

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: Standard & Poor's

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 8, 2016

CITY OF NORTHFIELD, MINNESOTA
(Rice and Dakota Counties)

**\$2,720,000* GENERAL OBLIGATION IMPROVEMENT AND UTILITY REVENUE BONDS,
SERIES 2016C**

PROPOSAL OPENING: August 16, 2016, 12:00 Noon, C.T. **CONSIDERATION:** August 16, 2016, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$2,720,000* General Obligation Improvement and Utility Revenue Bonds, Series 2016C (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 412, 429, 444, and 475 and Section 410.32, by the City of Northfield, Minnesota (the "City") for the purpose of financing various public improvements, certain equipment, and various utility system improvements within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: September 15, 2016

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2018	\$325,000	2022	\$355,000	2026	\$205,000
2019	335,000	2023	200,000	2027	205,000
2020	345,000	2024	200,000		
2021	350,000	2025	200,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2017 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing February 1, 2026 and thereafter are subject to call for prior redemption on February 1, 2025 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$2,687,360.

GOOD FAITH DEPOSIT: A cashier's check in the amount of \$54,400 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Official Statement: This Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Upon award of sale of the Bonds, the Official Statement together with any previous addendum of corrections or additions will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in the Rule. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Official Statement describes the conditions under which the Bonds are required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY COUNCIL

		<u>Term Expires</u>
Dana Graham	Mayor	January 2017
David DeLong	Council Member	January 2017
David Ludescher	Council Member	January 2017
Suzie Nakasian	Council Member	January 2019
Jessica Peterson White	Council Member	January 2019
Rhonda Pownell	Council Member	January 2019
Erica Zweifel	Council Member	January 2017

ADMINISTRATION

Ben Martig, City Administrator
Deb Little, City Clerk
Melanie Lammers, Finance Director

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Pewaukee, Wisconsin, Chicago, Illinois and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Northfield, Minnesota (the "City") and the issuance of its \$2,720,000* General Obligation Improvement and Utility Revenue Bonds, Series 2016C (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds (the "Award Resolution") to be adopted by the City Council on August 16, 2016.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Municipal Advisor. A copy of this Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the link to the Bond Sales and following the directions at the top of the site.

* Preliminary, subject to change.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of September 15, 2016. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2017, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2026 shall be subject to optional redemption prior to maturity on February 1, 2025 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued by the City, pursuant to Minnesota Statutes, Chapters 412, 429, 444, and 475 and Section 410.32, for the purposes of financing various public improvements, certain equipment, and various utility system improvements within the City. All equipment has an expected useful life at least as long as the term of the Bonds. The par amount of the Bonds does not exceed 0.25% of the estimated market value of the City. The estimated market value of the City for taxes collectible in 2016 is \$1,230,567,100. Therefore, the maximum par amount of the Equipment Certificate portion of the Bonds cannot exceed \$3,076,417.75.

ESTIMATED SOURCES AND USES

Sources	Improvement Portion	Wastewater Portion	Storm Water Portion	Equipment Portion	Total Bond Issue
Par Amount of Bonds	\$830,000	\$1,120,000	\$110,000	\$660,000	\$2,720,000
Prepaid Assessments	<u>67,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,844</u>
Total Sources	\$897,844	\$1,120,000	\$110,000	\$660,000	\$2,787,844
Uses					
Deposit to Project Construction Fund	\$870,196	\$1,084,847	\$107,936	\$636,041	\$2,699,020
Costs of Issuance	15,868	21,412	2,103	12,618	52,000
Estimated Underwriter's Discount	9,960	13,440	1,320	7,920	32,640
Contingency	<u>1,820</u>	<u>301</u>	<u>(1,359)</u>	<u>3,421</u>	<u>4,184</u>
Total Uses	\$897,844	\$1,120,000	\$110,000	\$660,000	\$2,787,844

Breakdown of Principal Payments:

Payment Date	Improvement Portion	Wastewater Portion	Storm Water Portion	Equipment Portion	Total Bond Issue
2/01/2018	\$80,000	\$100,000	\$20,000	\$125,000	\$325,000
2/01/2019	80,000	105,000	20,000	130,000	335,000
2/01/2020	80,000	110,000	20,000	135,000	345,000
2/01/2021	80,000	110,000	25,000	135,000	350,000
2/01/2022	85,000	110,000	25,000	135,000	355,000
2/01/2023	85,000	115,000	-	-	200,000
2/01/2024	85,000	115,000	-	-	200,000
2/01/2025	85,000	115,000	-	-	200,000
2/01/2026	85,000	120,000	-	-	205,000
2/01/2027	<u>85,000</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>205,000</u>
Total	\$830,000	\$1,120,000	\$110,000	\$660,000	\$2,720,000

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds, from net revenues of the sewer, water and storm sewer systems which are owned and operated by the City and from ad valorem property taxes. Receipt of special assessments and revenues and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA" by Standard & Poor's.

The City has requested a rating on this issue from Standard & Poor's, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from Standard & Poor's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure

Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to a Resolution adopted by the City Council by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City did not meet its disclosure obligation by not filing the following in the last five years as required by the Rule. Except to the extent that the following are deemed to be material, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

Disclosure Deficiency Description	Due Date/Date of Event	Date Filed
Hospital Revenue Rating Change	March 4, 2014	April 22, 2015

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and is excluded, to the same extent, from taxable net income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a portion of the adjusted current earnings of a corporation not otherwise included in the minimum tax base is included in adjusted current earnings for purposes of calculating the alternative minimum tax that may be imposed with respect to corporations. Adjusted current earnings include income received that is otherwise exempt from taxation such as interest on the Bonds.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all Federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the Federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed by President Obama that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by a financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance under prior law.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin and Illinois to transact the business of a limited purpose Trust Company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2015 have been audited by Abdo Eick & Meyers, LLP, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to the Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments, storm sewer revenues, or sewer revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by State government. Future actions of the State may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse affect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2013/14	2014/15	2015/16
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,500,000 - 0.50% ² Over \$1,500,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% ² Over \$2,140,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2015/16 Economic Market Value \$1,364,696,844¹

2015/16 Assessor's Estimated Market Value

	Rice County	Dakota County	Total
Real Estate	\$1,109,460,400	\$111,035,900	\$1,220,496,300
Personal Property	<u>9,952,900</u>	<u>117,900</u>	<u>10,070,800</u>
Total Valuation	<u><u>\$1,119,413,300</u></u>	<u><u>\$111,153,800</u></u>	<u><u>\$1,230,567,100</u></u>

2015/16 Net Tax Capacity

	Rice County	Dakota County	Total
Real Estate	\$12,041,143	\$ 1,118,265	\$13,159,408
Personal Property	<u>198,211</u>	<u>2,358</u>	<u>200,569</u>
Net Tax Capacity	\$12,239,354	\$ 1,120,623	\$13,359,977
Less: Captured Tax Increment Tax Capacity ²	(312,247)	0	(312,247)
Job Zone ³	<u>(169,424)</u>	<u>0</u>	<u>(169,424)</u>
Taxable Net Tax Capacity	<u><u>\$11,757,683</u></u>	<u><u>\$ 1,120,623</u></u>	<u><u>\$12,878,306</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Northfield is about 89.97% of the actual selling prices of property most recently sold in the portion of the City in Rice County, and about 94.34% of the actual selling prices of property most recently sold in the portion of the City in Dakota County. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$1,364,696,844.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

³ Property located in state-designated Job Zones are exempt from most forms of property taxes. However, they do participate in payment of general obligation bonds.

2015/16 NET TAX CAPACITY BY CLASSIFICATION

	2015/16 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 7,606,955	56.94%
Agricultural	51,558	0.39%
Commercial/industrial	3,319,091	24.84%
Public utility	56,520	0.42%
Railroad operating property	102,726	0.77%
Non-homestead residential	2,015,450	15.09%
Commercial & residential seasonal/rec.	7,108	0.05%
Personal property	200,569	1.50%
Total	<u><u>\$13,359,977</u></u>	<u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2011/12	\$1,235,917,600	\$1,146,669,951 ³	\$13,762,934 ³	\$12,638,306	- 3.67%
2012/13	1,122,949,800	1,034,487,519	12,310,260	11,470,782	- 9.14%
2013/14	1,134,820,400	1,044,117,469	12,129,067	11,695,063	+ 1.06%
2014/15	1,202,202,700	1,116,888,966	13,019,003	12,620,647	+ 5.94%
2015/16	1,230,567,100	1,149,964,743	13,359,977	12,878,306	+ 2.36%

¹ Net Tax Capacity includes tax increment and job zone values.

² Taxable Net Tax Capacity does not include tax increment or job zone values.

³ Beginning with taxes 2011/12, a portion of the Estimated Market Value is excluded from the calculation of Taxable Market Value and Net Tax Capacity for residential homesteads valued at \$413,800 or less.

LARGER TAXPAYERS

Taxpayer	Type of Property	2015/16 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Malt-O-Meal Brands Company	Commercial	\$ 746,476	5.59%
Northern States Power Co.	Utility	539,416	4.04%
McLane Minnesota Inc.	Industrial	373,336	2.79%
Dayton Hudson Corp	Commercial	228,682	1.71%
Community Resource Bank	Commercial	203,946	1.53%
Hayzin LLC	Commercial	201,390	1.51%
Cardinal CG Company	Commercial/Industrial	182,616	1.37%
Allina Health System	Healthcare	177,384	1.33%
Carleton College	College	155,876	1.17%
Hidden Valley Apartments	Apartments	154,626	1.16%
Total		\$ 2,963,748	22.18%

City's Total 2015/16 Net Tax Capacity \$13,359,977

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Rice and Dakota Counties.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues	\$ 5,690,000
Total g.o. debt being paid from tax increment revenues	590,000
Total g.o. debt being paid from taxes	195,000
Total g.o. debt being paid from revenues and taxes	960,000
Total g.o. debt being paid from special assessments and taxes	2,075,000
Total g.o. debt being paid from revenues, special assessments, and taxes (includes the Bonds)*	8,190,000
Total g.o. debt being paid from special assessments, tax abatement revenues and taxes	<u>2,750,000</u>
Total General Obligation Debt*	<u><u>\$ 20,450,000</u></u>

*Preliminary, subject to change.

Revenue Debt (see schedule following)

Total revenue debt paid by hospital revenues	<u><u>\$ 24,878,862</u></u>
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Lease Purchase Obligations (see schedule following)²

Total lease purchase obligations paid by annual appropriations ³	<u><u>\$ 5,565,000</u></u>
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¹ Outstanding debt is as of the dated date of the Bonds.

² Computers and copiers have not been included, however, information related to these leases can be reviewed in the audit.

³ Non-general obligation debt has not been included in the debt ratios.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues
(As of 9/15/16)

Refunding 1)
Series 2013B

Dated Amount	8/08/13 \$8,920,000	Maturity	8/20										
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending	2017	2018	2019	2020	2021
2017	1,095,000	108,973	1,095,000	108,973	1,203,973	4,595,000	19.24%	2017					
2018	1,110,000	88,438	1,110,000	88,438	1,198,438	3,485,000	38.75%	2018					
2019	1,135,000	62,900	1,135,000	62,900	1,197,900	2,350,000	58.70%	2019					
2020	1,160,000	33,320	1,160,000	33,320	1,193,320	1,190,000	79.09%	2020					
2021	1,190,000	0	1,190,000	0	1,190,000	0	100.00%	2021					
	5,690,000	293,630	5,690,000	293,630	5,983,630								

1) This issue refunded the 2014 through 2021 principal installments of the City's \$18,390,072 Minnesota Public Facilities Authority Clean Water Revolving Fund Loan of 2000, dated April 25, 2000.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Tax Increment Revenues
(As of 9/15/16)

Fiscal Year Ending	Tax Increment Series 2002		Taxable Tax Increment Ref 1) Series 2007D		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest						
2016	8/01/02 \$140,000	11/07/07 \$960,000	6,000	4,114	6,000	4,114	10,114	584,000	1.02%	2016
2017	12/15	2/01	6,500	3,820	81,500	30,876	112,376	502,500	14.83%	2017
2018			6,500	3,495	81,500	26,351	107,851	421,000	28.64%	2018
2019			6,500	3,170	86,500	21,570	108,070	334,500	43.31%	2019
2020			7,000	2,842	97,000	16,354	113,354	237,500	59.75%	2020
2021			7,000	2,485	102,000	10,678	112,678	135,500	77.03%	2021
2022			7,000	2,124	102,000	4,855	106,855	33,500	94.32%	2022
2023			7,000	1,764	7,000	1,764	8,764	26,500	95.51%	2023
2024			7,000	1,400	7,000	1,400	8,400	19,500	96.69%	2024
2025			7,000	1,036	7,000	1,036	8,036	12,500	97.88%	2025
2026			7,000	668	7,000	668	7,668	5,500	99.07%	2026
2027			5,500	297	5,500	297	5,797	0	100.00%	2027
			80,000	27,212	590,000	119,962	709,962			

1) This issue refunded the 2010 through 2022 maturities of the City's \$1,050,000 Taxable General Obligation Tax Increment Bonds, Series 1999C, dated August 1,

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues and Taxes
(As of 9/15/16)

G.O. Bonds 1)
Series 2012C

Fiscal Year Ending	Dated Amount	Maturity	Total		Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest					
	12/27/12	2/01							
	\$1,640,000								
2017			265,000	16,550	281,550	695,000	27.60%	2017	
2018			280,000	11,100	291,100	415,000	56.77%	2018	
2019			285,000	5,450	290,450	130,000	86.46%	2019	
2020			40,000	2,200	42,200	90,000	90.63%	2020	
2021			45,000	1,350	46,350	45,000	95.31%	2021	
2022			45,000	450	45,450	0	100.00%	2022	
			960,000	37,100	997,100				

1) A portion of this issue refunded the 2014 through 2022 maturities of the City's \$2,245,000 General Obligation Revenue Bonds, Series 2004B, dated April 28, 2004.

