,000	150,000	568,742
Transfers out	(90,000)	(267,017)	(302,192)	(794,600)
Total Other Financing	66,000	(111,017)	(134,728)	(200,521)
Sources (Uses)				
Net Change in Fund Balances	(90,000)	(267,017)	332,749	414,835
Fund Balances, January 1	7,315,431	7,315,431	7,315,431	6,900,596
Fund Balances, December 31	\$ 7,225,431	\$ 7,048,414	\$ 7,648,180	\$ 7,315,431

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DEBT SERVICE FUNDS

Debt Service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

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City of Northfield, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2017

	306	308	309	310	311	312
	2002A Bonds Fund	2007A Bonds Fund	2008B Bonds Fund	2009A Bonds Fund	2010A Bonds Fund	2011A Bonds Fund
Assets						
Cash and temporary investments	\$ 9,803	\$ 277,354	\$ 124,936	\$ 223,125	\$ 155,250	\$ 332,046
Receivables						
Interest	-	513	226	412	285	614
Delinquent taxes	-	-	-	-	-	-
Special assessments						
Current	-	11,278	9,677	36,089	52,282	111,222
Delinquent	-	-	-	2,621	2,617	8,281
Noncurrent	30,635	2,593	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Total Assets	\$ 40,438	\$ 291,738	\$ 134,839	\$ 262,247	\$ 210,434	\$ 452,163
Liabilities						
Accounts payable	\$ -	\$ 200	\$ 200	\$ 527	\$ 297	\$ 200
Due to other funds	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	-	200	200	527	297	200
Deferred Inflows of Resources						
Unavailable revenue - taxes	-	-	-	-	-	-
Unavailable revenue - special assessments	30,635	12,701	9,100	37,791	54,899	117,980
Total Deferred Inflows of Resources	30,635	12,701	9,100	37,791	54,899	117,980
Fund Balances						
Restricted for debt service	9,803	278,837	125,539	223,929	155,238	333,983
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 40,438	\$ 291,738	\$ 134,839	\$ 262,247	\$ 210,434	\$ 452,163

313	314	315	316	317	318	351	352 2014A (2006A)
2012A Bonds Fund	2013A Bonds Fund	2014A Bonds Fund	2015A Bonds Fund	2016C Bonds Fund	2017A Bonds Fund	Community Resource Center Bonds Fund	Public Project Revenue Refunding Bonds
\$ 173,078	\$ 229,346	\$ 322,359	\$ 499,870	\$ 476,528	\$ 178,343	\$ -	\$ 206,269
320	417	596	911	872	-	-	378
-	-	-	-	-	-	-	-
168,182	101,282	338,957	246,861	119,304	310,784	-	-
-	235	-	565	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 341,580</u>	<u>\$ 331,280</u>	<u>\$ 661,912</u>	<u>\$ 748,207</u>	<u>\$ 596,704</u>	<u>\$ 489,127</u>	<u>\$ -</u>	<u>\$ 206,647</u>
\$ 750	\$ 650	\$ 650	\$ 200	\$ 35,809	\$ -	\$ -	\$ 200
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>750</u>	<u>650</u>	<u>650</u>	<u>200</u>	<u>35,809</u>	<u>-</u>	<u>-</u>	<u>200</u>
-	-	-	-	-	-	-	-
168,182	101,193	337,921	247,426	119,304	310,784	-	-
<u>168,182</u>	<u>101,193</u>	<u>337,921</u>	<u>247,426</u>	<u>119,304</u>	<u>310,784</u>	<u>-</u>	<u>-</u>
172,648	229,437	323,341	500,581	441,591	178,343	-	206,447
<u>\$ 341,580</u>	<u>\$ 331,280</u>	<u>\$ 661,912</u>	<u>\$ 748,207</u>	<u>\$ 596,704</u>	<u>\$ 489,127</u>	<u>\$ -</u>	<u>\$ 206,647</u>

City of Northfield, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued)
December 31, 2017

	354	355	356	376	379
	2012 COPS Debt Fund	2012 Equipment Certificates	2016 Equipment Certificates	2001B (1992) TIF Bonds Fund	2017B Refunding TIF Bonds
Assets					
Cash and temporary investments	\$ 398,355	\$ 116,197	\$ 133,980	\$ -	\$ 13,820
Receivables					
Interest	736	215	245	-	-
Delinquent taxes	-	-	-	-	41
Special assessments					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Noncurrent	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Assets	\$ 399,091	\$ 116,412	\$ 134,225	\$ -	\$ 13,861
Liabilities					
Accounts payable	\$ 200	\$ 570	\$ 200	\$ -	\$ 750
Due to other funds	-	-	-	-	-
Advance from other funds	-	-	-	-	136,000
Total Liabilities	200	570	200	-	136,750
Deferred Inflows of Resources					
Unavailable revenue - taxes	-	-	-	-	41
Unavailable revenue - special assessments	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	41
Fund Balances					
Restricted for debt service	398,891	115,842	134,025	-	(122,930)
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 399,091	\$ 116,412	\$ 134,225	\$ -	\$ 13,861

381**382**

Hiley Neff TIF Bonds	Riverfront TIF Bonds	Totals
\$ -	\$ 227,922	\$ 4,098,581
9	421	7,170
-	-	41
-	-	1,505,918
-	-	14,319
-	-	33,228
-	2,806	2,806
<u>\$ 9</u>	<u>\$ 231,149</u>	<u>\$ 5,662,063</u>
\$ -	\$ -	\$ 41,403
95,910	-	95,910
-	-	136,000
<u>95,910</u>	<u>-</u>	<u>273,313</u>
-	-	41
-	-	1,547,916
<u>-</u>	<u>-</u>	<u>1,547,957</u>
(95,901)	231,149	3,840,793
<u>\$ 9</u>	<u>\$ 231,149</u>	<u>\$ 5,662,063</u>

City of Northfield, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
(Continued on the Following Pages)
For the Year Ended December 31, 2017

	306	308	309	310	311
	2002A Bonds Fund	2007A Bonds Fund	2008B Bonds Fund	2009A Bonds Fund	2010A Bonds Fund
Revenues					
Taxes					
Property taxes	\$ -	\$ 25,000	\$ 85,000	\$ 60,000	\$ 155,000
Tax increment	-	-	-	-	-
Special assessments	-	36,810	7,129	30,249	20,727
Investment earnings	-	3,276	974	2,151	438
Total Revenues	-	65,086	93,103	92,400	176,165
Expenditures					
Current					
Housing and economic development	-	-	-	-	-
Debt service					
Principal	-	245,000	80,000	115,000	150,938
Interest and other charges	-	19,123	6,008	12,620	18,653
Total Expenditures	-	264,123	86,008	127,620	169,591
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(199,037)	7,095	(35,220)	6,574
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Debt issued	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	(199,037)	7,095	(35,220)	6,574
Fund Balances, January 1	9,803	477,874	118,444	259,149	148,664
Fund Balances, December 31	\$ 9,803	\$ 278,837	\$ 125,539	\$ 223,929	\$ 155,238

312	313	314	315	316	317	318	351	352 2014A (2006A) Public Project Revenue Refunding Bonds
2011A Bonds Fund	2012A Bonds Fund	2013A Bonds Fund	2014A Bonds Fund	2015A Bonds Fund	2016C Bonds Fund	2017A Bonds Fund	Community Resource Center Bonds Fund	
\$ 50,000	\$ 50,000	\$ 75,000	\$ 60,000	\$ 100,000	\$ 65,000	\$ -	\$ 1,100	\$ 245,000
-	-	-	-	-	-	-	-	-
56,831	54,219	32,121	73,744	42,090	43,363	178,343	-	-
3,267	1,470	1,929	1,943	770	535	-	2,049	600
<u>110,098</u>	<u>105,689</u>	<u>109,050</u>	<u>135,687</u>	<u>142,860</u>	<u>108,898</u>	<u>178,343</u>	<u>3,149</u>	<u>245,600</u>
-	-	-	-	-	-	-	-	-
115,000	95,000	80,000	120,000	145,000	-	-	195,000	190,000
16,883	12,615	19,290	25,132	31,567	13,809	-	9,490	36,863
<u>131,883</u>	<u>107,615</u>	<u>99,290</u>	<u>145,132</u>	<u>176,567</u>	<u>13,809</u>	<u>-</u>	<u>204,490</u>	<u>226,863</u>
<u>(21,785)</u>	<u>(1,926)</u>	<u>9,760</u>	<u>(9,445)</u>	<u>(33,707)</u>	<u>95,089</u>	<u>178,343</u>	<u>(201,341)</u>	<u>18,737</u>
-	-	-	-	165,379	209,753	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(142,724)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,379</u>	<u>209,753</u>	<u>-</u>	<u>(142,724)</u>	<u>-</u>
(21,785)	(1,926)	9,760	(9,445)	131,672	304,842	178,343	(344,065)	18,737
355,768	174,574	219,677	332,786	368,909	136,749	-	344,065	187,710
<u>\$ 333,983</u>	<u>\$ 172,648</u>	<u>\$ 229,437</u>	<u>\$ 323,341</u>	<u>\$ 500,581</u>	<u>\$ 441,591</u>	<u>\$ 178,343</u>	<u>\$ -</u>	<u>\$ 206,447</u>