A portion of this issue is subject to the legal debt limit (Equipment Certificate Portion currently outstanding in the principal amount of \$300,000).

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues, Special Assessments and Taxes
(As of 9/15/16)

Fiscal Year Ending	Improvement & Utility Series 2007A		G.O. Bonds 1) Series 2009A		G.O. Bonds Series 2010A		G.O. Bonds 2) Series 2015A		(This Issue) G.O. Bonds Series 2016C		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending								
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest					Total Principal	Total Interest						
2017	10/24/07 \$3,295,000	2/01	415,000	25,500	12/28/09 \$4,300,000	2/01	210,000	17,188	11/3/15 \$2,535,000	2/01	400,000	43,300	9/15/16 \$2,720,000*	2/01	0	33,729	1,260,000	155,511	1,415,511	6,930,000	15.38%	2017
2018			430,000	8,600			215,000	10,575			410,000	35,200			325,000	36,800	1,625,000	122,610	1,747,610	5,305,000	35.23%	2018
2019							220,000	5,175			415,000	26,950			335,000	33,249	1,085,000	91,694	1,176,694	4,220,000	48.47%	2019
2020							225,000	1,725			330,000	19,500			345,000	29,253	1,010,000	70,858	1,080,858	3,210,000	60.81%	2020
2021							55,000				160,000	14,600			350,000	24,908	735,000	53,323	788,323	2,475,000	69.78%	2021
2022							55,000	9,450			160,000	11,400			355,000	20,059	570,000	40,909	610,909	1,905,000	76.74%	2022
2023							60,000	7,470			160,000	8,200			200,000	15,935	415,000	31,605	446,605	1,490,000	81.81%	2023
2024							60,000	5,400			165,000	4,950			200,000	12,735	425,000	23,085	448,085	1,065,000	87.00%	2024
2025							60,000	3,240			165,000	1,650			200,000	9,335	425,000	14,225	439,225	640,000	92.19%	2025
2026							60,000	1,080			170,000	1,828			205,000	5,740	435,000	8,648	443,648	205,000	97.50%	2026
2027							845,000	34,100			1,380,000	154,385			2,720,000	223,689	8,190,000	614,414	8,804,414	0	100.00%	2027

1) A portion of this issue refunded the 2011 through 2018 maturities of the City's \$1,510,000 General Obligation Storm Water Revenue Bonds, Series 2002B, dated August 1, 2002, as well as the 2011 through 2014 maturities of the City's \$3,435,000 General Obligation Improvement Bonds, Series 2004A, dated April 28, 2004.

2) This issue refunded the 2017 through 2020 maturities of the City's \$2,185,000 General Obligation Utility Revenue Refunding Bonds, Series 2007C, dated November 7, 2007, and the 2016 through 2020 maturities of the City's \$1,530,000 General Obligation Bonds, Series 2008B, dated December 18, 2008.

* Preliminary, subject to change.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments, Tax Abatement Revenues & Taxes
(As of 9/15/16)

G.O. Bonds 1)
Series 2014A

Dated Amount	9/3/14 \$3,210,000	Maturity	2/01			Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal		
2017	310,000	60,925	310,000	60,925	310,000	60,925	310,000	60,925	2,440,000	11.27%	2017
2018	315,000	54,675	315,000	54,675	315,000	54,675	315,000	369,675	2,125,000	22.73%	2018
2019	315,000	47,981	315,000	47,981	315,000	47,981	315,000	362,981	1,810,000	34.18%	2019
2020	325,000	40,781	325,000	40,781	325,000	40,781	325,000	365,781	1,485,000	46.00%	2020
2021	325,000	33,063	325,000	33,063	325,000	33,063	325,000	358,063	1,160,000	57.82%	2021
2022	335,000	24,813	335,000	24,813	335,000	24,813	335,000	359,813	825,000	70.00%	2022
2023	345,000	16,313	345,000	16,313	345,000	16,313	345,000	361,313	480,000	82.55%	2023
2024	355,000	7,563	355,000	7,563	355,000	7,563	355,000	362,563	125,000	95.45%	2024
2025	125,000	1,563	125,000	1,563	125,000	1,563	125,000	126,563	0	100.00%	2025
	2,750,000	287,675	2,750,000	287,675	2,750,000	287,675	2,750,000	3,037,675			

1) This issue refunded the 2015 through 2025 maturities of the Economic Development Authority's \$3,210,000 Public Project Revenue Bonds, Series 2006A, dated 7/18/06. The Escrow Account is responsible for paying the principal and interest on the non-refunded maturities through 2/1/16 (the "Call Date"), and the principal being refunded on the Call Date. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Hospital Revenues
(As of 9/15/16)

**Hospital Refunding 1)
Series 2016A**

**Hospital
Series 2016B**

Dated Amount	8/05/16		8/05/16		Fiscal Year Ending	Fiscal Year Ending				
	\$22,375,000	\$2,625,000	Monthly	Monthly						
Maturity	Final Maturity 8/01		Final Maturity 8/01		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	
	Principal	Interest	Principal	Interest						
2016	307,504	141,851	36,083	16,642	343,587	158,493	502,080	24,535,275	1.38%	2016
2017	1,249,865	547,555	146,662	64,238	1,396,527	611,793	2,008,320	23,138,748	6.99%	2017
2018	1,282,240	515,180	150,461	60,439	1,432,701	575,619	2,008,320	21,706,047	12.75%	2018
2019	1,315,453	481,967	154,359	56,541	1,469,811	538,509	2,008,320	20,236,236	18.66%	2019
2020	1,349,526	447,894	158,357	52,543	1,507,883	500,437	2,008,320	18,728,352	24.72%	2020
2021	1,384,482	412,938	162,459	48,441	1,546,941	461,379	2,008,320	17,181,411	30.94%	2021
2022	1,420,344	377,076	166,667	44,233	1,587,011	421,309	2,008,320	15,594,400	37.32%	2022
2023	1,457,135	340,285	170,984	39,916	1,628,118	380,202	2,008,320	13,966,282	43.86%	2023
2024	1,494,878	302,542	175,413	34,487	1,670,291	337,029	2,007,320	12,295,991	50.58%	2024
2025	1,533,599	263,821	179,956	30,944	1,713,556	294,764	2,008,320	10,582,436	57.46%	2025
2026	1,573,323	224,097	184,618	26,282	1,757,941	250,379	2,008,320	8,824,495	64.53%	2026
2027	1,614,076	183,344	189,400	21,500	1,803,476	204,844	2,008,320	7,021,019	71.78%	2027
2028	1,655,885	141,535	194,306	16,594	1,850,191	158,129	2,008,320	5,170,828	79.22%	2028
2029	1,698,776	98,644	199,339	11,561	1,898,115	110,205	2,008,320	3,272,713	86.85%	2029
2030	1,742,779	54,641	204,502	6,398	1,947,281	61,039	2,008,320	1,325,432	94.67%	2030
2031	1,186,718	11,420	138,714	1,331	1,325,432	12,751	1,338,183	0	100.00%	2031
	22,266,584	4,544,789	2,612,278	532,091	24,878,862	5,076,880	29,955,742			

1) This issue is refunding the 2016 through 2031 maturities of the City's \$31,930,000 Hospital Revenue Bonds, Series 2006, dated August 2, 2006. The refunded maturities will be called for prior redemption on November 1, 2016.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Annual Appropriations
(As of 9/15/16)

Cert. of Participation
Series 2012B

Fiscal Year Ending	Dated Amount	Maturity	Principal	Interest	Total		Principal Outstanding	% Paid	Fiscal Year Ending
					Principal	Interest			
	9/18/12								
	\$6,280,000	4/01							
2016	0		0	74,335	74,335	74,335	5,565,000	0.00%	2016
2017	270,000		270,000	146,915	416,915	416,915	5,295,000	4.85%	2017
2018	275,000		275,000	142,960	417,960	417,960	5,020,000	9.79%	2018
2019	280,000		280,000	137,960	417,960	417,960	4,740,000	14.82%	2019
2020	285,000		285,000	132,168	417,168	417,168	4,455,000	19.95%	2020
2021	290,000		290,000	125,840	415,840	415,840	4,165,000	25.16%	2021
2022	300,000		300,000	118,905	418,905	418,905	3,865,000	30.55%	2022
2023	305,000		305,000	111,493	416,493	416,493	3,560,000	36.03%	2023
2024	310,000		310,000	103,650	413,650	413,650	3,250,000	41.60%	2024
2025	320,000		320,000	95,380	415,380	415,380	2,930,000	47.35%	2025
2026	330,000		330,000	86,603	416,603	416,603	2,600,000	53.28%	2026
2027	340,000		340,000	77,220	417,220	417,220	2,260,000	59.39%	2027
2028	350,000		350,000	67,213	417,213	417,213	1,910,000	65.68%	2028
2029	360,000		360,000	56,650	416,650	416,650	1,550,000	72.15%	2029
2030	370,000		370,000	44,775	414,775	414,775	1,180,000	78.80%	2030
2031	380,000		380,000	31,650	411,650	411,650	800,000	85.62%	2031
2032	395,000		395,000	18,828	413,828	413,828	405,000	92.72%	2032
2033	405,000		405,000	6,328	411,328	411,328	0	100.00%	2033
			5,565,000	1,578,871	7,143,871	7,143,871			

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

Assessor's Estimated Market Value	\$ 1,230,567,100
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 36,917,013
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹ (includes Equipment Portion of the Bonds)*	(1,155,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(5,565,000)</u>
Unused Debt Limit*	<u><u>\$ 30,197,013</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT²

Taxing District	2015/16 Taxable Net Tax Capacity	% In City	Total G.O. Debt	City's Proportionate Share
Rice County	\$55,434,230	21.5158%	\$21,480,000	\$ 4,621,590
Dakota County	404,931,089	0.2767%	21,455,000	59,375
I.S.D. No. 659 (Northfield)	24,928,079	47.8461%	35,940,000	<u>17,195,879</u>
City's Share of Total Overlapping Debt				<u><u>\$21,876,844</u></u>

¹ Includes the portion of the \$1,640,000 General Obligation Bonds, Series 2012C which is payable entirely from taxes (\$300,000 principal currently outstanding) and the Equipment Portion of the Bonds of this offering which is payable entirely from taxes (estimated principal of \$660,000).

² Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$1,364,696,844)	Debt/ Current Population Estimate (20,313)
Direct G.O. Debt Being Paid From:			
Revenues	\$ 5,690,000		
Tax Increment Revenues	590,000		
Taxes	195,000		
Revenues & Taxes	960,000		
Special Assessments & Taxes	2,075,000		
Revenues, Special Assessments & Taxes*	8,190,000		
Special Assessments, Tax Abatement Revenues & Taxes	2,750,000		
Total General Obligation Debt	<u>\$20,450,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(8,273,500)</u>		
Tax Supported General Obligation Debt*	\$12,176,500	0.89%	\$599.44
City's Share of Total Overlapping Debt	<u>21,876,844</u>	<u>1.60%</u>	<u>\$1,076.99</u>
Total*	\$34,053,344	2.50%	\$1,676.43

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. Includes portions of the following issues, which are payable entirely from revenues: \$3,295,000 General Obligation Improvement and Utility Revenue Bonds, Series 2007A (\$345,000 principal currently outstanding); \$1,530,000 General Obligation Bonds, Series 20008B (\$50,000 principal currently outstanding); \$4,300,000 General Obligation Bonds, Series 2009A (\$245,000 principal currently outstanding); \$2,305,000 General Obligation Bonds, Series 2010A (\$535,000 principal currently outstanding); \$1,640,000 General Obligation Bonds, Series 2012C (\$660,000 principal currently outstanding); and the revenue portions of the Bonds of this offering (estimated principal of \$1,230,000).

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2011/12	\$6,758,335	\$6,616,946	\$6,757,369	99.99%
2012/13	7,338,512	7,268,770	7,336,171	99.97%
2013/14	7,333,784	7,289,208	7,327,343	99.91%
2014/15	7,379,154	7,341,402	7,369,609	99.87%
2015/16	7,645,973	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through April 30, 2016 for Dakota County and June 30, 2016 for Rice County.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2011/12	2012/13	2013/14	2014/15	2015/16
Rice County	36.088%	40.021%	40.179%	40.545%	42.535%
Dakota County	28.629%	30.461%	31.827%	26.875%	25.941%
City of Northfield	50.950%	61.900%	59.790%	56.750%	57.550%
I.S.D. No. 659 (Northfield)	34.098%	38.424%	36.401%	34.055%	32.389%
CDA	1.724%	1.664%	1.650%	1.559%	1.547%
Light Rail	0.401%	0.423%	0.403%	0.371%	0.35700%
Northfield EDA	1.728%	1.801%	1.716%	1.697%	1.70200%
Northfield HRA	1.844%	1.838%	1.751%	1.732%	1.76300%

Referendum Market Value Rates:

I.S.D. No. 659 (Northfield)	0.35406%	0.36476%	0.37078%	0.36518%	0.36073%
City of Northfield	0.01928%	0.02113%	0.02100%	0.01983%	0.01746%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Rice and Dakota Counties.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers & Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City of Northfield was organized as a municipality in 1875. The City operates under a home rule charter form of government consisting of a seven-member City Council of which the Mayor is a voting member. The City Clerk is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 87 full-time, 41 part-time, and 50 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
LELS - Patrol	December 31, 2016
LELS - Sergeants	December 31, 2016
IUOE Local 70 - General	December 31, 2016
IUOE Local 70 - Utility	December 31, 2016

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City has completed an actuarial study of its obligations. As of December 31, 2014, the City's actuarial accrued liability for benefits was \$1,152,223, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$6,001,282, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.2 percent. The City is currently funding these obligations on a pay-as-you-go basis, and will continue to do so in the future.