City of Northfield, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2017

	354	355	356	376
	2012 COPS Debt Fund	2012 Equipment Certificates	2016 Equipment Certificates	2001B (1992) TIF Bonds Fund
Revenues				
Taxes				
Property taxes	\$ 420,160	\$ 109,200	\$ 145,000	\$ -
Tax increment	-	-	-	-
Special assessments	-	-	-	-
Investment earnings	2,930	703	285	10
Total Revenues	<u>423,090</u>	<u>109,903</u>	<u>145,285</u>	<u>10</u>
Expenditures				
Current				
Housing and economic development	-	-	-	-
Debt service				
Principal	270,000	100,000	-	-
Interest and other	152,115	5,570	11,260	-
Total Expenditures	<u>422,115</u>	<u>105,570</u>	<u>11,260</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>975</u>	<u>4,333</u>	<u>134,025</u>	<u>10</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Debt issued	-	-	-	-
Premium on debt issued	-	-	-	-
Transfers out	-	-	-	(635)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(635)</u>
Net Change in Fund Balances	975	4,333	134,025	(625)
Fund Balances, January 1	<u>397,916</u>	<u>111,509</u>	<u>-</u>	<u>625</u>
Fund Balances, December 31	<u>\$ 398,891</u>	<u>\$ 115,842</u>	<u>\$ 134,025</u>	<u>\$ -</u>

379	381	382	
2017B Refunding TIF Bonds	Hiley Neff TIF Bonds	Riverfront TIF Bonds	Totals
\$ -	\$ -	\$ -	\$ 1,645,460
83,585	15,600	198,761	297,946
-	-	-	575,626
-	-	2,458	25,788
<u>83,585</u>	<u>15,600</u>	<u>201,219</u>	<u>2,544,820</u>
-	-	1,362	1,362
510,000	6,500	124,465	2,541,903
47,515	4,093	59,884	502,490
<u>557,515</u>	<u>10,593</u>	<u>185,711</u>	<u>3,045,755</u>
<u>(473,930)</u>	<u>5,007</u>	<u>15,508</u>	<u>(500,935)</u>
-	-	-	375,132
460,000	-	-	460,000
(2,300)	-	-	(2,300)
-	-	-	(143,359)
<u>457,700</u>	<u>-</u>	<u>-</u>	<u>689,473</u>
(16,230)	5,007	15,508	188,538
<u>(106,700)</u>	<u>(100,908)</u>	<u>215,641</u>	<u>3,652,255</u>
<u>\$ (122,930)</u>	<u>\$ (95,901)</u>	<u>\$ 231,149</u>	<u>\$ 3,840,793</u>

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Information Technology Fund – accounts for the accumulation and allocations of costs associated with technology.

Insurance Fund – accounts for the accumulation and allocation of costs associated with property and liability insurance.

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City of Northfield, Minnesota
Internal Service Funds
Combining Statements of Net Position
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds					
	701		705		Total	
	Information Technology		Insurance			
	2017	2016	2017	2016	2017	2016
Assets						
Current Assets						
Cash and temporary investments	\$ 632,961	\$ 602,687	\$ 1,065,449	\$ 936,471	\$ 1,698,410	\$ 1,539,158
Receivables						
Interest	1,170	2,528	1,969	2,438	3,139	4,966
Intergovernmental	-	-	-	2,333	-	2,333
Prepaid items	1,978	1,870	28,313	17,782	30,291	19,652
Total Current Assets	<u>636,109</u>	<u>607,085</u>	<u>1,095,731</u>	<u>959,024</u>	<u>1,731,840</u>	<u>1,566,109</u>
Noncurrent Assets						
Capital assets						
Machinery and equipment	36,155	87,080	-	-	36,155	87,080
Less accumulated depreciation	(6,155)	(87,080)	-	-	(6,155)	(87,080)
Total Capital Assets	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Total Assets	<u>666,109</u>	<u>607,085</u>	<u>1,095,731</u>	<u>959,024</u>	<u>1,761,840</u>	<u>1,566,109</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>63,589</u>	<u>91,704</u>	<u>5,410</u>	<u>7,453</u>	<u>68,999</u>	<u>99,157</u>
Liabilities						
Current Liabilities						
Accounts payable	70,864	62,176	35,181	1,745	106,045	63,921
Due to other governments	9,407	17,484	-	-	9,407	17,484
Accrued wages payable	9,815	9,270	52,769	53,184	62,584	62,454
Total Current Liabilities	<u>90,086</u>	<u>88,930</u>	<u>87,950</u>	<u>54,929</u>	<u>178,036</u>	<u>143,859</u>
Noncurrent Liabilities						
Pension liability	<u>219,288</u>	<u>255,230</u>	<u>18,657</u>	<u>20,744</u>	<u>237,945</u>	<u>275,974</u>
Total Liabilities	<u>309,374</u>	<u>344,160</u>	<u>106,607</u>	<u>75,673</u>	<u>415,981</u>	<u>419,833</u>
Deferred Inflows of Resources						
Deferred pension resources	<u>52,896</u>	<u>31,625</u>	<u>4,500</u>	<u>2,570</u>	<u>57,396</u>	<u>34,195</u>
Net Position						
Net investment in capital assets	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000	\$ -
Unrestricted	<u>337,428</u>	<u>323,004</u>	<u>990,034</u>	<u>888,234</u>	<u>1,327,462</u>	<u>1,211,238</u>
Total Net Position	<u>\$ 367,428</u>	<u>\$ 323,004</u>	<u>\$ 990,034</u>	<u>\$ 888,234</u>	<u>\$ 1,357,462</u>	<u>\$ 1,211,238</u>

City of Northfield, Minnesota
Internal Service Funds
Combining Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds					
	701		705		Total	
	Information Technology		Insurance			
	2017	2016	2017	2016	2017	2016
Operating Revenues						
Charges for services	\$ 646,894	\$ 636,167	\$ 431,220	\$ 498,248	\$ 1,078,114	\$ 1,134,415
Operating Expenses						
Personal services	287,619	275,612	179,010	214,954	466,629	490,566
Pension expense	13,524	17,274	1,893	5,782	15,417	23,056
Supplies	124,533	36,719	-	-	124,533	36,719
Other services and charges	178,588	215,738	204,547	189,037	383,135	404,775
Total Operating Expenses	604,264	545,343	385,450	409,773	989,714	955,116
Operating Income	42,630	90,824	45,770	88,475	88,400	179,299
Nonoperating Revenues						
Intergovernmental	-	-	49,353	-	49,353	-
Investment income	1,714	6,005	6,603	8,493	8,317	14,498
Property taxes	-	-	-	2,333	-	2,333
Other income	80	993	74	3,913	154	4,906
Total Nonoperating Revenues	1,794	6,998	56,030	14,739	57,824	21,737
Change in Net Position	44,424	97,822	101,800	103,214	146,224	201,036
Net Position, January 1	323,004	225,182	888,234	785,020	1,211,238	1,010,202
Net Position, December 31	\$ 367,428	\$ 323,004	\$ 990,034	\$ 888,234	\$ 1,357,462	\$ 1,211,238

City of Northfield, Minnesota
Internal Service Funds
Combining Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds					
	701		705			
	Information Technology		Insurance		Total	
	2017	2016	2017	2016	2017	2016
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 646,894	\$ 636,167	\$ 431,220	\$ 498,248	\$ 1,078,114	\$ 1,134,415
Payments to suppliers and vendors	(316,142)	(301,560)	(183,535)	(218,306)	(499,677)	(519,866)
Payments to and on behalf of employees	(273,630)	(250,153)	(177,539)	(207,496)	(451,169)	(457,649)
Other receipts	80	993	74	3,913	154	4,906
Net Cash Provided (Used) by Operating Activities	57,202	85,447	70,220	76,359	127,422	161,806
Cash Flows from Noncapital Financing Activities						
Property taxes received	-	-	2,333	1,730	2,333	1,730
Intergovernmental revenue	-	-	49,353	-	49,353	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	51,686	1,730	51,686	1,730
Cash Flows from Capital and Related Financing Activities						
Acquisition of capital assets	(30,000)	-	-	-	(30,000)	-
Cash Flows from Investing Activities						
Interest received on cash and investments	3,072	5,232	7,072	9,345	10,144	14,577
Net Increase (Decrease) in Cash and Cash Equivalents	30,274	90,679	128,978	87,434	159,252	178,113
Cash and Cash Equivalents, January 1	602,687	512,008	936,471	849,037	1,539,158	1,361,045
Cash and Cash Equivalents, December 31	\$ 632,961	\$ 602,687	\$ 1,065,449	\$ 936,471	\$ 1,698,410	\$ 1,539,158
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 42,630	\$ 90,824	\$ 45,770	\$ 88,475	\$ 88,400	\$ 179,299
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Other income related to operations	80	993	74	3,913	154	4,906
(Increase) decrease in assets						
Prepaid items	(108)	53	(10,531)	14	(10,639)	67
(Increase) decrease in deferred outflows of resources						
Deferred pension resources	28,115	(72,572)	2,043	(6,366)	30,158	(78,938)
Increase (decrease) in liabilities						
Accounts payable	8,688	(45,616)	33,436	(23,501)	42,124	(69,117)
Due to other governments	(8,077)	13,734	-	-	(8,077)	13,734
Accrued wages payable	545	9,178	(415)	1,757	130	10,935
Pension liability	(35,942)	87,964	(2,087)	11,243	(38,029)	99,207
(Increase) decrease in deferred inflows of resources						
Deferred pension resources	21,271	889	1,930	824	23,201	1,713
Net Cash Provided (Used) by Operating Activities	\$ 57,202	\$ 85,447	\$ 70,220	\$ 76,359	\$ 127,422	\$ 161,806

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COMPONENT UNITS

Economic Development Authority – This component unit was established to account for the financial activities of the EDA.

Housing and Redevelopment Authority – This component unit was established to account for the financial activities of the HRA.

Municipal Hospital – This component unit was established to account for the financial activities of the Municipal Hospital.

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City of Northfield, Minnesota
Discretely Presented Component Unit - Economic Development Authority
Combining Balance Sheet - Governmental Funds
December 31, 2017

Assets	
Cash and temporary investments	\$ 1,312,237
Receivables	
Interest	1,540
Delinquent taxes	2,152
Notes, net of allowances	568,945
Intergovernmental	1,840
Prepaid items	<u>739</u>
 Total Assets	 <u><u>\$ 1,887,453</u></u>
 Liabilities	
Accounts payable	\$ 218
Due to other government	221
Accrued wages payable	<u>3,154</u>
Total Liabilities	<u>3,593</u>
 Deferred Inflows of Resources	
Unavailable revenue - taxes	<u>2,152</u>
 Fund Balances	
Nonspendable	
Prepaid items	739
Unassigned	<u>1,880,969</u>
Total Fund Balances	<u>1,881,708</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u><u>\$ 1,887,453</u></u>
 Total fund balances - governmental funds	 \$ 1,881,708
 Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Pension liability	(78,733)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	2,152
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	22,831
Deferred inflows of resources	<u>(18,992)</u>
 Total net position - governmental activities	 <u><u>\$ 1,808,966</u></u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Economic Development Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended December 31, 2017

Revenues	
Taxes	\$ 229,536
Investment earnings (loss)	4,161
Miscellaneous	
Other	11,197
Total Revenues	<u>244,894</u>
Expenditures	
Current	
Economic development	
Personal services	104,806
Supplies	104
Other services and charges	100,501
Total Expenditures	<u>205,411</u>
Net Change in Fund Balances	39,483
Fund Balances, January 1	<u>1,842,225</u>
Fund Balances, December 31	<u><u>\$ 1,881,708</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - governmental funds	\$ 39,483
Long-term pension activity is not reported in governmental funds.	
Pension expense	(52,128)
Direct aid contributions	29
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Tax increments	<u>35</u>
Change in net position - governmental activities	<u><u>\$ (12,581)</u></u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Housing Redevelopment Authority
Combining Balance Sheet - Governmental Funds
December 31, 2017

Assets	
Cash and temporary investments	\$ 1,133,971
Receivables	
Interest	2,079
Delinquent taxes	2,161
Intergovernmental	1,874
Prepaid items	726
Land held for resale	<u>377,729</u>
Total Assets	<u><u>\$ 1,518,540</u></u>
Liabilities	
Accounts payable	\$ 2,464
Accrued wages payable	3,258
Deposits payable	<u>700</u>
Total Liabilities	<u>6,422</u>
Deferred Inflows of Resources	
Unavailable revenue - taxes	<u>2,161</u>
Fund Balances	
Nonspendable	
Land held for resale	377,729
Prepaid items	726
Unassigned	<u>1,131,502</u>
Total Fund Balances	<u>1,509,957</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 1,518,540</u></u>
Total fund balances - governmental funds	\$ 1,509,957
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	328,516
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Pension liability	(83,050)
Other postemployment benefit payable	(1,249)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	2,161
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	24,082
Deferred inflows of resources	<u>(20,033)</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,760,384</u></u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Housing Redevelopment Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended December 31, 2017

Revenues	
Taxes	\$ 234,009
Investment earnings	9,520
Miscellaneous	
Rents	50,001
Other	2,531
Total Revenues	<u>296,061</u>
Expenditures	
Current	
Housing and economic development	
Personal services	109,269
Supplies	26
Other services and charges	76,945
Capital outlay	
Housing and economic development	53,681
Total Expenditures	<u>239,921</u>
Net Change in Fund Balances	56,140
Fund Balances, January 1	<u>1,453,817</u>
Fund Balances, December 31	<u><u>\$ 1,509,957</u></u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	56,140
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Depreciation expense	(12,596)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(5,524)
Direct aid contributions	30
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Property taxes	20
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefit costs	<u>(1,249)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 36,821</u></u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Municipal Hospital
Statement of Net Position
December 31, 2017 and 2016

	Totals	
	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,847,368	\$ 5,244,466
Current portion of noncurrent cash and cash equivalents	1,168,496	1,366,185
Patient receivable, less allowance for uncollectible accounts (2017, \$4,408,000; 2016, \$4,375,000)	14,263,682	12,885,459
Accounts receivable - other	281,353	131,548
Inventories	1,798,646	2,004,920
Prepaid items	991,775	965,938
Total Current Assets	<u>22,351,320</u>	<u>22,598,516</u>
Noncurrent Cash and Investments		
Internally Designated for Health Benefits	1,168,496	1,366,185
Internally Designated for Capital Improvements	55,561,130	53,098,072
Restricted by Bond Agreement	286,281	1,127,275
Less current portion of noncurrent cash and investments	<u>(1,168,496)</u>	<u>(1,366,185)</u>
Total Noncurrent Cash and Investments	<u>55,847,411</u>	<u>54,225,347</u>
Capital Assets, Net	<u>41,692,820</u>	<u>44,385,238</u>
Total Assets	<u>119,891,551</u>	<u>121,209,101</u>
Deferred Outflows of Resources		
Deferred pension resources	12,977,956	21,197,841
Loss on refunding	548,242	588,604
Excess consideration provided for acquisition	22,500	-
Total Deferred Outflows of Resources	<u>13,548,698</u>	<u>21,786,445</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 133,440,249</u>	<u>\$ 142,995,546</u>
Liabilities		
Current Liabilities		
Current maturities of long-term debt	\$ 1,917,701	\$ 1,866,527
Accounts payable, trade	2,619,862	2,961,649
Construction payable	210,576	613,197
Accrued payroll and benefits	8,119,835	8,848,162
Accrued interest payable	86,588	91,902
Third party payor settlements payable	317,935	319,297
Total Current Liabilities	<u>13,272,497</u>	<u>14,700,734</u>
Noncurrent Liabilities		
Long-term debt, less current maturities	28,716,047	30,633,748
Pension liability	43,072,403	52,533,192
Total Noncurrent Liabilities	<u>71,788,450</u>	<u>83,166,940</u>
Total Liabilities	<u>85,060,947</u>	<u>97,867,674</u>
Deferred Inflows of Resources		
Deferred pension resources	<u>8,951,414</u>	<u>4,267,255</u>
Net Position		
Net investment in capital assets	11,059,072	11,884,963
Restricted by bond agreement	286,281	1,127,275
Unrestricted	28,082,535	27,848,379
Total Net Position	<u>39,427,888</u>	<u>40,860,617</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 133,440,249</u>	<u>\$ 142,995,546</u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Municipal Hospital
Statement of Revenues, Expenses and Changes Fund Net Position
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Net patient and resident service revenue, net of provision for bad debts of \$2,335,223 in 2017 and \$2,253,836 in 2016	\$ 104,888,792	\$ 101,103,618
EHR/Meaningful use incentive payment	55,776	144,422
Other revenues	1,031,774	1,249,614
Total Operating Revenues	<u>105,976,342</u>	<u>102,497,654</u>
Operating Expenses		
Salaries and wages	46,735,681	44,316,610
Employee benefits	15,524,555	14,691,311
Supplies and drugs	17,724,752	15,728,203
Purchased services	14,008,161	12,863,673
Utilities	1,235,630	1,172,435
Other	3,959,217	4,031,070
Depreciation and amortization	5,437,473	5,330,632
Interest	884,199	1,327,414
Taxes and surcharges	2,607,585	2,603,500
Total Operating Expenses	<u>108,117,253</u>	<u>102,064,848</u>
Operating Income (Loss)	<u>(2,140,911)</u>	<u>432,806</u>
Nonoperating Revenues (Expenses)		
Investment income	760,273	761,580
Gifts and grants	94,917	115,636
Gain (loss) on the sale of assets	10,392	(1,603)
Miscellaneous	(187,400)	(344,022)
Total Nonoperating Revenues (Expenses)	<u>678,182</u>	<u>531,591</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	(1,462,729)	964,397
Capital Grants	<u>30,000</u>	<u>109,327</u>
Change in Net Position	(1,432,729)	1,073,724
Net Position, January 1	<u>40,860,617</u>	<u>39,786,893</u>
Net Position, December 31	<u><u>\$ 39,427,888</u></u>	<u><u>\$ 40,860,617</u></u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Municipal Hospital
Statement of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received from patients and third party payors	\$ 103,564,983	\$ 99,919,233
Cash paid to employees	(62,988,563)	(57,986,982)
Cash paid to suppliers	(36,235,578)	(31,983,471)
Other receipts and payments, net	881,969	1,214,641
Net Cash Provided by Operating Activities	<u>5,222,811</u>	<u>11,163,421</u>
Cash Flows from Noncapital Financing Activities		
Unrestricted gifts and grants	94,917	115,636
Miscellaneous losses	(187,400)	(344,022)
Net Cash Used by Noncapital Financing Activities	<u>(92,483)</u>	<u>(228,386)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(3,168,092)	(2,953,469)
Proceeds (loss) from sale of capital assets	30,808	14,147
Principal payments on long-term debt	(1,866,527)	(1,369,497)
Interest payments on long-term debt	(889,513)	(1,482,915)
Capital contributions	30,000	109,327
Net Cash Used by Capital and Related Financing Activities	<u>(5,863,324)</u>	<u>(5,682,407)</u>
Cash Flows from Investing Activities		
(Increase) decrease in noncurrent cash and investments	(1,409,824)	(3,213,882)
Investment income	745,722	726,386
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(664,102)</u>	<u>(2,487,496)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,397,098)	2,765,132
Cash and Cash Equivalents, January 1	<u>5,244,466</u>	<u>2,479,334</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,847,368</u>	<u>\$ 5,244,466</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income	\$ (2,140,911)	\$ 432,806
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	5,437,473	5,330,632
Interest	884,199	1,327,414
Provision for bad debt expense	2,335,223	2,253,836
Amortization of deferred financing costs	40,362	332,043
(Increase) decrease in assets:		
Patient receivables	(3,713,446)	(3,198,021)
Inventories, prepaids and other receivables	30,632	(260,115)
(Increase) decrease in deferred outflows of resources:		
Deferred pension resources	8,219,885	(17,449,421)
Excess consideration provided for acquisition	(22,500)	-
Increase (decrease) in liabilities:		
Accounts payable	(341,787)	49,809
Third-party payor settlements payable	(1,362)	(384,622)
Accrued expenses	(728,327)	1,020,939
Pension liability	(9,460,789)	21,707,568
(Increase) decrease in deferred inflows of resources:		
Deferred pension resources	4,684,159	553
Net Cash Provided by Operating Activities	<u>\$ 5,222,811</u>	<u>\$ 11,163,421</u>
Noncash Investing Capital and Financing Activities		
Amortization of net premium as a component of interest expense	\$ -	\$ (23,396)
Construction payable	\$ 210,576	\$ 613,197
Long-term debt issued to refund bonds	\$ -	\$ 25,000,000