LITIGATION

Disputed matters arise from time to time; however, to the City's knowledge there is currently no proceeding which, if adjudicated against the City, would be expected to materially adversely affect the City's finances.

FUNDS ON HAND (As of July 31, 2016)

Fund	Total Cash and Investments
General	\$ 6,327,583
Special Revenue	4,143,989
Debt Service	2,659,710
Capital Projects	1,804,161
Enterprise Funds	10,714,908
Internal Service	1,510,475
Fiduciary	354,292
Total Funds on Hand	<u><u>\$27,515,118</u></u>

ENTERPRISE FUNDS

Cash flows for the City's enterprise funds have been as follows as of December 31 each year:

	2013	2014	2015
Water			
Total Operating Revenues	\$ 2,237,112	\$ 2,158,076	\$ 2,097,055
Less: Operating Expenses	<u>(1,201,689)</u>	<u>(1,324,369)</u>	<u>(1,457,073)</u>
Operating Income	\$ 1,035,423	\$ 833,707	\$ 639,982
Plus: Depreciation	<u>319,656</u>	<u>332,901</u>	<u>347,017</u>
Revenues Available for Debt Service	<u><u>\$ 1,355,079</u></u>	<u><u>\$ 1,166,608</u></u>	<u><u>\$ 986,999</u></u>
Wastewater			
Total Operating Revenues	\$ 3,778,543	\$ 3,840,957	\$ 4,260,147
Less: Operating Expenses	<u>(2,859,363)</u>	<u>(2,971,887)</u>	<u>(2,887,740)</u>
Operating Income	\$ 919,180	\$ 869,070	\$ 1,372,407
Plus: Depreciation	<u>1,113,750</u>	<u>1,131,646</u>	<u>1,136,606</u>
Revenues Available for Debt Service	<u><u>\$ 2,032,930</u></u>	<u><u>\$ 2,000,716</u></u>	<u><u>\$ 2,509,013</u></u>
Garbage			
Total Operating Revenues	\$ 889,533	\$ 897,870	\$ 908,842
Less: Operating Expenses	<u>(669,859)</u>	<u>(672,426)</u>	<u>(694,090)</u>
Operating Income	\$ 219,674	\$ 225,444	\$ 214,752
Plus: Depreciation	<u>2</u>	<u>-</u>	<u>-</u>
Revenues Available for Debt Service	<u><u>\$ 219,676</u></u>	<u><u>\$ 225,444</u></u>	<u><u>\$ 214,752</u></u>
Storm Water			
Total Operating Revenues	\$ 675,838	\$ 704,540	\$ 764,429
Less: Operating Expenses	<u>(393,123)</u>	<u>(652,446)</u>	<u>(410,367)</u>
Operating Income	\$ 282,715	\$ 52,094	\$ 354,062
Plus: Depreciation	<u>202,627</u>	<u>211,434</u>	<u>220,075</u>
Revenues Available for Debt Service	<u><u>\$ 485,342</u></u>	<u><u>\$ 263,528</u></u>	<u><u>\$ 574,137</u></u>
Municipal Liquor Store			
Total Operating Revenues	\$ 787,780	\$ 829,900	\$ 739,750
Less: Operating Expenses	<u>(564,293)</u>	<u>(601,926)</u>	<u>(616,433)</u>
Operating Income	\$ 223,487	\$ 227,974	\$ 123,317
Plus: Depreciation	<u>2,486</u>	<u>1,923</u>	<u>1,923</u>
Revenues Available for Debt Service	<u><u>\$ 225,973</u></u>	<u><u>\$ 229,897</u></u>	<u><u>\$ 125,240</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2015 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2012 Audited	2013 Audited	2014 Audited	2015 Audited	2016 Adopted Budget ¹
Revenues					
Taxes	\$ 5,101,238	\$ 5,315,103	\$ 5,259,744	\$ 5,235,618	\$ 5,385,450
Special assessments	0	28	0	0	0
Licenses and permits	420,768	464,599	396,898	428,765	391,630
Intergovernmental	3,081,301	3,066,511	3,517,984	3,608,311	3,599,311
Charges for services	1,514,709	1,475,615	1,453,007	1,518,359	1,552,066
Fines and forfeits	117,177	119,442	114,273	113,521	147,000
Investment earnings	90,893	(91,408)	143,748	30,372	107,525
Miscellaneous	188,899	167,592	313,698	315,096	426,394
Total Revenues	\$10,514,985	\$10,517,482	\$11,199,352	\$11,250,042	\$ 11,609,376
Expenditures					
Current:					
General government	\$ 2,294,042	\$ 2,165,610	\$ 1,860,762	\$ 2,053,218	\$ 2,170,289
Public safety	3,299,874	3,335,072	3,459,404	3,849,981	4,287,952
Public works	1,881,458	2,329,237	2,338,145	2,231,624	2,435,663
Culture and recreation	1,735,283	1,804,710	1,797,972	1,959,915	2,134,102
Miscellaneous	121,764	119,087	221,322	150,623	375,654
Capital outlay:					
General government	9,763	6,350	3,847	15,618	0
Public safety	0	0	0	13,288	0
Public works	0	0	0	3,570	0
Culture and recreation	18,006	0	52,618	43,626	0
Debt service:					
Principal	130,983	135,955	135,388	147,136	141,706
Interest and other	74,476	66,704	70,196	58,325	64,010
Total Expenditures	\$ 9,565,649	\$ 9,962,725	\$ 9,939,654	\$10,526,924	\$ 11,609,376
Excess of revenues over (under) expenditures	\$ 949,336	\$ 554,757	\$ 1,259,698	\$ 723,118	\$ 0
Other Financing Sources (Uses)					
Sale of capital assets	\$ 1,029	\$ 5,682	\$ 7,747	\$ 0	
Transfers in	291,508	280,719	334,035	223,223	
Transfers out	(750,000)	(503,617)	(1,751,442)	(936,236)	
Total Other Financing Sources (Uses)	\$ (457,463)	\$ (217,216)	(1,409,660)	\$ (713,013)	
Net Changes in Fund Balances	\$ 491,873	\$ 337,541	\$ (149,962)	\$ 10,105	
General Fund Balance January 1	6,211,039	6,702,912	7,040,453	6,890,491	
General Fund Balance December 31	\$ 6,702,912	\$ 7,040,453	\$ 6,890,491	\$ 6,900,596	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$ 77,534	\$ 98,503	\$ 93,337	\$ 99,115	
Restricted	4,651	5,054	6,604	6,491	
Committed	0	0	0	0	
Assigned	252,397	0	0	0	
Unassigned	6,368,330	6,936,896	6,790,550	6,794,990	
Total	\$ 6,702,912	\$ 7,040,453	\$ 6,890,491	\$ 6,900,596	

¹ The 2016 budget was adopted on December 1, 2015.

GENERAL INFORMATION

LOCATION

The City of Northfield, with a 2010 U.S. Census population of 20,007, and a current population estimate of 20,313, and comprising an area of 7.6 square miles, is located approximately 40 miles south of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS

Larger employers in the City of Northfield include the following:

Firm	Type of Business/Product	Estimated No. of Employees
St. Olaf College	Private liberal arts college	860
Northfield Hospital	Hospital and nursing home	780
Carleton College	Private liberal arts college	700
Post Consumer Products	Breakfast cereal	675 ¹
I.S.D. No. 659 (Northfield)	Elementary and secondary education	625 ²
McLane Minnesota, Inc.	Food service distribution	480
Multek Flexible Circuits, Inc.	Manufacturer of printed and etched circuits	450
Taylor Truck Line, Inc.	Trucking/motor freight	360
Three Links Care Center	Nursing and convalescent home	250
City of Northfield	Municipal government and services	178

Source: *ReferenceUSA, written and telephone survey (July 2016), and the Minnesota Department of Employment and Economic Development.*

¹ Malt-O-Meal Co. is a subsidiary.

² With seasonal staff, number would be closer to 1,000.

BUILDING PERMITS

	2012	2013	2014	2015	2016 ¹
<u>New Single Family Homes</u>					
No. of building permits	15	25	26	31	16
Valuation	\$3,155,350	\$6,508,390	\$6,447,000	\$7,643,730	\$3,406,550
<u>New Multiple Family Buildings</u>					
No. of building permits	0	28	0	0	0
Valuation	\$0	\$4,000,000	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	0	7	0	5	0
Valuation	\$0	\$17,708,500	\$0	\$1,192,000	\$0
<u>All Building Permits</u> <i>(including additions and remodels)</i>					
No. of building permits	323	438	731	931	385
Valuation	\$20,018,472	\$37,905,058	\$25,088,302	\$27,824,305	\$37,322,176

Source: The City.

¹ As of June 30, 2016.

U.S. CENSUS DATA

Population Trend: City of Northfield, Minnesota

2000 U.S. Census population	17,147
2010 U.S. Census population	20,007
2014 State Demographer's Estimate	20,313
Percent of Change 2000 - 2010	+ 16.68%

Income and Age Statistics

	City of Northfield	Rice County	State of Minnesota	United States
2014 per capita income	\$24,011	\$26,192	\$31,642	\$28,555
2014 median household income	\$58,375	\$60,365	\$60,828	\$53,482
2014 median family income	\$78,316	\$73,379	\$76,190	\$65,443
2014 median gross rent	\$730	\$738	\$835	\$920
2014 median value owner-occupied units	\$201,500	\$187,100	\$185,200	\$175,700
2014 median age	25.2 yrs.	35.7 yrs.	37.6 yrs.	37.4 yrs.

	State of Minnesota	United States
City % of 2014 per capita income	75.88%	84.09%
City % of 2014 median family income	102.79%	119.67%

Housing Statistics

	<u>City of Northfield</u>		Percent of Change
	2000	2014	
All Housing Units	5,119	6,861	34.03%

Source: 2000 and 2010 Census of Population and Housing, and 2014 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Rice County	Rice County	State of Minnesota	State of Minnesota
2012	32,978	5.8%	5.6%	
2013	33,417	4.9%	5.1%	
2014	33,777	4.1%	4.3%	
2015	34,310	3.6%	3.6%	
2016, June	34,863	3.9%	4.0%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

PREPARED BY:

FINANCE DEPARTMENT

Melanie Lammers
Finance Director

Member GFOA of U.S. and Canada
Published June 6, 2016



June 6, 2016

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, 2015.

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, 2015, 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, 2015 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.

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. Northfield has a population of 20,007 as a result of the 2010 Census. 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

- 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 2015 was 20,303 which represents 1.5% 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 slight increases. Despite the slight increase, the number of households continues to 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 3.3% at the end of 2015.

	Revenue from Licenses & Permits:	Increase (Decrease)
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)

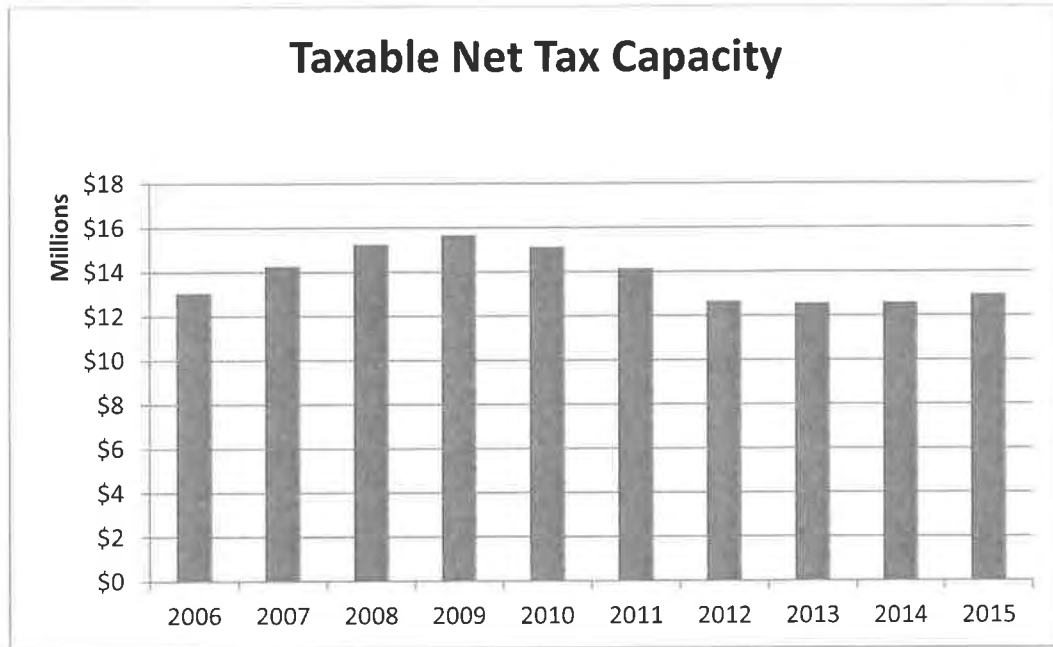
Business license activity went up in 2015. Building permit activity increased in 2015 by approximately \$1.2 million when compared to 2014. The city issued 31 single family building permits in 2015. The trend is continuing into 2016 with 16 permits issued through May. Overall permits were up in 2015. The biggest change to permits is the continual increase of residential and commercial properties being built and renovated.

The City received several applications for assorted types of developments in 2015. The Hills of Spring Creek 7th Addition will provide twenty two additional residential lots, and is Phase 2 of a three-phase residential

development project. An additional commercial project valued at over \$13 million is being constructed as part of the second phase of the Riverfront Redevelopment TIF district. Several smaller retail projects were completed in 2015 as well.