City of Northfield, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2017 and 2016

	Total 2017	Total 2016	Percent Increase (Decrease)	
Revenues				
Taxes	\$ 8,501,718	\$ 8,405,183	1.15	%
Special assessments	580,762	668,700	(13.15)	
Licenses and permits	859,249	679,474	26.46	
Intergovernmental	4,544,279	6,458,670	(29.64)	
Charges for services	1,454,847	1,561,121	(6.81)	
Fines and forfeits	98,171	82,032	19.67	
Investment earnings	78,011	100,699	(22.53)	
Miscellaneous	499,889	549,765	(9.07)	
	<u>\$ 16,616,926</u>	<u>\$ 18,505,644</u>	(10.21)	%
Total Revenues				
Per Capita	\$ 816	\$ 911	(10.36)	%
Expenditures				
Current				
General government	\$ 2,433,481	\$ 2,408,862	1.02	%
Public safety	4,291,893	4,070,750	5.43	
Public works	2,489,659	2,381,026	4.56	
Culture and recreation	2,400,275	2,281,839	5.19	
Housing and economic development	185,895	282,094	(34.10)	
Miscellaneous	131,058	112,509	16.49	
Capital outlay				
General government	88,705	22,006	303.09	
Public safety	193,330	765,063	(74.73)	
Public works	1,655,893	4,257,931	(61.11)	
Culture and recreation	767,291	2,853,881	(73.11)	
Housing and economic development	21,506	-	100.00	
Transit	-	27,720	(100.00)	
Debt service				
Principal	2,744,125	2,043,881	34.26	
Interest and other charges	562,336	572,068	(1.70)	
Issuance costs	4,725	28,594	(83.48)	
	<u>\$ 17,970,172</u>	<u>\$ 22,108,224</u>	(18.72)	%
Total Expenditures				
Per Capita	\$ 883	\$ 1,088	(18.86)	%
Total Long-term Indebtedness	<u>\$ 18,181,241</u>	<u>\$ 19,520,366</u>	(6.86)	%
Per Capita	\$ 893	\$ 961	(7.02)	
General Fund Balance - December 31	<u>\$ 7,648,180</u>	<u>\$ 7,315,431</u>	4.55	%
Per Capita	\$ 376	\$ 360	4.37	

The purpose of this report is to provide a summary of financial information concerning the City of Northfield to interested citizens. The complete financial statements may be examined at City Hall, Northfield, Minnesota. Questions about this report should be directed to the Finance Director at 507-645-3016.

STATISTICAL SECTION (UNAUDITED)

This part of the City of Northfield's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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City of Northfield, Minnesota
Net Position By Component
2008 - 2017
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Governmental Activities					
Net investment in capital assets	\$ 35,086,458	\$ 35,941,654	\$ 31,622,817	\$ 28,034,313	\$ 28,503,588
Restricted	5,615,513	4,603,145	5,167,449	9,688,690	8,043,606
Unrestricted	8,200,388	5,780,200	7,439,855	11,570,050	11,028,546
Total Governmental Activities Net Position	<u>48,902,359</u>	<u>46,324,999</u>	<u>44,230,121</u>	<u>49,293,053</u>	<u>47,575,740</u>
Business-type Activities					
Net investment in capital assets	24,721,543	23,301,761	21,436,632	20,687,495	20,110,058
Unrestricted	12,362,466	11,431,459	10,789,829	10,006,206	8,758,812
Total Business-type Activities Net Position	<u>37,084,009</u>	<u>34,733,220</u>	<u>32,226,461</u>	<u>30,693,701</u>	<u>28,868,870</u>
Primary Government					
Net investment in capital assets	59,808,001	59,243,415	53,059,449	48,721,808	48,613,646
Restricted	5,615,513	4,603,145	5,167,449	9,688,690	8,043,606
Unrestricted	20,562,854	17,211,659	18,229,684	21,576,256	19,787,358
Total Primary Government Net Position	<u>\$ 85,986,368</u>	<u>\$ 81,058,219</u>	<u>\$ 76,456,582</u>	<u>\$ 79,986,754</u>	<u>\$ 76,444,610</u>

Table 1

Fiscal Year				
2012	2011	2010	2009	2008
\$ 27,190,260	\$ 24,594,993	\$ 22,438,059	\$ 22,389,016	\$ 27,423,379
6,364,734	6,458,248	3,796,597	5,740,046	4,812,824
12,178,898	10,056,506	12,201,182	11,137,609	10,017,819
45,733,892	41,109,747	38,435,838	39,266,671	42,254,022
17,944,934	18,222,783	16,917,076	16,098,718	13,823,838
9,314,970	6,954,395	7,179,036	7,422,614	7,717,321
27,259,904	25,177,178	24,096,112	23,521,332	21,541,159
45,135,194	42,817,776	39,355,135	38,487,734	41,247,217
6,364,734	6,458,248	3,796,597	5,740,046	4,812,824
21,493,868	17,010,901	19,380,218	18,560,223	17,735,140
\$ 72,993,796	\$ 66,286,925	\$ 62,531,950	\$ 62,788,003	\$ 63,795,181

City of Northfield, Minnesota
Changes in Net Position (Continued on the Following Pages)
2008 - 2017
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Expenses					
Governmental activities					
General government	\$ 2,583,745	\$ 2,542,003	\$ 2,452,348	\$ 2,329,667	\$ 2,471,488
Public safety	3,850,606	5,195,075	4,064,654	3,700,747	3,373,344
Public works/streets	5,183,024	4,642,307	4,488,113	4,482,892	4,376,670
Culture and recreation	3,050,928	2,934,423	2,842,634	3,179,054	2,795,216
Housing and economic development	188,361	282,094	151,088	454,921	259,475
Transit	25,938	53,658	25,938	123,541	48,029
Miscellaneous	132,307	112,509	150,623	221,322	119,087
Interest on long-term debt	521,233	582,762	709,534	770,748	668,675
Total governmental activities expenses	<u>15,536,142</u>	<u>16,344,831</u>	<u>14,884,932</u>	<u>15,262,892</u>	<u>14,111,984</u>
Business-type activities					
Water	1,655,023	1,544,092	1,457,422	1,400,876	1,224,605
Wastewater	3,244,493	3,120,760	3,091,885	3,203,623	3,255,031
Garbage	742,024	715,898	692,840	672,044	668,627
Storm water drainage	458,757	404,546	442,311	689,699	444,145
Municipal Liquor Store	2,939,174	2,935,516	2,944,079	2,973,798	2,860,049
Total Business-type Activities Expenses	<u>9,039,471</u>	<u>8,720,812</u>	<u>8,628,537</u>	<u>8,940,040</u>	<u>8,452,457</u>
Total Primary Government Expenses	<u>\$ 24,575,613</u>	<u>\$ 25,065,643</u>	<u>\$ 23,513,469</u>	<u>\$ 24,202,932</u>	<u>\$ 22,564,441</u>
Program Revenues					
Governmental Activities					
Charges for services					
Licenses and permits	\$ 859,249	\$ 679,474	\$ 428,765	\$ 396,898	\$ 464,599
Other public works	110,099	199,106	338,914	299,695	263,374
Parks and recreation	441,206	466,522	555,673	543,223	782,784
Other activities	991,258	990,659	1,033,774	1,050,895	1,030,637
Operating grants and contributions	872,076	1,085,300	908,187	825,775	815,995
Capital grants and contributions	1,617,174	2,790,632	1,854,869	1,743,405	1,081,129
Total Governmental Activities					
Program Revenues	<u>4,891,062</u>	<u>6,211,693</u>	<u>5,120,182</u>	<u>4,859,891</u>	<u>4,438,518</u>
Business-type Activities					
Charges for services					
Water	2,103,303	2,069,419	2,109,788	2,174,773	2,254,872
Wastewater	4,378,493	4,276,262	4,260,147	3,840,957	3,781,043
Municipal Liquor Store	3,064,270	3,148,215	3,076,452	3,160,587	3,080,768
Other activities	1,780,512	1,747,036	1,673,271	1,602,410	1,565,371
Capital grants and contributions	-	527,156	-	-	-
Operating grants and contributions	18,079	7,500	16,011	6,839	8,805
Total Business-type Activities					
Program Revenues	<u>11,344,657</u>	<u>11,775,588</u>	<u>11,135,669</u>	<u>10,785,566</u>	<u>10,690,859</u>
Total Primary Government Program Revenues	<u>\$ 16,235,719</u>	<u>\$ 17,987,281</u>	<u>\$ 16,255,851</u>	<u>\$ 15,645,457</u>	<u>\$ 15,129,377</u>

Table 2

Fiscal Year				
2012	2011	2010	2009	2008
\$ 2,522,007	\$ 2,654,908	\$ 2,588,720	\$ 2,380,301	\$ 3,072,077
2,940,591	3,630,668	3,672,421	3,796,557	3,751,857
3,909,751	3,721,097	3,668,669	6,262,791	4,277,593
2,898,557	2,651,180	2,736,334	3,142,420	2,369,056
79,429	95,154	389,584	275,022	766,993
333,134	439,607	392,843	351,763	379,959
121,764	181,674	164,856	357,443	388,410
694,881	605,540	665,911	1,112,174	880,279
<u>13,500,114</u>	<u>13,979,828</u>	<u>14,279,338</u>	<u>17,678,471</u>	<u>15,886,224</u>
1,185,334	1,458,694	1,775,806	1,408,659	1,411,186
3,069,492	3,200,268	3,192,739	3,123,978	3,377,011
828,181	829,103	767,573	767,648	733,098
429,193	393,413	506,573	400,623	295,084
2,694,832	2,650,392	2,656,796	2,634,984	2,519,314
<u>8,207,032</u>	<u>8,531,870</u>	<u>8,899,487</u>	<u>8,335,892</u>	<u>8,335,693</u>
<u>\$ 21,707,146</u>	<u>\$ 22,511,698</u>	<u>\$ 23,178,825</u>	<u>\$ 26,014,363</u>	<u>\$ 24,221,917</u>
\$ 420,768	\$ 340,454	\$ 613,423	\$ 326,449	\$ 521,006
292,863	302,442	302,584	257,467	443,574
823,926	739,915	737,501	649,448	314,230
1,049,087	1,095,697	1,009,453	985,121	1,301,796
690,287	986,487	984,475	872,820	344,748
2,331,344	1,111,799	1,451,645	3,907,877	936,400
<u>5,608,275</u>	<u>4,576,794</u>	<u>5,099,081</u>	<u>6,999,182</u>	<u>3,861,754</u>
2,244,788	2,141,679	1,926,224	1,886,692	2,040,646
3,602,649	3,471,535	3,254,851	3,011,113	3,212,024
2,918,912	2,853,534	2,856,959	2,793,405	2,635,677
1,436,992	1,320,196	1,330,240	1,257,395	1,068,294
79,561	5,336	138,150	6,294	150,619
-	-	-	-	-
<u>10,282,902</u>	<u>9,792,280</u>	<u>9,506,424</u>	<u>8,954,899</u>	<u>9,107,260</u>
<u>\$ 15,891,177</u>	<u>\$ 14,369,074</u>	<u>\$ 14,605,505</u>	<u>\$ 15,954,081</u>	<u>\$ 12,969,014</u>

City of Northfield, Minnesota
Changes in Net Position (Continued)
2008 - 2017
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Program Revenues - Continued					
Net (expense)/revenue					
Governmental activities	\$ (10,645,080)	\$ (10,133,138)	\$ (9,764,750)	\$ (10,403,001)	\$ (9,673,466)
Business-type activities	2,305,186	3,054,776	2,507,132	1,845,526	2,238,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Primary Government Net Expense	<u>\$ (8,339,894)</u>	<u>\$ (7,078,362)</u>	<u>\$ (7,257,618)</u>	<u>\$ (8,557,475)</u>	<u>\$ (7,435,064)</u>
General Revenues and Other					
Changes in Net Position					
Governmental activities					
Taxes					
Property taxes	\$ 8,211,742	\$ 8,080,765	\$ 7,748,248	\$ 7,896,765	\$ 8,497,671
Franchise taxes	200,007	206,945	194,015	195,174	187,314
Hotel/motel taxes	116,745	116,895	95,264	92,993	82,123
Unrestricted grants and contributions	3,649,679	3,539,565	3,161,620	3,093,285	2,428,140
Investment earnings	78,011	100,699	87,347	381,593	(260,663)
Miscellaneous	77,029	58,147	49,407	280,486	60,428
Transfers of capital assets	-	-	-	-	176,462
Transfers	35,000	125,000	125,000	180,018	343,839
Total Governmental Activities	<u>12,368,213</u>	<u>12,228,016</u>	<u>11,460,901</u>	<u>12,120,314</u>	<u>11,515,314</u>
Business-type Activities					
Investment earnings (loss)	80,603	104,139	50,587	159,323	(109,135)
Transfers of capital assets	-	(527,156)	-	-	(176,462)
Transfers	(35,000)	(125,000)	(125,000)	(180,018)	(343,839)
Total Business-type Activities	<u>45,603</u>	<u>(548,017)</u>	<u>(74,413)</u>	<u>(20,695)</u>	<u>(629,436)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Primary Government	<u>\$ 12,413,816</u>	<u>\$ 11,679,999</u>	<u>\$ 11,386,488</u>	<u>\$ 12,099,619</u>	<u>\$ 10,885,878</u>
Changes in Net Position					
Governmental activities	\$ 1,723,133	\$ 2,094,878	\$ 1,696,151	\$ 1,717,313	\$ 1,841,848
Business-type activities	2,350,789	2,506,759	2,432,719	1,824,831	1,608,966
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Primary Government	<u>\$ 4,073,922</u>	<u>\$ 4,601,637</u>	<u>\$ 4,128,870</u>	<u>\$ 3,542,144</u>	<u>\$ 3,450,814</u>

Table 2 (continued)

Fiscal Year				
2012	2011	2010	2009	2008
\$ (7,891,839)	\$ (9,403,034)	\$ (9,180,257)	\$ (10,679,289)	\$ (12,024,470)
2,075,870	1,260,410	606,937	619,007	771,567
<u>\$ (5,815,969)</u>	<u>\$ (8,142,624)</u>	<u>\$ (8,573,320)</u>	<u>\$ (10,060,282)</u>	<u>\$ (11,252,903)</u>
\$ 7,667,910	\$ 7,017,127	\$ 7,003,550	\$ 6,998,405	\$ 6,590,131
174,403	169,174	166,668	161,350	150,878
89,505	99,466	82,014	73,846	82,822
2,628,918	2,728,423	2,649,667	3,350,459	4,771,722
232,998	637,443	402,709	783,040	654,246
197,900	57,950	47,708	177,725	238,032
(134,314)	202,010	-	-	-
173,005	165,350	165,350	(978,726)	164,400
<u>11,030,325</u>	<u>11,076,943</u>	<u>10,517,666</u>	<u>10,566,099</u>	<u>12,652,231</u>
73,282	188,016	133,193	87,015	270,093
134,314	(202,010)	-	-	-
(173,005)	(165,350)	(165,350)	978,726	(164,400)
<u>34,591</u>	<u>(179,344)</u>	<u>(32,157)</u>	<u>1,065,741</u>	<u>105,693</u>
<u>\$ 11,064,916</u>	<u>\$ 10,897,599</u>	<u>\$ 10,485,509</u>	<u>\$ 11,631,840</u>	<u>\$ 12,757,924</u>
\$ 3,138,486	\$ 1,673,909	\$ 1,337,409	\$ (113,190)	\$ 627,761
2,110,461	1,081,066	574,780	1,684,748	877,260
<u>\$ 5,248,947</u>	<u>\$ 2,754,975</u>	<u>\$ 1,912,189</u>	<u>\$ 1,571,558</u>	<u>\$ 1,505,021</u>

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City of Northfield, Minnesota
Governmental Activities Tax Revenues By Source
2008 - 2017
(accrual basis of accounting)

Table 3

Fiscal Year	General Property Taxes	Tax Increment Taxes	Hotel- Motel Tax	Franchise Tax	Total
2017	\$7,878,710	\$ 333,032	\$ 116,745	\$ 200,007	\$8,528,494
2016	7,758,176	322,589	116,895	206,945	8,404,605
2015	7,488,485	259,763	95,264	194,015	8,037,527
2014	7,619,913	276,852	92,993	195,174	8,184,932
2013	7,668,451	829,220	82,123	187,314	8,767,108
2012	6,797,332	870,578	89,505	174,403	7,931,818
2011	6,178,349	838,778	99,466	169,174	7,285,767
2010	6,162,878	840,672	82,014	166,668	7,252,232
2009	6,033,061	965,344	73,846	161,350	7,233,601
2008	5,586,520	1,003,611	82,822	150,878	6,823,831

City of Northfield, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	103,591	115,936	99,115	93,337	98,503
Restricted	6,733	6,491	6,491	6,604	5,054
Committed	71,742	71,742	-	-	-
Assigned	-	-	-	-	-
Unassigned	7,466,114	7,121,262	6,790,550	6,790,550	6,936,896
Total General Fund	<u>\$ 7,648,180</u>	<u>\$ 7,315,431</u>	<u>\$ 6,896,156</u>	<u>\$ 6,890,491</u>	<u>\$ 7,040,453</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	2,316	2,881	2,731	3,005	3,194
Restricted	6,055,095	6,266,885	6,803,989	10,844,573	11,747,582
Committed	1,165,600	888,424	46,056	89,816	89,816
Assigned	1,508,874	1,745,125	4,533,124	4,231,212	3,707,962
Unassigned	(272,495)	(228,172)	(314,233)	(64,163)	(188,835)
Total All Other Governmental Funds	<u>\$ 8,459,390</u>	<u>\$ 8,675,143</u>	<u>\$ 11,071,667</u>	<u>\$ 15,104,443</u>	<u>\$ 15,359,719</u>

Note: The City implemented GASB 54 in fiscal year 2011, resulting in significant reclassification of the components of fund balance. Years prior to 2011 have not been restated.