The Housing and Redevelopment Authority continues to evaluate current programs and initiate new programs to address the needs observed in the community. In 2015, the HRA focused on blight remediation in manufactured home parks throughout the City. This program identified uninhabitable and dilapidated units in the manufactured home parks, and assisted with the acquisition and demolition of the units. This created a safer environment for the remaining tenants of the parks by removing units harboring vermin, squatters, and environmental hazards. This program is being financed through the HRA’s property tax levy, Community Development Block Grant funds and an award of \$160,000 from the Minnesota Housing Agency. The HRA will continue to monitor the housing in Northfield and bring forth opportunities for housing projects.

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 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.

Major employers in Northfield are as follows:

Employer	Products/Services	Employees
St. Olaf College	Education	860
Malt-O-Meal	Grain & Oilseed Milling	750
Carleton College	Education	700
Northfield Hospital	General Medical & Surgical Hospital	700
Northfield School District ISD #659	Education	675
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

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 46%, and intergovernmental revenues at 32%. 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. For 2015, the original budget included excess revenues of \$265,000. Because of the intentional building of fund balance in the past, the City Council has been strategically spending down general fund balance on Capital improvements. The budget was amended in 2015 to account for new trail infrastructure, and to finance the renovation of the library. The final budget anticipated using approximately \$311,000 of General Fund balance.

The Library Renovation project will enhance the current library space and moderately expand it to current circulation and technology needs. This project represents significant public-private investment and partnership. The trail project has been in process since the early 2000's, and will connect Northfield with Dundas creating a connected trail between the two cities. This trail is also slated to become part of a larger regional trail system called the Mills Town Trail.

	General Fund			
	Property Tax Revenue	Percent of Total	Intergovernmental Revenue	Percent of Total
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 2016, the City is updating its debt study, as well as exploring other options for funding street projects, including franchise fees to utility customers.

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 starting in 2015. 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

The Finance Policy Committee was reviewed seven financial policies in 2014/2015. The group is comprised of council members, city administrator, and the finance director. More financial policies were create/updated including the Budgetary and Financial Control Policy, General Fund Balance and Enterprise Fund Balance Policies. The Finance Policy Committee is continuing its work and encompassing new financial policies in the comprehensive Financial Management Policies book in 2016.

Plans to reconstruct Woodley Street in Northfield were finalized in 2015 for the 2016 construction season. This is a collaborative partnership between the City and Rice County, and involves Federal Grant dollars. Construction begins in 2016.

Discussion on a new liquor store began in 2015. Possible sites will come forward in 2016, along with financial details from a study.

Finally, a plan to update and maintain the Wastewater Treatment plan was presented in 2015. This lays out major maintenance and improvements over the next 10 years to the facility, to ensure it continues operating optimally into the future.

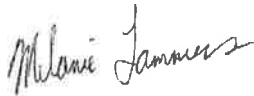
The City has a website located at www.ci.northfield.mn.us for use by citizens and other interested parties. Information is continuously provided here in a convenient manner. Updates are made continually and include progress reports on the City's major initiatives.

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,

A handwritten signature in cursive script that reads "Melanie Lammers".

Melanie Lammers
Finance Director

CITY OF NORTHFIELD, MINNESOTA
 PRINCIPAL CITY OFFICIALS
 FOR THE YEAR ENDED DECEMBER 31, 2015

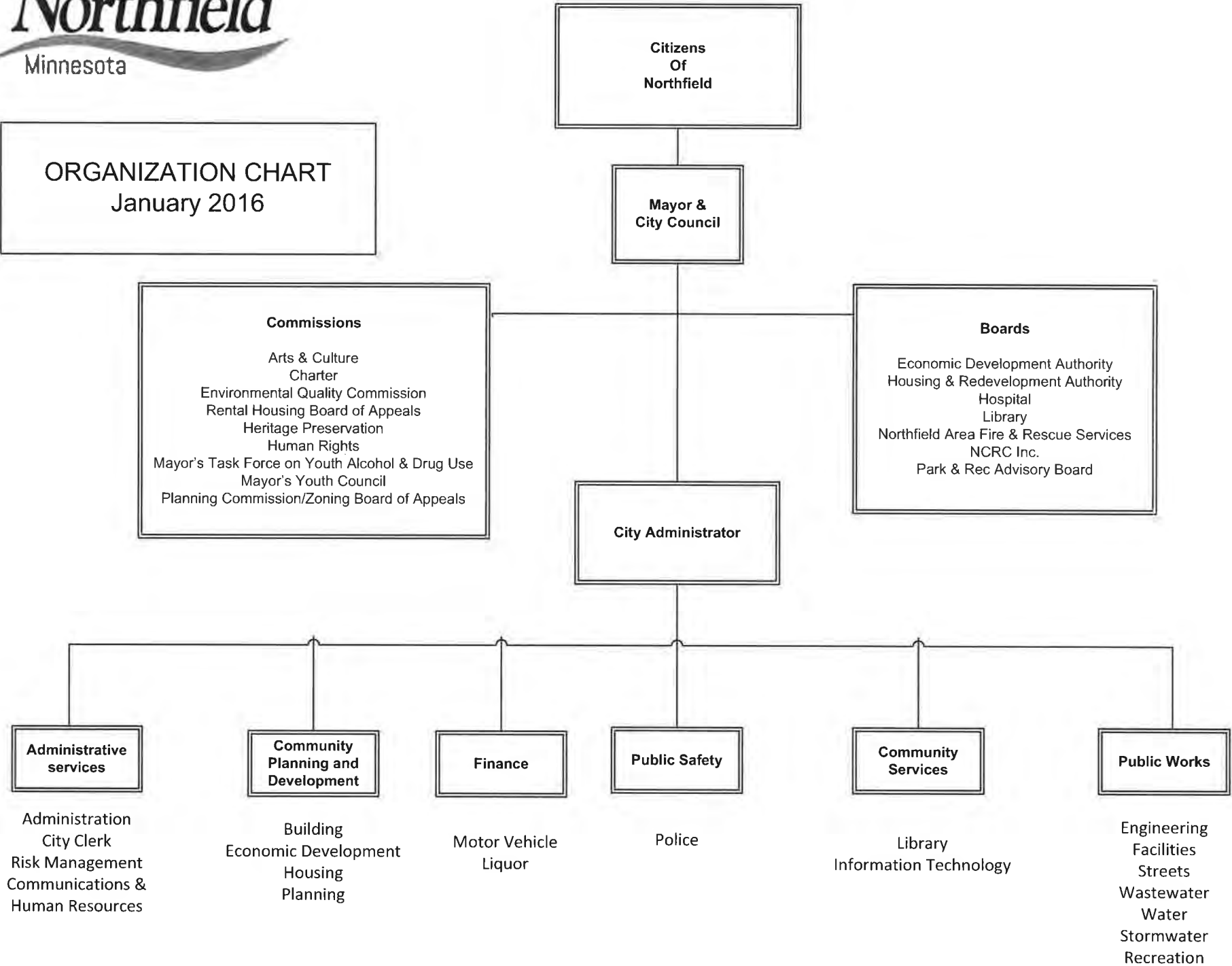
Elected

Name	Title	Term Expires
Dana Graham	Mayor	12/31/16
David Ludescher	Council Member - At Large	12/31/16
Rhonda Pownell	Council Member - At Large	12/31/18
Suzie Nakasian	Council Member - First Ward	12/31/18
David DeLong	Council Member - Second Ward	12/31/16
Erica Zweifel	Council Member - Third Ward	12/31/16
Jessica Peterson White	Council Member - Fourth Ward	12/31/18

Appointed

CC Linstroth	City Administrator - Interim (11/17/2015)
Melanie Lammers	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

ORGANIZATION CHART
 January 2016





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, 2014

Executive Director/CEO

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, 2015, 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, 2015, 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.

Change in Accounting Standards

As described in Note 10 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

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 31 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.

Supplementary Information in Relation to the Financial Statements as a Whole

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 and schedules 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 information is 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 6, 2016, 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.

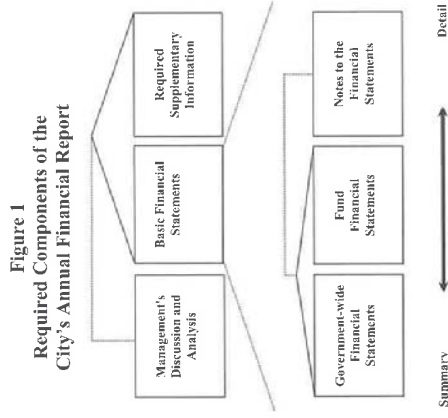
Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 6, 2016

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.



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, 2015. 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 9 of this report.

Financial Highlights

- The beginning unrestricted net position was decreased by \$5,942,129 to recognize the effects of GASB Statement No. 68 implementation.
- 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 \$76,456,582 (*net position*). Of this amount, \$18,229,684 (*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 \$4,128,870 as compared to \$3,542,144 in the previous year. In the governmental activities, capital grants and contributions increased by \$111,464 in addition to unrestricted grants and contributions increasing \$68,335.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,972,263, a decrease of \$2,305,738 in comparison with the prior year. A key factor in this decrease was the increase in culture and recreation capital outlay expenditures of \$930,694 and the defeasance of debt of \$2,560,000. Of this total amount, \$6,480,757, is *available for spending* at the City's discretion (*unassigned fund balance*).

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

	Fund Financial Statements	
	Government-wide Statements	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
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> 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
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
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
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

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 46 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 51 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 and the Debt Service 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 predominantly 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 125 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 \$76,456,582 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (69.4 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		Increase (Decrease)
	2015	2014	2015	2014	
Current and other assets	\$ 23,193,252	\$ 26,225,774	\$ 12,246,503	\$ 10,736,026	\$ 1,510,477
Capital assets	48,765,897	48,473,143	32,254,427	33,005,206	(750,779)
Total assets	71,959,149	74,698,917	44,500,930	43,741,232	759,698
Deferred outflows of resources	831,909	-	831,909	95,973	95,973
Long-term liabilities outstanding	25,841,144	24,084,958	11,863,372	12,508,380	(645,008)
Other liabilities	1,506,702	1,320,906	1,857,996	352,879	(186,272)
Total liabilities	27,347,846	25,405,864	13,721,371	13,047,531	(831,280)
Deferred inflows of resources	1,213,091	-	1,213,091	154,191	154,191
Net investment in capital assets	31,622,817	28,034,313	3,588,504	21,436,632	749,137
Restricted	5,167,449	9,688,690	(4,521,241)	-	749,137
Unrestricted	7,439,855	11,570,050	(4,130,195)	10,789,829	783,623
Total net position	<u>\$ 44,230,121</u>	<u>\$ 49,293,053</u>	<u>\$ (5,062,932)</u>	<u>\$ 30,693,701</u>	<u>\$ 1,532,760</u>

An additional portion of the City's net position (6.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (23.8 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 \$41,238,870 during the current fiscal year.

Governmental activities. Governmental activities increased the City's net position by \$1,696,151, accounting for 41.1 percent of the total change in net position. Key elements of these changes are as follows:

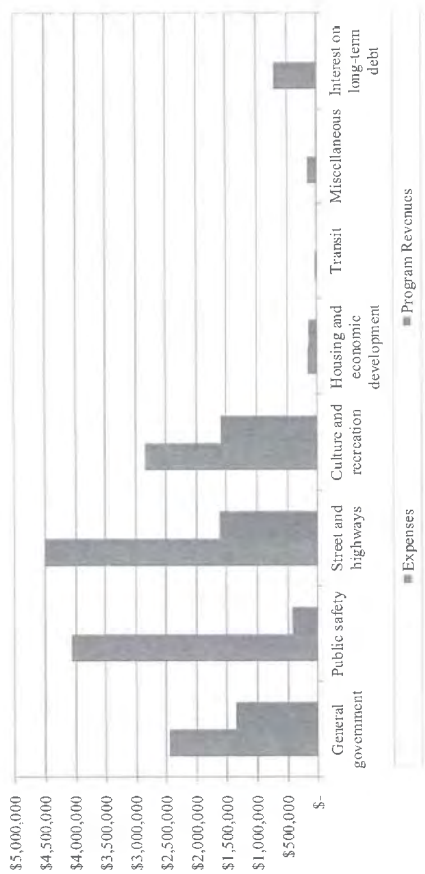
- Capital grants and contributions increased \$112,038.
- Property taxes/fax increment revenues decreased \$148,517.
- Grants and contributions not restricted to specific programs increased \$68,335.
- Investment earnings decreased \$403,220.
- Public safety expenses increased \$363,907.
- Culture and recreation expenses decreased \$336,420 due to the write-off of the TIGER grant project in 2014.