Table 4

Fiscal Year				
2012	2011	2010	2009	2008
\$ -	\$ -	\$ 62,297	\$ 68,339	\$ 73,277
-	-	5,603,762	5,049,125	4,813,349
77,534	56,933	-	-	-
4,651	19,002	-	-	-
-	750,000	-	-	-
252,397	313,844	-	-	-
6,368,330	5,071,260	-	-	-
<u>\$ 6,702,912</u>	<u>\$ 6,211,039</u>	<u>\$ 5,666,059</u>	<u>\$ 5,117,464</u>	<u>\$ 4,886,626</u>
\$ -	\$ -	\$ 4,072,829	\$ 6,426,347	\$ 6,504,762
-	-	3,794,157	3,481,490	3,423,870
-	-	2,607,173	2,489,621	2,494,825
678	-	-	-	-
14,797,894	6,678,023	-	-	-
87,023	87,023	-	-	-
4,343,051	4,095,069	-	-	-
(713,593)	(747,617)	-	-	-
<u>\$ 18,515,053</u>	<u>\$ 10,112,498</u>	<u>\$ 10,474,159</u>	<u>\$ 12,397,458</u>	<u>\$ 12,423,457</u>

City of Northfield, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Revenues					
Taxes	\$8,501,718	\$ 8,405,183	\$ 7,978,678	\$ 8,164,634	\$ 8,727,871
Licenses, fees and permits	859,249	679,474	428,765	396,898	464,599
Fines and forfeits	98,171	82,032	113,521	114,273	119,442
Charges for services	1,454,847	1,561,121	1,767,392	1,701,689	1,695,092
Special assessments	580,762	668,700	725,693	777,420	601,262
Intergovernmental	4,549,279	6,458,670	3,733,577	4,309,972	3,638,115
Investment earnings	78,011	100,699	87,347	381,593	(260,663)
Miscellaneous	499,889	549,765	1,254,913	628,366	659,955
Total Revenues	<u>16,621,926</u>	<u>18,505,644</u>	<u>16,089,886</u>	<u>16,474,845</u>	<u>15,645,673</u>
Expenditures					
Current:					
General government	2,433,481	2,408,862	2,341,517	2,138,242	2,440,340
Public safety	4,291,893	4,070,750	4,017,614	3,459,404	3,335,072
Public works	2,489,659	2,381,026	2,231,624	2,338,145	2,329,237
Culture and recreation	2,400,275	2,281,839	2,238,545	2,216,064	2,244,441
Transit	-	-	-	91,916	55,832
Housing and economic development	190,895	282,094	125,427	447,826	259,733
Nondepartmental	131,058	112,509	150,623	221,322	119,087
Capital Outlay:					
General government	88,705	22,006	32,139	109,919	842,984
Public safety	193,330	765,063	107,144	2,758,586	3,420,227
Public works	1,655,893	4,257,931	2,182,288	3,363,651	1,630,427
Culture and recreation	767,291	2,853,881	1,347,464	416,770	105,920
Transit	-	27,720	-	5,687	1,508
Housing and economic development	21,506	-	79,010	172,139	55,365
Debt Service:					
Principal	2,744,125	2,043,881	2,285,015	2,138,563	2,089,482
Interest and other	562,336	572,068	749,072	738,364	719,926
Issuance fees	4,725	28,594	33,736	28,815	31,149
Total Expenditures	<u>17,975,172</u>	<u>22,108,224</u>	<u>17,921,218</u>	<u>20,645,413</u>	<u>19,680,730</u>
Revenues over (under) expenditures	<u>(1,353,246)</u>	<u>(3,602,580)</u>	<u>(1,831,332)</u>	<u>(4,170,568)</u>	<u>(4,035,057)</u>
Other Financing Sources (Uses):					
Bonds issued	1,405,000	1,425,000	1,925,000	3,210,000	830,000
Bond premium/(discount)	12,778	45,554	35,574	-	-
Transfers in	880,683	1,499,964	1,422,634	3,550,128	2,032,902
Transfers out	(845,683)	(1,374,964)	(1,297,634)	(3,730,110)	(1,689,063)
Payment to refunded bond escrow agent	-	-	(2,560,000)	108,626	27,116
Sale of capital assets	17,464	25,337	-	57,747	16,309
Total Other Financing Sources (Uses)	<u>1,470,242</u>	<u>1,620,891</u>	<u>(474,426)</u>	<u>3,196,391</u>	<u>1,217,264</u>
Net Change in Fund Balances	<u>\$ 116,996</u>	<u>\$ (1,981,689)</u>	<u>\$ (2,305,758)</u>	<u>\$ (974,177)</u>	<u>\$ (2,817,793)</u>
Debt service as a percentage of noncapital expenditures	21.3%	17.6%	21.3%	20.7%	20.2%

Table 5

Fiscal Year				
2012	2011	2010	2009	2008
\$ 7,890,230	\$7,190,519	\$ 7,102,351	\$ 7,021,332	\$ 6,726,779
420,768	340,454	613,423	326,449	510,506
117,177	175,450	139,091	116,937	118,814
1,746,420	1,695,131	1,589,147	1,532,846	1,870,502
833,269	1,055,710	870,870	1,014,688	832,639
4,574,760	3,594,665	3,978,493	6,396,026	5,328,406
227,060	526,787	351,807	204,891	639,736
701,845	690,599	818,783	1,320,727	683,315
<u>16,511,529</u>	<u>15,269,315</u>	<u>15,463,965</u>	<u>17,933,896</u>	<u>16,710,697</u>
2,537,743	2,320,974	2,433,016	2,445,232	2,711,539
3,324,670	3,552,039	3,459,798	3,617,035	3,471,145
1,881,458	2,013,997	1,941,562	2,105,459	1,847,685
2,197,931	2,092,893	2,149,931	2,130,925	2,734,626
324,524	359,227	346,134	310,134	355,825
98,709	176,089	48,053	331,943	724,551
121,764	181,674	171,400	193,198	400,038
302,372	632,115	85,427	5,477	371,063
750,649	-	12,040	13,547	77,409
2,629,590	2,242,869	2,071,359	4,676,691	3,843,405
54,816	206,555	129,288	116,579	2,075,374
42,331	71,050	-	31,061	61,979
-	8,345	368,284	137,587	288,093
1,975,412	2,079,899	2,242,739	2,974,646	1,835,995
613,358	672,349	732,019	1,105,455	952,084
72,534	-	-	-	-
<u>16,927,861</u>	<u>16,610,075</u>	<u>16,191,050</u>	<u>20,194,969</u>	<u>21,750,811</u>
(416,332)	(1,340,760)	(727,085)	(2,261,073)	(5,040,114)
7,740,000	1,555,810	1,466,400	2,938,580	3,878,275
(14,773)	-	-	67,976	-
2,015,008	1,882,014	1,710,382	714,882	1,286,980
(1,742,003)	(1,940,955)	(1,812,518)	(1,281,961)	(1,122,580)
-	-	(1,885,000)	-	(1,815,000)
1,029	27,210	4,163	26,435	4,003
<u>7,999,261</u>	<u>1,524,079</u>	<u>(516,573)</u>	<u>2,465,912</u>	<u>2,231,678</u>
<u>\$ 7,582,929</u>	<u>\$ 183,319</u>	<u>\$ (1,243,658)</u>	<u>\$ 204,839</u>	<u>\$ (2,808,436)</u>
19.7%	20.0%	21.4%	23.5%	18.0%

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City of Northfield, Minnesota
Tax Capacity and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6

Fiscal Year Ended December 31,	Residential Property	Commercial Property	Other	Total Tax Capacity	Total Direct Tax Rate	Taxable Market Value	Tax Capacity Value as a Percentage of TMV
2017	\$ 10,533,222	\$ 3,580,397	\$ 210,583	\$ 14,324,202	\$ 55.670	\$ 1,322,187,500	1.08%
2016	9,673,963	3,485,445	200,569	13,359,977	57.550	1,230,567,100	1.09%
2015	9,364,921	3,461,187	192,895	13,019,003	56.750	1,202,202,700	1.08%
2014	8,648,275	3,294,362	186,430	12,129,067	59.785	1,134,820,400	1.07%
2013	9,705,601	4,919,269	287,213	14,912,083	61.901	1,393,512,713	1.07%
2012	9,227,358	4,127,738	214,631	13,569,727	50.947	1,139,637,251	1.19%
2011	10,436,580	3,698,901	210,615	14,346,096	43.890	1,157,743,200	1.24%
2010	12,182,880	4,512,181	225,544	16,920,605	40.369	1,373,149,700	1.23%
2009	12,113,353	4,387,040	193,079	16,693,472	38.405	1,437,011,100	1.16%
2008	11,899,873	4,266,574	190,680	16,357,127	36.648	1,409,744,400	1.16%

Source: Rice and Dakota County Auditor/Treasurer's Offices.

City of Northfield, Minnesota
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Northfield			Overlapping Rates County		
	Operating	Debt Service	Total City	Operating	Debt Service	Total County
2017	43.93	11.74	55.67	35.15	4.80	39.95
2016	45.97	11.67	57.64	35.80	5.08	40.88
2015	45.37	11.38	56.75	33.27	5.59	38.86
2014	47.80	11.99	59.79	32.78	5.62	38.40
2013	54.28	7.62	61.90	32.95	5.31	38.26
2012	45.18	6.07	51.25	29.44	4.93	34.37
2011	37.82	6.07	43.89	27.16	3.26	30.42
2010	34.96	5.41	40.37	24.91	3.52	28.43
2009	33.96	4.45	38.41	24.73	2.40	27.13
2008	32.64	4.01	36.65	24.26	2.17	26.43

Source: Rice County Auditor/Treasurer

*Overlapping rates are those of local and county governments that apply to property owners within the City. While a small portion of the City lies within Dakota County, only the Rice County tax rate is shown in this table as it is the predominant county.

Table 7

Overlapping Rates		Total Direct Rates	Total Overlapping Rates	Total Direct and Overlapping Rates
<u>School Districts</u>	<u>Other Districts</u>			
Total School	Special Districts			
30.94	3.42	55.67	74.31	129.98
32.90	3.66	57.64	77.44	135.08
34.06	3.65	56.75	76.57	133.32
36.41	4.07	59.79	78.88	138.67
38.44	4.21	61.90	80.91	142.81
33.58	4.10	51.25	72.05	123.31
31.03	3.67	43.89	65.12	109.01
28.38	3.57	40.37	60.37	100.74
29.58	2.78	38.41	59.49	97.90
31.33	2.83	36.65	60.59	97.24

City of Northfield, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 8

Taxpayer	2017			2008		
	Taxable Tax Capacity	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Malt-O-Meal	\$ 746,120	1	5.21 %	\$ 488,378	1	2.99 %
Xcel Energy	596,778	2	4.17	192,448	3	1.18
McLane Minnesota, Inc.	371,780	3	2.60	210,358	2	1.29
Dayton Hudson Corp	234,058	4	1.63	141,484	4	0.86
Chicago & NW Transportation	215,278	5	1.50			
Hidden Valley Apartments Ltd.	204,676	6	1.43	105,088	7	0.64
Community Resource Bank	199,872	7	1.40	111,134	5	0.68
Hayzin LLC	197,426	8	1.38	105,518	6	0.65
Cardinal CG Company	182,534	9	1.27	82,963	8	0.51
Strobel & Werner Real Estate	182,904	10	1.28			
Carleton College				81,477	9	0.50
Heritage Square LLC				74,290	10	0.45
Total	<u>\$3,131,426</u>		<u>21.86 %</u>	<u>\$1,593,138</u>		<u>9.74 %</u>

Source: City of Northfield Financial Records

City of Northfield, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

Fiscal Year Ended December 31,	Taxes Levied For The Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$7,797,481	\$7,727,970	99.10 %	\$ 62,986	\$7,790,956	99.90 %
2016	7,655,738	7,608,047	99.40	67,144	7,675,191	100.30
2015	7,411,661	7,356,097	99.30	50,949	7,407,046	99.90
2014	7,345,288	7,293,692	99.30	25,975	7,319,667	99.70
2013	7,345,288	7,263,683	98.90	64,201	7,327,884	99.80
2012	6,770,991	6,617,593	97.70	138,780	6,756,373	99.80
2011	6,099,661 a	5,951,540	97.60	140,220	6,091,760	99.90
2010	6,022,007 a	5,866,663	97.40	147,426	6,014,089	99.90
2009	6,179,781	6,051,405	97.90	124,302	6,175,707	99.90
2008	5,816,276	5,709,529	98.20	104,272	\$5,813,801	100.00

Sources: Rice County, Minnesota Auditor-Treasurer's Office and Dakota County, Minnesota Auditor-Treasurer's Office.
a - Levy amount shown is net of Market Value Credit Aid.

City of Northfield, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities							Total Governmental Activities
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds	General Obligation Revenue Bonds	Certificates of Participation	Capital Lease Payable	Notes Payable	
2017	\$ 861,313	\$ 7,534,079	\$ 527,500	\$ 1,516,979	\$ 5,295,000	\$ 1,361,046	\$ 1,256,212	\$ 18,352,129
2016	1,161,208	7,731,644	584,000	1,713,691	5,565,000	1,561,305	1,380,677	19,697,525
2015	829,477	7,782,977	665,000	1,912,113	5,835,000	1,752,398	1,487,176	20,264,141
2014	1,124,477	7,469,341	741,000	4,222,113	6,100,000	1,939,668	1,587,157	23,183,756
2013	1,319,477	7,344,192	957,000	2,295,000	6,280,000	2,110,367	1,695,694	22,001,730
2012	1,504,477	7,779,657	1,163,000	-	6,280,000	2,281,898	1,794,319	20,803,351
2011	1,165,000	7,932,900	1,419,000	-	-	5,058,215	1,907,203	17,482,318
2010	1,340,000	8,017,900	1,670,000	-	-	4,963,436	2,015,072	18,006,408
2009	1,505,000	9,910,000	1,925,000	-	-	5,252,834	2,076,860	20,669,694
2008	1,650,000	8,605,000	5,086,860	-	-	5,344,139	2,131,621	22,817,620

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* Information not available at the time of the audit

Table 10

Percentage of Tax Capacity	Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Sewer/Storm and Water Bonds	Capital Lease Payable	Total Business-Type Activities			
128%	\$ 7,628,978	\$ 154,405	\$ 7,783,383	\$ 26,135,512	*	1,281
147%	9,434,988	176,922	9,611,910	29,309,435	8.99 %	1,442
156%	10,619,687	198,592	10,818,279	31,082,420	8.32	1,531
191%	12,093,323	219,444	12,312,767	35,496,523	6.85	1,762
148%	14,083,250	236,387	14,319,637	36,321,367	6.18	1,783
153%	16,878,177	255,697	17,133,874	37,937,225	5.96	1,851
122%	17,315,100	274,261	17,589,361	35,071,679	5.99	1,715
106%	18,771,100	249,653	19,020,753	37,027,161	5.47	1,851
124%	20,178,000	268,295	20,446,295	41,115,989	4.87	2,078
139%	20,641,000	204,173	20,845,173	43,662,793	4.59	2,201

City of Northfield, Minnesota
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2017	\$ 849,582	116,197	\$ 733,385	0.06 %	\$ 36
2016	1,144,582	454,243	690,339	0.06	34
2015	829,477	475,708	353,769	0.03	17
2014	1,124,477	449,986	674,491	0.06	33
2013	1,319,477	333,779	985,698	0.07	48
2012	1,504,477	318,796	1,185,681	0.10	58
2011	1,165,000	303,514	861,486	0.07	42
2010	1,340,000	305,946	1,034,054	0.08	52
2009	1,505,000	318,308	1,186,692	0.08	60
2008	1,650,000	324,191	1,325,809	0.09	67

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Northfield, Minnesota
Computation of Direct and Overlapping Debt
December 31, 2017

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
School District			
ISD No. 659	\$ 33,000,000	52.16 %	\$17,213,922
Rice County	29,630,000	21.45	<u>6,355,487</u>
Subtotal - Overlapping Debt			\$ 23,569,409
City Direct Debt			<u>18,352,129</u>
Total Direct and Overlapping Debt			<u><u>\$ 41,921,538</u></u>

Sources : Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Northfield. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

City of Northfield, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Limit	\$ 39,665,625	\$ 36,917,013	\$ 36,066,081	\$ 34,044,612	\$ 41,805,381
Total Net Debt Applicable to Limit	<u>6,125,000</u>	<u>12,176,500</u>	<u>11,771,000</u>	<u>8,710,000</u>	<u>9,870,000</u>
Legal Debt Margin	<u><u>\$ 33,540,625</u></u>	<u><u>\$ 24,740,513</u></u>	<u><u>\$ 24,295,081</u></u>	<u><u>\$ 25,334,612</u></u>	<u><u>\$ 31,935,381</u></u>

Note: Minnesota Statute Section 475.53, subdivision 1 Limit on Net Debt except as otherwise provided in sections 475.51 to 475.74, no municipality except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 3 percent of the market value of taxable property therein. The percentage of market value increased from 2 percent to 3 percent in 2008.

Table 13

2012	2011	2010	2009	2008
\$ 34,189,118	\$ 36,534,430	\$ 40,938,930	\$ 41,985,952	\$ 40,598,200
10,195,000	1,165,000	1,340,000	1,505,000	1,650,000
<u>\$ 23,994,118</u>	<u>\$ 35,369,430</u>	<u>\$ 39,598,930</u>	<u>\$ 40,480,952</u>	<u>\$ 38,948,200</u>

Legal Debt Margin Calculation for Fiscal Year 2017

Total Estimated Market Value	<u>\$ 1,322,187,500</u>
Debt limit (3% of total assessed value)	<u>39,665,625</u>
Debt applicable to limit:	
General obligation bonds	<u>6,125,000</u>
Legal Debt Margin	<u>\$ 33,540,625</u>

City of Northfield, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

Year	Utility Revenue Bonds					
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2017	\$8,220,766	\$4,066,046	\$4,154,720	\$1,794,062	\$ 200,148	2.08
2016	8,132,625	3,787,027	4,345,598	2,408,636	212,826	1.66
2015	7,958,662	3,665,992	4,292,670	2,018,636	258,250	1.89
2014	7,721,254	3,872,724	3,848,530	2,003,023	302,909	1.67
2013	7,518,539	3,379,949	4,138,590	1,923,636	592,809	1.64
2012	7,451,758	3,081,683	4,370,075	1,638,540	1,068,520	1.61
2011	6,884,517	5,292,202	1,592,315	1,501,000	599,761	0.76
2010	6,488,589	5,610,510	878,079	2,161,900	640,850	0.31
2009	6,136,955	5,492,426	644,529	2,013,000	653,771	0.24
2008	6,308,947	5,602,089	706,858	2,693,000	746,416	0.21

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

Table 14

Improvement Bonds				Tax Increment Collections	Debt Service		
Special Assessment Collections	Debt Service		Coverage		Debt Service		Coverage
	Principal	Interest			Principal	Interest	
\$ 575,626	\$ 1,145,938	\$ 164,316	0.44	\$ 334,418	\$ 640,965	\$ 86,963	0.46
579,120	896,364	164,586	0.55	334,785	187,499	96,734	1.18
479,986	1,201,364	148,689	0.36	281,750	175,981	105,206	1.00
370,432	1,266,364	175,941	0.26	276,852	182,091	103,562	0.97
433,146	1,286,364	257,825	0.28	829,220	304,625	171,981	1.74
497,084	1,124,460	202,619	0.37	867,919	368,884	139,591	1.71
974,870	1,875,000	209,365	0.47	839,861	358,869	151,834	1.64
870,870	3,310,000	254,984	0.24	840,672	363,340	199,213	1.49
1,014,688	1,445,000	292,967	0.58	955,270	1,050,000	126,914	0.81
832,639	1,320,000	308,287	0.51	564,255	374,000	154,198	1.07

City of Northfield, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 15

Fiscal Year	Population	Households	Personal Income	Per Capita Personal Income	Unemployment Rate
2017	20,405	6,461	*	*	3.20 %
2016	20,320	6,361	\$2,635,830	\$ 40,167	3.50
2015	20,303	6,414	2,585,391	39,532	3.30
2014	20,146	6,341	2,431,411	37,320	4.70
2013	20,373	6,308	2,245,742	34,524	4.30
2012	20,501	6,298	2,261,892	34,877	6.10
2011	20,454	6,283	2,101,746	32,631	6.30
2010	20,007	5,858	2,024,596	31,509	7.50
2009	19,786	6,105	2,003,226	31,938	8.30
2008	19,839	6,073	2,003,736	32,017	7.40

*Information not available

Sources: Population and households from the Minnesota Demographer's Office; personal income and per capita income is for the Faribault-Northfield Metropolitan SA from the Bureau Economic Analysis. U.S. Department of Commerce; unemployment rate is from the Minnesota Department of Employment and Economic Development.