City of Northfield's Changes in Net Position

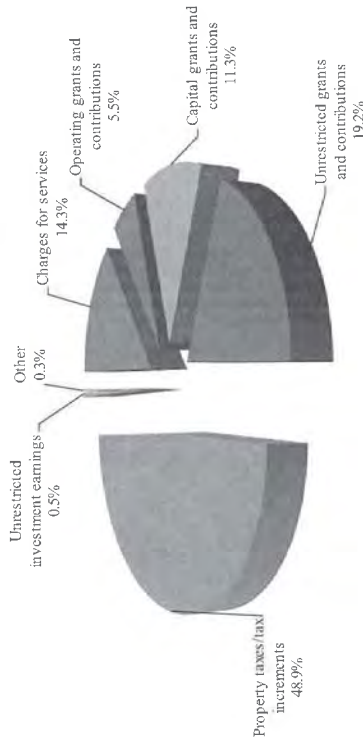
	Governmental Activities		Business-type Activities		Increase (Decrease)
	2015	2014	2015	2014	
Revenues					
Program revenues					
Charges for services	\$ 2,357,126	\$ 2,290,711	\$ 66,415	\$ 11,119,658	\$ 10,778,727
Operating grants and contributions	908,187	825,775	82,412	16,011	6,839
Capital grants and contributions	1,834,869	1,743,405	111,464	-	-
General revenues					
Property taxes/					
tax increments	8,037,527	8,184,932	(147,405)	-	-
Grants and contributions not restricted to specific programs	3,161,620	3,093,285	68,335	-	-
Unrestricted investment earnings	87,676	381,593	(293,917)	50,587	159,323
Other	49,407	280,486	(231,079)	-	-
Total revenues	16,456,412	16,800,187	(343,775)	11,186,256	10,944,889
Expenses					
General government	2,452,348	2,329,667	122,681	-	-
Public safety	4,064,654	3,700,747	363,907	-	-
Streets and highways	4,488,113	4,482,892	5,221	-	-
Culture and recreation	2,862,634	3,179,054	(316,420)	-	-
Housing and economic development	151,088	454,921	(303,833)	-	-
Transit	25,938	123,541	(97,603)	-	-
Miscellaneous	150,623	221,322	(70,699)	-	-
Interest on long-term debt	709,863	770,748	(60,885)	-	-
Water	-	-	-	1,457,422	1,400,876
Wastewater	-	-	-	3,091,885	3,203,623
Garbage	-	-	-	692,840	672,044
Storm water	-	-	-	442,311	689,699
Liquor store	-	-	-	2,944,079	2,973,798
Total expenses	14,885,261	15,262,892	(377,631)	8,628,537	8,940,040
Increase in net position before transfers	1,571,151	1,537,295	33,856	2,557,719	2,004,849
Transfers	125,000	180,018	(55,018)	(125,000)	(180,018)
Change in net position	1,696,151	1,717,313	(21,162)	2,432,719	1,824,831
Net position - January 1, as restated (Note 10)	42,533,970	47,575,740	(5,041,770)	29,793,742	28,868,870
Net position - December 31	<u>\$ 44,230,121</u>	<u>\$ 49,293,053</u>	<u>\$ (5,062,932)</u>	<u>\$ 32,226,461</u>	<u>\$ 30,693,701</u>
					<u>\$ 1,532,760</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



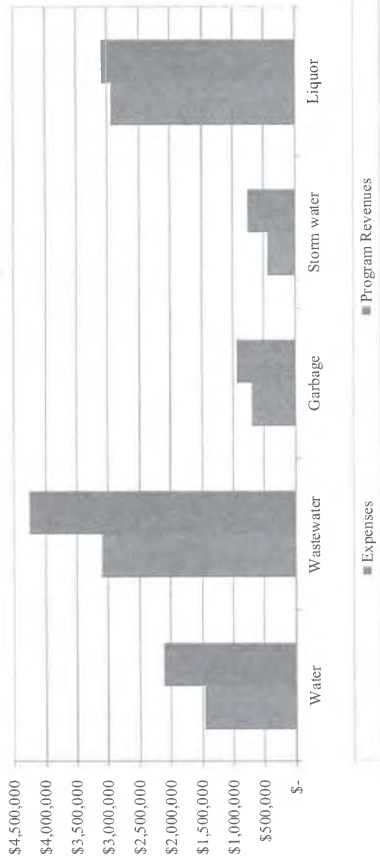
Revenues by Source - Governmental Activities



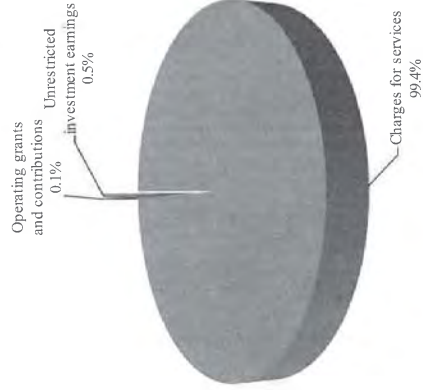
Business-type activities. Business-type activities increased the City's net position by \$2,432,719, accounting for 58.9 percent of the total increase. Key elements of this increase are as follows:

- Charges for services increased \$340,931 from the prior fiscal year.
- Investment earnings decreased \$108,813.
- Water expenses decreased \$111,738.
- Storm water expenses decreased \$247,465.

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 \$17,972,263, a decrease of \$2,305,758 in comparison with the prior year. A key factor in this decrease was the increase in public works capital outlay expenditures of \$1,733,224. Of this total amount, \$6,480,757 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 (\$101,846), restricted (\$6,810,480), committed (\$46,056), or assigned (\$4,533,124).

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 \$6,900,596, 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 64.5 percent of total General fund expenditures.

The fund balance of the City's General fund decreased less than the budgeted decrease due to expenditures coming in under budget.

The *Debt Service fund* has a total fund balance of \$3,348,126, all of which is restricted for the payment of debt service. The decrease in fund balance during the current year in the Debt Service fund was \$2,521,231. The key factor in this decrease was due to the defeasance of refunding bonds.

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 \$10,804,173. The total growth in net position for these funds totaled was \$2,403,864.

General Fund Budgetary Highlights

The original adopted budget asked for an increase in fund balance of \$265,203. An amendment was made during the year which increased budgeted transfers out by \$576,603. Revenues were over budget by \$47,567, expenditures were under budget by \$581,148, and the other financing sources (uses) were over-budget by \$307,210 causing fund balance to decrease in 2015.

The major variances in budgeted revenues for the General fund were intergovernmental revenues which were more than budgeted by \$137,964. Investment earnings were under budget by \$119,628. In addition, general government current expenditures were under budget by \$237,243, public safety current expenditures were under budget by \$104,508, and culture and recreation expenditures were under budget by \$132,962.

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, 2015 amounts to \$81,020,324 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. The total decrease in the City's investment in capital assets for the current fiscal year was 0.6 percent.

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

- Completion of the skate park for a total cost of \$220,037.
- Completion of the 6th, 8th and Poplar Street reconstruction for a total cost of \$129,484.
- Purchase of a Caterpillar wheel loader for a purchase price of \$143,360.
- Completion of the 2nd street water main project for a total cost of \$349,868.
- Completion of the 2nd street sewer main replacement for a total cost of \$195,539.
- Completion of the 2nd street storm sewer replacement for a total cost of \$83,062.
- Completion of the Rosewood pond rehabilitation for a total cost of \$115,034.

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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 1,465,130	\$ 1,465,130	\$ -	\$ 918,554	\$ 918,554	\$ -
Buildings and improvements	12,466,048	13,106,068	(640,020)	14,675,779	16,024,036	(1,348,257)
Infrastructure	29,113,201	31,033,736	(1,920,535)	15,922,463	15,445,018	477,445
Machinery and equipment	2,279,286	2,377,584	(98,298)	440,632	467,126	(26,494)
Construction in progress	3,442,232	490,625	2,951,607	296,999	150,472	146,527
Total	\$ 48,765,897	\$ 48,473,143	\$ 292,754	\$ 32,254,427	\$ 33,005,206	\$ (750,779)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$21,605,000. Of this amount, \$805,000 comprises debt backed by the full faith and credit of the City, \$7,714,348 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, and \$665,000 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 \$12,420,652.

City of Northfield's Outstanding Debt

	Governmental Activities			Business-Type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation bonds	\$ 805,000	\$ 1,100,000	\$ (295,000)	\$ -	\$ -	\$ -
General obligation improvement bonds	7,714,348	7,400,712	313,636	-	-	-
General obligation tax increment bonds	665,000	741,000	(76,000)	-	-	-
General obligation revenue bonds	1,845,000	4,155,000	(2,310,000)	10,575,652	12,049,288	(1,473,636)
Certificates of participation	5,835,000	6,100,000	(265,000)	-	-	-
Capital leases	1,787,723	1,974,993	(187,270)	198,592	219,444	(20,852)
Notes	1,487,176	1,587,157	(99,981)	-	-	-
Total	\$ 20,139,247	\$ 23,058,862	\$ (2,919,615)	\$ 10,774,244	\$ 12,268,732	\$ (1,494,488)

The City's total debt decreased by \$4,414,103 (12.5 percent) during the current fiscal year. The key factors in this decrease were the issuance of debt totaling \$2,535,000 and the retirement of debt totaling \$6,949,103. The City's bond rating was 'AA' from Standard & Poor's for their 2015 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 \$36,066,081, 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 2015 unemployment rate for Rice County, where the City is located, was 3.5 percent, which no change from a year ago. This is comparable to the State's average unemployment rate of 3.7 percent and compares favorably to the national average rate of 4.8 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 2016 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$6,794,877. This unassigned fund balance is designated for cash flow purposes and revenue stabilization.

The City's tax levy was increased by 3.3 percent for 2016.

For 2015, wastewater rates increased 3.00 percent and storm water rates increased 6.01 percent. The City restructured the water rate to create a true conservation rate related to usage.

For 2016, 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.

CITY OF NORTHFIELD, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 19,115,460	\$ 10,525,839	\$ 29,641,299
Restricted cash and investments	572,536	-	572,536
Receivables			
Interest	62,470	39,234	101,704
Delinquent taxes	107,189	-	107,189
Accounts, net of allowances	247,873	1,378,329	1,626,202
Notes, mortgages and leases, net of allowances	103,835	-	103,835
Special assessments	1,890,269	15,305	1,905,574
Intergovernmental	511,508	-	511,508
Internal balances	14,344	(14,344)	-
Due from primary government	-	-	-
Inventories	1,069	287,960	289,029
Prepaid items	120,496	14,180	134,676
Land held for resale	180,983	-	180,983
Capital assets			
Nondepreciable	4,907,362	1,215,553	6,122,915
Depreciable	43,858,535	31,038,874	74,897,409
Investment in joint venture	265,220	-	265,220
	<u>71,959,149</u>	<u>44,500,930</u>	<u>116,460,079</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	-	-	-
Deferred pension resources	831,909	95,973	927,882
	<u>831,909</u>	<u>95,973</u>	<u>927,882</u>
LIABILITIES			
Accounts payable	993,717	168,761	1,162,478
Contracts payable	-	1,548	1,548
Deposits payable	77,724	200	77,924
Due to component unit	14,000	-	14,000
Due to other governments	17,002	45,703	62,705
Accrued interest payable	198,533	96,024	294,557
Accrued wages payable	205,726	40,643	246,369
Noncurrent liabilities			
Due within one year	2,327,672	2,481,067	4,808,739
Due in more than one year	23,513,472	9,382,305	32,895,777
	<u>27,347,846</u>	<u>12,216,251</u>	<u>39,564,097</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	1,213,091	154,191	1,367,282
	<u>1,213,091</u>	<u>154,191</u>	<u>1,367,282</u>
NET POSITION			
Net investment in capital assets	31,622,817	21,436,632	53,059,449
Restricted for			
Police forfeitures	6,491	-	6,491
Debt service	3,179,375	-	3,179,375
Library	333,924	-	333,924
Arts and Culture	9,040	-	9,040
Redevelopment and housing	1,282,001	-	1,282,001
Recreational activities	346,165	-	346,165
Rescue squad	10,453	-	10,453
Unrestricted	7,439,855	10,789,829	18,229,684
	<u>\$ 44,230,121</u>	<u>\$ 32,226,461</u>	<u>\$ 76,456,582</u>

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

Component Units		
Economic Development Authority	Housing Redevelopment Authority	Municipal Hospital
\$ 1,395,355	\$ 963,701	\$ 2,479,334
-	-	52,342,456
4,883	3,789	-
2,667	2,690	-
-	-	12,037,849
344,056	217,377	-
-	-	-
1,516	1,545	-
-	-	-
-	14,000	-
-	-	1,855,737
104	76	889,979
-	287,679	-
-	56,994	5,011,233
-	225,225	41,422,224
-	-	-
<u>1,748,581</u>	<u>1,773,076</u>	<u>116,038,812</u>
-	-	920,647
<u>3,895</u>	<u>4,050</u>	<u>3,748,420</u>
<u>3,895</u>	<u>4,050</u>	<u>4,669,067</u>
-	1,402	3,615,759
-	-	268,503
-	1,700	-
-	-	-
455	200	-
-	-	224,007
267	132	7,827,223
-	-	1,465,000
<u>34,053</u>	<u>35,409</u>	<u>63,253,792</u>
<u>34,775</u>	<u>38,843</u>	<u>76,654,284</u>
<u>6,258</u>	<u>6,507</u>	<u>4,266,702</u>
-	282,219	12,540,289
-	-	-
-	-	3,752,211
-	-	-
-	-	-
-	-	-
<u>1,711,443</u>	<u>1,449,557</u>	<u>23,494,393</u>
<u>\$ 1,711,443</u>	<u>\$ 1,731,776</u>	<u>\$ 39,786,893</u>