City of Northfield, Minnesota
Principal Employers
Current Year and Nine Years Ago

Table 16

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment (a)	Employees	Rank	Percentage of Total City Employment
St Olaf College	860	1	2.52%	798	2	2.41%
Malt-O-Meal	675	5	1.98%	952	1	2.88%
Carleton College	700	4	2.05%	762	3	2.30%
Northfield Hospital	839	2	2.46%	558	4	1.69%
ISD 659	730	3	2.14%	550	5	1.66%
McLane Minnesota Inc.	480	6	1.41%	475	6	1.44%
Multek Flexible Circuits	450	7	1.32%	426	7	1.29%
Taylor Truck Line, Inc.	360	8	1.06%	309	8	0.93%
Three Links Care Center	250	9	0.73%	299	9	0.90%
Right at HOME				250	10	0.76%
Lutheran Home - The Cannon Valley	250	10	0.73%			
Total	5,594		16.39%	5,379		16.26%

Source: Minnesota Department of Employment and Economic Development

Note a: Total employment is for Rice County.

City of Northfield, Minnesota
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees (c) as of December 31				
	2017	2016	2015	2014	2013
General Government					
Management services	3.0	3.0	3.0	3.0	3.5
Finance	4.0	4.0	4.0	4.0	4.0
Human resources (a)	2.6	2.6	3.0	3.0	2.5
Community development	0.7	1.1	1.1	1.5	1.5
Planning	1.4	1.6	1.3	1.3	1.3
Building inspections	4.2	2.6	2.5	2.5	2.5
Information technology	3.2	3.2	3.2	3.2	2.2
Police					
Officers	22.0	22.0	22.0	22.0	22.0
Civilians	6.0	5.0	5.0	5.0	5.0
Public Works					
Engineering	4.8	4.3	4.5	4.5	4.5
Streets and park maintenance	10.5	8.6	9.0	9.0	8.3
Economic Development	1.2	1.7	0.8	0.5	0.5
Housing	1.1	0.5	0.7	0.7	0.7
Buildings and Recreation Facilities	3.1	3.4	3.0	3.0	3.0
Library	11.8	11.5	12.2	12.0	11.5
Motor Vehicle	3.2	2.6	2.6	2.6	2.6
Community/Wellness Center	-	-	-	-	0.2
Water	6.8	4.9	4.5	5.0	4.0
Wastewater	6.9	7.5	7.5	5.0	6.0
Refuse	1	-	-	-	-
Storm Water	0.4	1.4	0.5	0.5	0.5
Transit	-	-	-	-	-
Liquor Operations	7.0	7.0	7.0	7.5	7.3
Total	<u>104.9</u>	<u>98.5</u>	<u>97.4</u>	<u>95.8</u>	<u>93.6</u>

Source: City Budget Office

(a) Human resources was combined with administration for 2005

(b) The fire chief and all firefighters are paid on-call employees. Full-time equivalents are not presented for this reason.

(c) Excludes seasonal employees

Table 17

Full-time Equivalent Employees (c) as of December 31				
2012	2011	2010	2009	2008
3.3	2.6	3.0	4.0	4.0
4.0	4.0	4.0	4.3	4.5
2.1	1.4	2.6	2.6	3.0
1.5	0.5	1.4	1.1	2.0
0.3	0.3	0.3	1.7	1.0
2.0	2.0	2.0	2.2	3.2
2.2	2.2	2.0	2.0	2.0
21.0	21.0	21.0	22.0	22.0
5.0	5.0	5.0	4.0	5.0
4.5	4.5	4.5	4.5	4.8
8.3	8.3	8.3	8.3	9.0
0.5	0.5	0.6	1.0	0.5
0.7	0.7	1.0	1.1	1.1
2.5	2.5	2.5	2.5	2.4
11.0	11.0	11.5	11.9	12.8
2.1	2.1	2.1	2.1	2.0
0.2	0.2	0.2	0.2	1.0
4.0	4.0	4.0	4.1	4.1
6.0	6.0	6.0	6.1	7.1
-	-	-	0.2	0.5
0.5	0.5	1.0	0.7	-
-	4.4	4.4	4.3	4.9
7.3	7.3	7.3	7.3	8.2
89.0	91.0	94.5	98.1	105.1

City of Northfield, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2017	2016	2015	2014	2013
Police					
Traffic violations	601	569	3,367	2,227	2,362
Part I Crimes	229	234	243	288	289
Part II Crimes	328	415	494	439	472
Building Inspection					
Permits issued	673	690	975	731	438
Total value	102,549,565	68,569,787	27,934,305	25,088,302	37,905,058
Single-family home permits issued	30	30	31	26	25
Single-family home value	7,627,499	5,988,500	7,673,730	6,447,000	6,508,390
Library					
Population served	26,930	26,851	26,563	26,563	26,758
Circulation	320,190	285,737	244,264	346,702	365,870
Hours open	3,204	2,976	2,763	3,022	2,990
Cardholders	17,869	17,153	16,480	17,970	20,578
Visits	177,980	143,093	116,066	205,271	207,246
Water					
Connections	5,869	5,823	5,767	5,709	5,696
Total water pumped (millions of gallons)	733.1	724.6	744.7	793.5	798.5
Average daily consumption (millions of gallons)	2.0	2.0	2.0	2.1	2.1
Peak daily consumption (millions of gallons)	3.3	3.3	4.9	4.1	4.0
Wastewater					
Treatment capacity (millions of gallons)	5.2	5.2	3.2	3.2	3.2
Average daily volume treated (millions of gallons)	2.4	2.2	2.0	2.3	2.3
Transit					
Total route miles	-	-	-	-	-
Passengers	-	-	-	-	-

Sources: Various city departments.

Note: Indicators are not available for the general government public works and recreation functions.

Note: The Transit program was eliminated during 2012.

Note: Traffic Violations in 2010 - 2015 included traffic warnings.

Table 18

Fiscal Year				
2012	2011	2010	2009	2008
3,395	3,209	2,072	3,864	1,121
412	326	416	428	419
576	663	724	754	831
295	283	282	686	574
20,018,472	16,657,366	59,439,518	18,278,494	51,437,368
15	15	11	12	13
3,155,350	3,348,710	2,603,150	2,388,002	3,079,805
26,606	26,674	26,674	31,745	31,747
372,926	370,832	382,185	403,578	395,266
2,904	2,624	2,986	3,112	3,242
19,991	19,954	19,953	20,663	19,974
206,492	226,668	205,396	205,468	214,292
5,582	5,545	5,611	6,079	5,397
815	778.4	752.6	729.7	824.3
2.2	2.1	2.1	2.1	2.3
4.2	3.6	3.4	4.6	4.1
3.2	3.2	3.2	3.2	3.2
2.2	2.4	2.1	1.8	2.0
30,668	67,753	72,785	75,541	78,829
12,901	27,948	35,072	35,849	41,286

City of Northfield, Minnesota
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2017	2016	2015	2014	2013
Police					
Stations	1	1	1	1	1
Fire Stations	1	1	1	1	1
Public Works					
Miles of street, local, county and state highways	104.08	104.08	93.00	93.00	93.00
Parks and recreation					
Number of parks	45	45	45	45	45
Acreage	441	441	425	425	425
Playgrounds	20	20	19	19	18
Baseball/softball diamonds	12	12	8	8	7
Soccer/football fields	10	10	10	10	8
Community centers	1	1	1	1	1
Indoor ice arena	1	1	1	1	1
Outdoor pool	1	1	1	1	1
Water					
Storage capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000
Wastewater					
Treatment capacity (millions of gallons)	3.5	3.5	3.5	3.5	3.5
Transit-buses	-	-	-	-	-

Sources Various City departments

Note: (a) No capital asset indicators are available for the general government of library function.

(b) Transit program was eliminated in 2012.

Table 19

Fiscal Year				
2012	2011	2010	2009	2008
1	1	1	1	1
1	1	1	1	1
93.00	93.00	93.00	93.00	93.00
44	44	44	44	44
425	425	425	425	425
18	18	18	18	18
7	7	7	7	7
8	8	8	8	8
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
3,000	3,000	3,000	3,000	3,000
3.5	3.2	3.2	3.2	3.2
-	5	5	5	5

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OTHER REQUIRED REPORTS

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Northfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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 the City of Northfield, Minnesota (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 12, 2018

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Northfield, Minnesota

We have audited, in accordance with the 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, 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 the City of Northfield, Minnesota (the City), as of and for the year ended December 31, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 12, 2018. We did not audit the financial statements of the Northfield Municipal Hospital discretely presented component unit. Those financial statements were audited by other auditors, whose report dated April 18, 2017, expressed an unmodified opinion on those statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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.

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 were not identified. However, as described in the accompanying Schedule of Findings, Responses and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant 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. A *material weakness* is a deficiency, or a combination of deficiencies, 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 consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-002 to be a significant deficiency.

Compliance and Other Matters

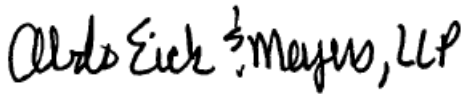
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 12, 2018

City of Northfield, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-001	Material Audit Adjustments
<i>Condition:</i>	During our audit, adjustments were needed to record a number of accounting and audit adjustments, including the following material entries: • To adjust accrued salaries and wages payable. • To adjust due from other governments. • To record additional interfund transfers. • To adjust special assessment revenue. • To record capital assets. • To adjust debt activity.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	Management has made improvements in recording year-end adjustments. Management will review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.

City of Northfield, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-002	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting software financial information to the amount reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.