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, 2015

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,452,348	\$ 1,355,572	\$ -	\$ -
Public safety	4,064,654	106,967	314,641	-
Streets and highways	4,488,113	338,914	200,325	1,071,948
Culture and recreation	2,842,634	555,673	267,605	782,921
Housing and economic development	151,088	-	125,266	-
Transit	25,938	-	-	-
Miscellaneous	150,623	-	350	-
Interest on long-term debt	709,863	-	-	-
Total governmental activities	<u>14,885,261</u>	<u>2,357,126</u>	<u>908,187</u>	<u>1,854,869</u>
Business-type activities				
Water	1,457,422	2,109,788	-	-
Wastewater	3,091,885	4,260,147	-	-
Garbage	692,840	908,842	16,011	-
Storm water	442,311	764,429	-	-
Liquor	2,944,079	3,076,452	-	-
Total business-type activities	<u>8,628,537</u>	<u>11,119,658</u>	<u>16,011</u>	<u>-</u>
Total primary government	<u>\$ 23,513,798</u>	<u>\$ 13,476,784</u>	<u>\$ 924,198</u>	<u>\$ 1,854,869</u>
Component units				
Economic Development Authority	<u>\$ 193,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Redevelopment Authority	<u>\$ 138,372</u>	<u>\$ 42,384</u>	<u>\$ -</u>	<u>\$ -</u>
Municipal Hospital	<u>\$ 88,628,075</u>	<u>\$ 91,133,588</u>	<u>\$ 109,492</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 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 as restated (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
\$ (1,096,776)	\$ -	\$ (1,096,776)	\$ -	\$ -	\$ -
(3,643,046)	-	(3,643,046)	-	-	-
(2,876,926)	-	(2,876,926)	-	-	-
(1,236,435)	-	(1,236,435)	-	-	-
(25,822)	-	(25,822)	-	-	-
(25,938)	-	(25,938)	-	-	-
(150,273)	-	(150,273)	-	-	-
<u>(709,863)</u>	<u>-</u>	<u>(709,863)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(9,765,079)	-	(9,765,079)	-	-	-
-	652,366	652,366	-	-	-
-	1,168,262	1,168,262	-	-	-
-	232,013	232,013	-	-	-
-	322,118	322,118	-	-	-
-	<u>132,373</u>	<u>132,373</u>	-	-	-
-	2,507,132	2,507,132	-	-	-
<u>(9,765,079)</u>	<u>2,507,132</u>	<u>(7,257,947)</u>			
			(193,700)	-	-
			-	(95,988)	-
			-	-	2,645,005
5,803,714	-	5,803,714	-	-	-
1,684,771	-	1,684,771	-	-	-
259,763	-	259,763	-	-	-
194,015	-	194,015	-	-	-
95,264	-	95,264	-	-	-
-	-	-	-	217,587	-
3,161,620	-	3,161,620	-	-	-
87,676	50,587	138,263	6,282	5,034	868,338
49,407	-	49,407	11,154	376	-
-	-	-	-	-	2,618
<u>125,000</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>11,461,230</u>	<u>(74,413)</u>	<u>11,386,817</u>	<u>231,280</u>	<u>222,997</u>	<u>870,956</u>
1,696,151	2,432,719	4,128,870	37,580	127,009	3,515,961
<u>42,533,970</u>	<u>29,793,742</u>	<u>72,327,712</u>	<u>1,673,863</u>	<u>1,604,767</u>	<u>36,270,932</u>
<u>\$ 44,230,121</u>	<u>\$ 32,226,461</u>	<u>\$ 76,456,582</u>	<u>\$ 1,711,443</u>	<u>\$ 1,731,776</u>	<u>\$ 39,786,893</u>

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

CITY OF NORTHFIELD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Debt Service	Other Governmental Funds	Totals
ASSETS				
Cash and temporary investments	\$ 6,751,847	\$ 3,500,524	\$ 7,502,044	\$ 17,754,415
Cash held with fiscal agent	-	-	572,536	572,536
Receivables				
Interest	20,612	16,168	20,645	57,425
Delinquent taxes	85,702	14,172	7,315	107,189
Accounts	145,457	44,229	58,187	247,873
Notes, net of allowances	-	-	103,835	103,835
Special assessments	-	1,685,610	204,659	1,890,269
Intergovernmental	49,384	5,496	454,898	509,778
Due from other funds	324,240	-	17,007	341,247
Advance to other funds	-	-	103,000	103,000
Inventories	1,069	-	-	1,069
Prepaid items	98,046	-	2,731	100,777
Land held for resale	-	-	180,983	180,983
TOTAL ASSETS	\$ 7,476,357	\$ 5,266,199	\$ 9,227,840	\$ 21,970,396
LIABILITIES				
Accounts payable	\$ 315,319	\$ 7,224	\$ 538,136	\$ 860,679
Accrued wages payable	149,281	-	4,926	154,207
Due to other funds	-	94,067	247,180	341,247
Due to component unit	-	14,000	-	14,000
Advance from other funds	-	103,000	-	103,000
Due to other governments	12,484	-	768	13,252
Deposits payable	12,975	-	64,749	77,724
TOTAL LIABILITIES	490,059	218,291	855,759	1,564,109
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	85,702	14,172	7,315	107,189
Unavailable revenue - special assessments	-	1,685,610	204,659	1,890,269
Unavailable revenue - intergovernmental	-	-	436,566	436,566
TOTAL DEFERRED INFLOWS OF RESOURCES	85,702	1,699,782	648,540	2,434,024
FUND BALANCES				
Nonspendable				
Inventories	1,069	-	-	1,069
Prepaid items	98,046	-	2,731	100,777
Restricted				
Police forfeitures	6,491	-	-	6,491
Debt service	-	3,348,126	-	3,348,126
Library	-	-	333,924	333,924
Arts and culture	-	-	9,040	9,040
Redevelopment and housing	-	-	1,282,001	1,282,001
Recreational activities	-	-	346,165	346,165
Rescue squad	-	-	10,453	10,453
Capital projects	-	-	1,474,280	1,474,280
Committed				
Community resource center operations	-	-	46,056	46,056
Assigned				
Community resource center operations	-	-	137,189	137,189
Motor vehicle operations	-	-	167,850	167,850
Communications	-	-	394,776	394,776
Capital projects	-	-	3,833,309	3,833,309
Unassigned	6,794,990	-	(314,233)	6,480,757
TOTAL FUND BALANCES	6,900,596	3,348,126	7,723,541	17,972,263
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,476,357	\$ 5,266,199	\$ 9,227,840	\$ 21,970,396

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, 2015

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total fund balances - governmental funds	\$ 17,972,263
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	48,765,897
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	(725,141)
Bonds payable	(11,029,348)
Capital lease payable	(7,622,723)
Notes payable	(1,487,176)
Other postemployment benefit payable	(212,139)
Pension liability	(4,439,737)
Bond discounts, net of accumulated amortization	33,362
Bond premium, net of accumulated amortization	(181,475)
Investment in joint ventures are not financial resources, and therefore, are not reported in the funds	265,220
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	107,189
Special assessments receivable	1,890,269
Intergovernmental receivable	436,566
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	811,690
Deferred inflows of pension resources	(1,180,609)
Governmental funds do not report a liability for accrued interest until due and payable.	(198,533)
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>1,024,546</u>
Total net position - governmental activities	<u><u>\$ 44,230,121</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, 2015

	General	Debt Service	Other Governmental Funds	Totals
REVENUES				
Taxes	\$ 5,235,618	\$ 1,968,912	\$ 774,148	\$ 7,978,678
Special assessments	-	479,986	245,707	725,693
Licenses and permits	428,765	-	-	428,765
Intergovernmental	3,608,311	-	125,266	3,733,577
Charges for services	1,518,359	-	249,033	1,767,392
Fines and forfeits	113,521	-	-	113,521
Investment earnings	30,372	22,876	34,428	87,676
Miscellaneous	315,096	779	939,038	1,254,913
TOTAL REVENUES	11,250,042	2,472,553	2,367,620	16,090,215
EXPENDITURES				
Current				
General government	2,053,218	-	288,299	2,341,517
Public safety	3,849,981	-	167,633	4,017,614
Public works	2,231,624	-	-	2,231,624
Culture and recreation	1,959,915	-	278,630	2,238,545
Housing and economic development	-	-	125,427	125,427
Miscellaneous	150,623	-	-	150,623
Capital outlay				
General government	15,618	-	16,521	32,139
Public safety	13,288	-	93,856	107,144
Public works	3,570	-	2,178,718	2,182,288
Culture and recreation	43,626	-	1,303,838	1,347,464
Housing and economic development	-	-	79,010	79,010
Debt service				
Principal	147,136	2,097,345	40,534	2,285,015
Interest and other charges	58,325	675,009	16,067	749,401
Issuance fees	-	-	33,736	33,736
TOTAL EXPENDITURES	10,526,924	2,772,354	4,622,269	17,921,547
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	723,118	(299,801)	(2,254,649)	(1,831,332)
OTHER FINANCING SOURCES (USES)				
Transfers in	223,223	-	1,199,411	1,422,634
Payment to refunded bond escrow agent	-	(2,560,000)	-	(2,560,000)
Debt issued	-	330,000	1,595,000	1,925,000
Bond premiums	-	8,570	27,004	35,574
Transfers out	(936,236)	-	(361,398)	(1,297,634)
TOTAL OTHER FINANCING SOURCES (USES)	(713,013)	(2,221,430)	2,460,017	(474,426)
NET CHANGE IN FUND BALANCES	10,105	(2,521,231)	205,368	(2,305,758)
FUND BALANCES, JANUARY 1	6,890,491	5,869,357	7,518,173	20,278,021
FUND BALANCES, DECEMBER 31	\$ 6,900,596	\$ 3,348,126	\$ 7,723,541	\$ 17,972,263

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, 2015

	Primary Government
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ (2,305,758)
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	3,652,839
Depreciation expense	(3,360,085)
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.	228,072
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	4,845,015
Debt issued or incurred	(1,925,000)
Premium on bonds issued, net of amortization expense	(21,256)
Discount on bonds issued, net of amortization expense	(1,963)
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.	60,919
Long-term pension activity is not reported in governmental funds.	
Pension expense	36,780
Direct aid contributions	15,480
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	(33,832)
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	(99,621)
Federal and State grants	436,566
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	(9,026)
Compensated absences	(27,052)
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	204,073
Change in net position - governmental activities	\$ 1,696,151

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,238,637	\$ 5,238,637	\$ 5,235,618	\$ (3,019)
Licenses and permits	390,150	390,150	428,765	38,615
Intergovernmental	3,470,347	3,470,347	3,608,311	137,964
Charges for services	1,535,716	1,535,716	1,518,359	(17,357)
Fines and forfeits	147,000	147,000	113,521	(33,479)
Investment earnings	150,000	150,000	30,372	(119,628)
Miscellaneous	270,625	270,625	315,096	44,471
TOTAL REVENUES	11,202,475	11,202,475	11,250,042	47,567
EXPENDITURES				
Current				
General government	2,290,461	2,290,461	2,053,218	237,243
Public safety	3,954,489	3,954,489	3,849,981	104,508
Public works	2,250,085	2,250,085	2,231,624	18,461
Culture and recreation	2,092,877	2,092,877	1,959,915	132,962
Miscellaneous	197,900	197,900	150,623	47,277
Capital outlay				
General government	31,800	31,800	15,618	16,182
Public safety	15,000	15,000	13,288	1,712
Public works	5,000	5,000	3,570	1,430
Culture and recreation	65,000	65,000	43,626	21,374
Debt service				
Principal	141,706	141,706	147,136	(5,430)
Interest and other	63,754	63,754	58,325	5,429
TOTAL EXPENDITURES	11,108,072	11,108,072	10,526,924	581,148
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	94,403	94,403	723,118	628,715
OTHER FINANCING SOURCES (USES)				
Transfers in	170,800	170,800	223,223	52,423
Transfers out	-	(576,603)	(936,236)	(359,633)
TOTAL OTHER FINANCING SOURCES (USES)	170,800	(405,803)	(713,013)	(307,210)
NET CHANGE IN FUND BALANCES	265,203	(311,400)	10,105	321,505
FUND BALANCES, JANUARY 1	6,890,491	6,890,491	6,890,491	-
FUND BALANCES, DECEMBER 31	\$ 7,155,694	\$ 6,579,091	\$ 6,900,596	\$ 321,505

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds	
	601	602
	Water	Wastewater
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 5,770,756	\$ 2,904,251
Receivables		
Interest	21,884	10,203
Accounts	390,595	766,598
Intergovernmental	-	-
Due from other funds	123,456	-
Inventories	19,270	-
Prepaid items	4,237	5,099
TOTAL CURRENT ASSETS	6,330,198	3,686,151
NONCURRENT ASSETS		
Special assessments receivable - noncurrent	-	15,305
Capital assets		
Land	110,290	5,250
Buildings	1,563,528	23,794,485
Infrastructure	7,856,542	10,012,216
Machinery, equipment and vehicles	384,037	907,233
Construction in progress	226,540	64,188
Less accumulated depreciation	(4,562,437)	(12,983,693)
TOTAL CAPITAL ASSETS	5,578,500	21,799,679
TOTAL NONCURRENT ASSETS	5,578,500	21,814,984
TOTAL ASSETS	11,908,698	25,501,135
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension resources	28,370	34,954

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

Business-type Activities - Enterprise Funds				Governmental
603	604	609		Activities -
Garbage	Storm Water	Municipal Liquor Store	Total	Internal Service Funds
\$ 670,504	\$ 31,364	\$ 1,148,964	\$ 10,525,839	\$ 1,361,045
2,568	-	4,579	39,234	5,045
143,236	72,477	5,423	1,378,329	-
-	-	-	-	1,730
-	-	-	123,456	-
-	-	268,690	287,960	-
-	114	4,730	14,180	19,719
<u>816,308</u>	<u>103,955</u>	<u>1,432,386</u>	<u>12,368,998</u>	<u>1,387,539</u>
-	-	-	15,305	-
-	803,014	-	918,554	-
-	-	193,804	25,551,817	-
-	6,352,229	56,835	24,277,822	-
75,641	13,011	80,392	1,460,314	87,080
-	6,271	-	296,999	-
<u>(75,641)</u>	<u>(2,341,323)</u>	<u>(287,985)</u>	<u>(20,251,079)</u>	<u>(87,080)</u>
-	<u>4,833,202</u>	<u>43,046</u>	<u>32,254,427</u>	-
-	<u>4,833,202</u>	<u>43,046</u>	<u>32,269,732</u>	-
<u>816,308</u>	<u>4,937,157</u>	<u>1,475,432</u>	<u>44,638,730</u>	<u>1,387,539</u>
<u>689</u>	<u>1,419</u>	<u>30,541</u>	<u>95,973</u>	<u>20,219</u>

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds	
	601	602
	Water	Wastewater
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 9,334	\$ 65,177
Contracts payable	-	-
Due to other funds	-	-
Due to other governments	1,789	9,701
Accrued interest payable	6,936	77,970
Accrued wages payable	12,279	16,032
Compensated absences payable - current portion	27,694	13,388
Deposits payable	-	-
Capital leases - current portion	2,167	19,502
Bonds payable - current portion	222,500	1,932,500
	282,699	2,134,270
NONCURRENT LIABILITIES		
Compensated absences payable, net of current portion	41,448	64,948
Other postemployment benefits payable	12,990	25,262
Pension liability	248,038	305,612
Capital leases payable, net of current portion	17,693	159,230
Bonds payable, net of current portion	445,520	7,012,500
	765,689	7,567,552
TOTAL LIABILITIES	1,048,388	9,701,822
DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	45,578	56,158
	45,578	56,158
NET POSITION		
Net investment in capital assets	4,890,620	12,675,947
Unrestricted	5,952,482	3,102,162
	\$ 10,843,102	\$ 15,778,109

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

Business-type Activities - Enterprise Funds				Governmental
603	604	609		Activities -
Garbage	Storm Water	Municipal Liquor Store	Total	Internal Service Funds
\$ 13,907	\$ 394	\$ 79,949	\$ 168,761	\$ 133,038
-	1,548	-	1,548	-
-	123,456	-	123,456	-
6,956	-	27,257	45,703	3,750
-	11,118	-	96,024	-
-	375	11,957	40,643	51,519
-	-	9,680	50,762	-
-	-	200	200	-
-	-	-	21,669	-
-	253,636	-	2,408,636	-
<u>20,863</u>	<u>390,527</u>	<u>129,043</u>	<u>2,957,402</u>	<u>188,307</u>
-	-	17,412	123,808	-
-	-	9,412	47,664	-
6,025	12,409	267,028	839,112	176,767
-	-	-	176,923	-
-	736,778	-	8,194,798	-
<u>6,025</u>	<u>749,187</u>	<u>293,852</u>	<u>9,382,305</u>	<u>176,767</u>
<u>26,888</u>	<u>1,139,714</u>	<u>422,895</u>	<u>12,339,707</u>	<u>365,074</u>
<u>1,107</u>	<u>2,280</u>	<u>49,068</u>	<u>154,191</u>	<u>32,482</u>
-	3,842,788	27,277	21,436,632	-
789,002	(46,206)	1,006,733	10,804,173	1,010,202
<u>\$ 789,002</u>	<u>\$ 3,796,582</u>	<u>\$ 1,034,010</u>	<u>32,240,805</u>	<u>\$ 1,010,202</u>

Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.

(14,344)

Net position of business-type activities

\$ 32,226,461

CITY OF NORTHFIELD, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds	
	601	602
	Water	Wastewater
OPERATING REVENUES		
Sales	\$ -	\$ -
Cost of sales	-	-
GROSS PROFIT	-	-
Charges for services	2,086,742	4,239,914
Penalties	10,313	20,233
TOTAL OPERATING REVENUES	<u>2,097,055</u>	<u>4,260,147</u>
OPERATING EXPENSES		
Personal services	405,202	499,222
Pension expense	21,218	(25,233)
Supplies	266,835	504,274
Other services and charges	284,357	372,904
Insurance	19,800	27,167
Utilities	112,644	372,800
Depreciation	347,017	1,136,606
TOTAL OPERATING EXPENSES	<u>1,457,073</u>	<u>2,887,740</u>
OPERATING INCOME	<u>639,982</u>	<u>1,372,407</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	6,320	-
Property taxes	-	-
Investment income	30,442	11,435
Other income (expense)	(3,118)	-
Rents	15,851	-
Interest expense	(16,802)	(216,278)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>32,693</u>	<u>(204,843)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	672,675	1,167,564
TRANSFERS OUT	-	-
CHANGE IN NET POSITION	672,675	1,167,564
NET POSITION, JANUARY 1 AS RESTATED (NOTE 10)	<u>10,170,427</u>	<u>14,610,545</u>
NET POSITION, DECEMBER 31	<u>\$ 10,843,102</u>	<u>\$ 15,778,109</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	
\$ -	\$ -	\$ 3,072,255	\$ 3,072,255	\$ -
-	-	(2,332,505)	(2,332,505)	-
-	-	739,750	739,750	-
899,932	761,149	-	7,987,737	1,065,098
8,910	3,280	-	42,736	-
908,842	764,429	739,750	8,770,223	1,065,098
17,118	19,280	405,078	1,345,900	410,207
(3,175)	9,937	(5,376)	(2,629)	10,443
4,800	20,594	18,368	814,871	20,959
670,799	139,261	172,418	1,639,739	464,576
4,239	1,220	4,873	57,299	-
309	-	19,149	504,902	-
-	220,075	1,923	1,705,621	-
694,090	410,367	616,433	6,065,703	906,185
214,752	354,062	123,317	2,704,520	158,913
-	-	-	6,320	-
-	-	-	-	63,084
2,982	-	5,728	50,587	8,703
16,011	(557)	4,197	16,533	2,228
-	-	-	15,851	-
-	(31,867)	-	(264,947)	-
18,993	(32,424)	9,925	(175,656)	74,015
233,745	321,638	133,242	2,528,864	232,928
-	-	(125,000)	(125,000)	-
233,745	321,638	8,242	2,403,864	232,928
555,257	3,474,944	1,025,768	29,836,941	777,274
<u>\$ 789,002</u>	<u>\$ 3,796,582</u>	<u>\$ 1,034,010</u>	<u>\$ 32,240,805</u>	<u>\$ 1,010,202</u>
Change in net position as shown above			\$ 2,403,864	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			28,855	
Change in net position of business-type activities			<u>\$ 2,432,719</u>	

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds	
	<u>601</u>	<u>602</u>
	<u>Water</u>	<u>Wastewater</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,157,058	\$ 4,294,942
Payments to suppliers and vendors	(722,418)	(1,267,945)
Payments to and on behalf of employees	(377,941)	(530,965)
Other receipts	12,733	-
	<u>1,069,432</u>	<u>2,496,032</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	-	-
Intergovernmental revenue	6,320	-
Transfers to other funds	-	-
	<u>6,320</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
(Increase) decrease in due from other funds	(5,795)	-
Increase (decrease) in due to other funds	-	-
Acquisition of capital assets	(565,376)	(285,449)
Proceeds from bond issue, net of discounts/premiums issued	-	574,054
Principal paid on revenue bonds payable	(297,500)	(1,347,500)
Principal paid on capital lease payable	(2,084)	(18,767)
Interest paid on revenue bonds payable	(22,089)	(209,937)
	<u>(892,844)</u>	<u>(1,287,599)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in interest received and market value on cash and investments	<u>27,516</u>	<u>6,565</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	210,424	1,214,998
CASH AND CASH EQUIVALENTS, JANUARY 1		
	<u>5,560,332</u>	<u>1,689,253</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31		
	<u>\$ 5,770,756</u>	<u>\$ 2,904,251</u>

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

Business-type Activities - Enterprise Funds				Governmental
603	604	609		Activities -
Garbage	Storm Water	Municipal Liquor Store	Total	Internal Service Funds
\$ 919,431	\$ 766,449	\$ 3,081,086	\$ 11,218,966	\$ 1,125,328
(708,895)	(202,691)	(2,578,467)	(5,480,416)	(433,653)
(20,293)	(8,968)	(413,023)	(1,351,190)	(399,700)
16,011	-	4,197	32,941	2,228
<u>206,254</u>	<u>554,790</u>	<u>93,793</u>	<u>4,420,301</u>	<u>294,203</u>
-	-	-	-	66,147
-	-	-	6,320	-
-	-	(125,000)	(125,000)	-
-	-	(125,000)	(118,680)	66,147
-	-	-	(5,795)	-
-	5,795	-	5,795	-
-	(89,333)	(14,684)	(954,842)	-
-	51,244	-	625,298	-
-	(438,636)	-	(2,083,636)	-
-	-	-	(20,851)	-
-	(52,496)	-	(284,522)	-
-	(523,426)	(14,684)	(2,718,553)	-
<u>1,979</u>	<u>-</u>	<u>5,170</u>	<u>41,230</u>	<u>5,873</u>
208,233	31,364	(40,721)	1,624,298	366,223
<u>462,271</u>	<u>-</u>	<u>1,189,685</u>	<u>8,901,541</u>	<u>994,822</u>
<u>\$ 670,504</u>	<u>\$ 31,364</u>	<u>\$ 1,148,964</u>	<u>\$ 10,525,839</u>	<u>\$ 1,361,045</u>

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds	
	601	602
	Water	Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 639,982	\$ 1,372,407
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Other income (expense) related to operations	12,733	-
Depreciation	347,017	1,136,606
(Increase) decrease in assets		
Accounts receivable	55,666	27,187
Due from other governments	4,337	7,608
Inventories	1,956	-
Prepaid items	(1,808)	(221)
(Increase) decrease in deferred outflows of resources		
Deferred pension resources	7,150	16,290
Increase (decrease) in liabilities		
Accounts payable	(21,779)	(24,673)
Due to other governments	4,067	8,861
Accrued wages payable	1,237	(1,813)
Other postemployment benefits payable	557	1,003
Compensated absences payable	4,249	(5,700)
Pension liability	27,956	(11,892)
Increase (decrease) in deferred inflows of resources		
Deferred pension resources	(13,888)	(29,631)
	<u>\$ 1,069,432</u>	<u>\$ 2,496,032</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
SCHEDULE OF NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES		
Amortization of bond (premium) discount, net	\$ 2,171	\$ 1,868
Premium on bonds issued	\$ -	\$ 14,054

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	Total	
Garbage	Storm Water	Municipal Liquor Store		
\$ 214,752	\$ 354,062	\$ 123,317	\$ 2,704,520	\$ 158,913
16,011	(557)	4,197	32,384	2,228
-	220,075	1,923	1,705,621	-
6,697	(522)	8,831	97,859	-
3,892	2,542	-	18,379	60,230
-	-	35,835	37,791	-
39	(114)	108	(1,996)	(2,760)
711	(934)	11,805	35,022	5,776
(32,027)	(31,008)	(73,293)	(182,780)	61,335
65	-	820	13,813	3,750
-	375	(3,819)	(4,020)	64
-	-	557	2,117	-
-	-	693	(758)	-
(2,649)	9,403	4,646	27,464	15,704
(1,237)	1,468	(21,827)	(65,115)	(11,037)
<u>\$ 206,254</u>	<u>\$ 554,790</u>	<u>\$ 93,793</u>	<u>\$ 4,420,301</u>	<u>\$ 294,203</u>
\$ -	\$ 2,251	\$ -	\$ 6,290	\$ -
\$ -	\$ 1,244	\$ -	\$ 15,298	\$ -

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

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

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 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 (GICs) 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 Minnesota Municipal Money Market Fund (4M Fund) is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool shares. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2015 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.

Investments for the City are reported at fair value. 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.

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 2015. 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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Inventories of governmental funds 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 estimated fair market 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, 2015, no interest was capitalized in connection with construction in progress.

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 accumulated 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, 2014.

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.

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 financial 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 financial 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 two sources: taxes and special assessments. 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 payor 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."

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. Clobery Endowed Book fund, Arts and Culture fund, Transit Grants fund, Jefferson Square TIF fund, Whittier Trust fund and Rescue Squad Trust 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 was one budget amendment made during the year. Total budgeted revenues and expenditures remained constant, however there was an increase in budgeted transfers out of \$576,603. Overall, the General fund budgeted for a decrease in fund balance of \$311,400 after transfers.

B. Excess of expenditures over appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special revenue	\$ 66,601	\$ 280,601	\$ 214,000
Community Resource Center	2,000	2,059	59
L.J. Gustafson	100,000	110,668	10,668
Community Development Block Grant			

These over expenditures were funded by excess revenues over budget 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, 2015:

Fund	Amount
Nonmajor	
Special Revenue	
Transit Grants	\$ 19,217
Capital Projects	
2016 Capital Project	282,182
2014 Capital Project	12,834

The above deficits will be eliminated through transfers from other funds and 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, bonds, or irrevocable standby letters of credit from Federal Home Loan Bank.

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.

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 \$958,946 and the bank balance was \$1,532,920. The bank balance was covered by federal depository insurance totaling \$500,000. Of the remaining balance, \$1,032,920 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Investments

As of December 31, 2015, the City had the following investments that are insured or registered, or securities held by the city or its agent in the City's name:

Types of Investments	Credit Quality/Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments			
Broker Money Market Accounts	N/A	less than 6 months	\$ 46,201
4-M Fund	N/A	less than 6 months	10,663,358
Total pooled investments			10,709,559
Non-pooled investments			
Commercial paper	A-1+	less than 6 months	3,319,930
Municipal securities	AA+/AA1	1 to 3 years	251,995
Municipal securities	AAA/AA1	1 to 3 years	819,480
Municipal securities	AAA/AA1	more than 3 years	849,656
Municipal securities	AA+/AA1	more than 3 years	657,084
Municipal securities	AA+/AAA	less than 6 months	553,850
Federal Agency Securities	AA+/AAA	less than 1 year	2,685,583
Federal Agency Securities	AA+/AAA	1 to 3 years	4,978,197
Federal Agency Securities	AA+/AAA	more than 3 years	1,530,008
U.S. Government securities	AA+/AAA	1 to 3 years	5,255,853
Total non-pooled investments			20,901,636
Total investments			\$ 31,611,195

- (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.

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	\$ 958,946
Investments - city pooled account	31,611,195
Cash on hand	2,750
Total	\$ 32,572,891
Cash and investments - Primary Government	\$ 29,641,299
Restricted cash and investments - Primary Government	572,536
Cash and investments - Component unit - EDA	1,395,355
Cash and investments - Component unit - HRA	963,701
Total	\$ 32,572,891

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, 2015 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The Hospital had the following investments at December 31, 2015:

Deposits	\$ 4,406,278
Federal Home Loan Bank	13,226,273
Federal National Mortgage Association	6,924,355
Federal Home Loan Mortgage Corp	10,691,299
Federal Agricultural Mortgage Corp	1,048,868
Federal Farm Credit Bank	6,925,964
U.S. Treasury Notes	6,178,270
Certificate of Deposit	5,420,483
Total	\$ 54,821,790

• Federal Home Loan Bank: Consists of discount notes and notes with interest rates of 0.00 percent to 5.375 percent maturing from 2016 to 2023 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 3.0 percent maturing from 2018 to 2023 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 2016 to 2030 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 ranging from 0.0 percent to 5.125 percent maturing in 2016 to 2017 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 3.08 percent maturing in 2019 to 2025 and have AA+ ratings by Standard & Poor's.

• Certificates of Deposits (CD): Consists of deposits with interest rates ranging from 0.59 percent to 2.10 percent maturing in 2016 to 2020.

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, 2015, 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, 2015 the Hospital did not have any such arrangements.

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:

Cash and investments	\$ 2,479,334
Restricted assets	52,342,456
Total	<u>\$ 54,821,790</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, 2015, the allowance for uncollectible accounts was \$3,655,000.

Patient receivables

Patient receivables reported as current assets by the Hospital at December 31, 2015 consist of the following:

Receivable from patients and their insurance carriers	\$ 12,683,456
Receivable from Medicare	1,977,484
Receivables from Medicaid	935,334
Total patient receivable	15,596,274
Less: Allowance for doubtful accounts	<u>(3,655,000)</u>
Patient receivable, net	<u>\$ 11,941,274</u>

There are other accounts receivable in the amount of \$96,575 for 2015.

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, 2015 is \$103,835.

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, 2015 is \$415,094. There is an allowance for uncollectible accounts for \$71,038 on these loans.

The HRA - component unit accepted 15 properties from a land trust in 2009 which the HRA may collect proceeds from when the properties are sold. The balance of the receivable for December 31, 2015 is \$434,753. The allowance for this receivable is \$217,376.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for primary government for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary government				
Governmental activities				
Capital assets not being depreciated	\$ 1,465,130	\$ -	\$ -	\$ 1,465,130
Land	490,625	3,301,129	<u>(349,522)</u>	3,442,232
Construction in progress	1,955,755	3,301,129	<u>(349,522)</u>	4,907,362
Total capital assets not being depreciated	22,569,428	10,379	-	22,579,807
Buildings and improvements	67,369,297	384,767	<u>(23,600)</u>	67,730,464
Infrastructure	7,342,877	306,086	<u>(254,873)</u>	7,394,090
Machinery, equipment and vehicles	97,281,602	701,232	<u>(278,473)</u>	97,704,361
Total capital assets being depreciated	(9,463,360)	(650,399)	-	(10,113,759)
Less accumulated depreciation for Buildings and improvements	(36,335,561)	(2,305,302)	23,600	(38,617,263)
Infrastructure	(4,965,293)	(404,384)	254,873	(5,114,804)
Machinery, equipment and vehicles	(50,764,214)	(3,360,085)	278,473	(53,845,826)
Total accumulated depreciation	46,517,388	(2,658,853)	-	43,858,535
Total capital assets being depreciated, net	\$ 48,473,143	\$ 642,276	<u>\$ (349,522)</u>	\$ 48,765,897
Governmental activities capital assets, net				

CITY OF NORTFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	150,472	295,698	(149,171)	296,999
Total capital assets not being depreciated	1,069,026	295,698	(149,171)	1,215,553
Capital assets being depreciated				
Buildings and improvements	25,551,817	-	-	25,551,817
Infrastructure	23,519,635	758,187	-	24,277,822
Machinery, equipment, and vehicles	1,424,814	50,128	(14,628)	1,460,314
Total capital assets being depreciated	50,496,266	808,315	(14,628)	51,289,953
Less accumulated depreciation for				
Buildings and improvements	(9,527,781)	(1,348,257)	-	(10,876,038)
Infrastructure	(8,074,617)	(280,742)	-	(8,355,359)
Machinery, equipment, and vehicles	(957,688)	(76,622)	14,628	(1,019,682)
Total accumulated depreciation	(18,560,086)	(1,705,621)	14,628	(20,251,079)
Total capital assets being depreciated, net	31,936,180	(897,306)	-	31,038,874
Business-type activities capital assets, net	\$ 33,005,206	\$ (601,608)	\$ (149,171)	\$ 32,254,427

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

Governmental activities	
General government	\$ 142,495
Public safety	373,454
Streets and highways, including depreciation of general infrastructure assets	2,219,554
Culture and recreation	598,644
Miscellaneous	25,938
Total depreciation expense - governmental activities	\$ 3,360,085
Business-type activities	
Water	\$ 347,017
Sewer	1,136,606
Storm Sewer	220,075
Municipal Liquor Store	1,923
Total depreciation expense - business-type activities	\$ 1,705,621

CITY OF NORTFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Municipal Hospital				
Capital assets not being depreciated				
Land	\$ 3,694,360	\$ -	\$ -	\$ 3,694,360
Construction in progress	2,877,235	-	(1,560,362)	1,316,873
Total capital assets not being depreciated	6,571,595	-	(1,560,362)	5,011,233
Capital assets being depreciated				
Land improvements	386,681	355,731	-	742,412
Buildings and improvements	54,440,277	6,471,390	(5,432)	60,906,235
Machinery, equipment and vehicles	23,880,967	4,401,000	(326,142)	27,955,825
Total capital assets being depreciated	78,707,925	11,228,121	(331,574)	89,604,472
Less accumulated depreciation for				
Land improvements	(244,712)	(52,421)	-	(297,133)
Buildings and improvements	(23,436,450)	(2,709,379)	5,388	(26,140,441)
Machinery, equipment and vehicles	(20,040,651)	(2,029,561)	325,538	(21,744,674)
Total accumulated depreciation	(43,721,813)	(4,791,361)	330,926	(48,182,248)
Total capital assets being depreciated, net	34,986,112	6,436,760	(648)	41,422,224
Municipal Hospital capital assets, net	\$ 41,557,707	\$ 6,436,760	\$ (1,561,010)	\$ 46,433,457

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital asset activity for the HRA for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
HRA				
Capital assets not being depreciated	\$ 56,994	\$ -	\$ -	\$ 56,994
Land				
Capital assets being depreciated	250,532	36,123	-	286,655
Buildings and structures	(54,506)	(6,924)	-	(61,430)
Less accumulated depreciation for Buildings and structures				
Total capital assets being depreciated, net	196,026	29,199	-	225,225
HRA capital assets, net	\$ 253,020	\$ 29,199	\$ -	\$ 282,219

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

Discretely presented component units	\$ 4,791,361
Municipal Hospital	
HRA	\$ 6,924

Construction commitments

The City has active construction projects as of December 31, 2015. 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
Sixth Street Reconstruction	\$ 1,791,319	\$ 199,750
Riverview Drive Reclamation	564,191	35,011
Total	\$ 2,355,510	\$ 234,761

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2015 is as follows:

Primary government	Receivable Fund	Payable Fund	Amount
Governmental			
General		Debt Service	\$ 94,067
		Other nonmajor	230,173
Other nonmajor		Other nonmajor	17,007
Water		Storm Water	123,456
Total			\$ 464,703

Due to/from primary government and component units

Component unit	Receivable Fund	Payable Fund	Amount
Housing redevelopment authority		Primary government	\$ 14,000
		Debt service	

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, 2015 was \$103,000.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

	General Fund	Nonmajor Governmental Funds	Total
Transfer out			
General fund	\$ -	\$ 936,236	\$ 936,236
Nonmajor governmental funds	98,223	263,175	361,398
Municipal liquor fund	125,000	-	125,000
Total	\$ 223,223	\$ 1,199,411	\$ 1,422,634

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 2015:

- From the Liquor fund (\$125,000) to the General fund to transfer profits.
- From the General fund (\$576,603) to the Library Capital Project fund for the Library project.
- From the General fund (\$359,633) to the Park fund for various improvements including the East Cannon River Trail, Meadows Park, skateboard park and gazebo projects.
- From the Communication fund to the General fund (\$63,223) for the City Commons Newsletter and IT Services.
- From the Park fund (\$25,000) to the General fund for the 2014 bond.
- From Master Tax Increment fund (\$173,175) to the Park fund for the East Cannon River Trail project.
- From the Capital Reserve fund (\$90,000) to the Library Capital Project fund for the Library project.
- From the Community Resource fund (\$10,000) to the General fund to cover administrative costs.

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. Community Resource Center Refunding Bonds of 2007B	\$ 1,650,000	4.00 %	11/07/07	02/01/17	\$ 405,000
G.O. Bonds of 2012C	495,000	2.00	12/27/12	02/01/19	400,000
Total General Obligation Bonds					\$ 805,000

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

Year Ending December 31,	General Obligation Bonds		Total
	Principal	Interest	
2016	\$ 310,000	\$ 15,000	\$ 325,000
2017	295,000	8,900	303,900
2018	100,000	3,000	103,000
2019	100,000	1,000	101,000
Total	\$ 805,000	\$ 27,900	\$ 832,900

CITY OF NORTFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	\$ 80,000
G.O. Tax Increment Bonds Refunding Bonds of 2007D	960,000	4.45 - 5.75	11/07/07	02/01/22	585,000
Total General Obligation Tax Increment Bonds					<u>\$ 665,000</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	
	Principal	Interest
2016	\$ 81,000	\$ 35,258
2017	81,500	30,876
2018	81,500	26,351
2019	86,500	21,570
2020	97,000	16,354
2021 - 2025	225,000	19,732
2026 - 2027	12,500	964
Total	<u>\$ 665,000</u>	<u>\$ 151,105</u>

CITY OF NORTFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	\$ 730,000
G.O. Improvement Bonds of 2009A	2,750,000	2.00 - 3.00	12/28/09	02/01/20	580,000
G.O. Improvement Bonds of 2010A	1,417,900	0.65 - 3.60	12/28/10	02/01/21	919,348
G.O. Improvement Bonds of 2011A	1,160,000	0.50 - 2.85	07/14/11	02/01/22	840,000
G.O. Improvement Bonds of 2012A	965,000	0.50 - 2.15	07/12/12	02/01/23	765,000
G.O. Improvement Bonds of 2013A	830,000	2.00 - 3.50	08/08/13	02/01/24	750,000
G.O. Improvement Bonds of 2014A	1,205,000	2.00 - 2.50	09/03/14	02/01/25	1,205,000
G.O. Improvement Bonds of 2015A	1,595,000	2.00 - 2.15	11/03/15	02/01/26	1,925,000
Total G.O. Special Assessments Bonds					<u>\$ 7,714,348</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	
	Principal	Interest
2016	\$ 896,364	\$ 164,586
2017	1,145,938	150,956
2018	1,170,938	122,862
2019	925,512	97,531
2020	940,512	75,430
2021 - 2025	2,465,084	139,509
2026	170,000	1,827
Total	<u>\$ 7,714,348</u>	<u>\$ 752,701</u>

CITY OF NORTFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 1,845,000
Business-type					
G.O. Utility Revenue Bonds of 2007A	1,230,000	4.00	10/24/07	02/01/18	510,000
G.O. Utility Revenue Refunding Bonds of 2007C	2,185,000	4.00	11/07/07	02/01/20	805,000
G.O. Utility Revenue Bonds of 2009A	1,550,000	2.00 - 3.00	12/28/09	02/01/20	360,000
G.O. Utility Revenue Bonds of 2010A	887,100	0.65 - 6.30	12/28/10	02/01/26	665,652
G.O. Utility Revenue Bonds of 2011A	45,000	0.50 - 2.85	07/14/11	02/01/17	20,000
G.O. Revenue Refunding Bonds of 2012C	1,145,000	2.00	12/27/12	02/01/22	830,000
G.O. Revenue Refunding Bonds of 2013B	8,920,000	0.40 - 2.80	08/08/13	08/20/21	6,775,000
G.O. Revenue Refunding Bonds of 2015A	610,000	2.00	11/03/15	02/01/20	610,000
Total business-type					10,575,652
Total G.O. Revenue Bonds					\$ 12,420,652

CITY OF NORTFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 Governmental Activities		G.O. Revenue Bonds Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 185,000	\$ 40,413	\$ 225,413	\$ 212,826	\$ 2,621,462
2017	190,000	36,663	226,663	180,968	1,975,030
2018	195,000	32,813	227,813	145,972	1,975,034
2019	200,000	28,613	228,613	111,401	1,670,889
2020	205,000	24,056	229,056	79,273	1,428,761
2021 - 2025	870,000	44,498	914,498	72,093	1,647,009
2026	-	-	-	1,080	61,080
Total	\$ 1,845,000	\$ 207,056	\$ 2,052,056	\$ 803,613	\$ 11,379,265

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	\$ 2,097,055	\$ 4,260,147	\$ 764,429
Principal and interest	319,589	1,557,437	491,132
Percent of Revenue	15%	37%	64%

Current Refunding. On November 3, 2015 the City issued General Obligation Bonds of 2015A for \$2,535,000. A portion of the bonds (\$380,000) were to refund General Obligation Bonds of 2008B and (\$560,000) were to refund General Obligation Utility Revenue Refunding Bonds of 2007C. The bonds were issued with a net interest cost of 1.6869023 percent to refund the 2016 through 2020 maturities of the City's 2007C and 2008B bonds. The refunded bonds carried an average coupon rate of 4.00 and 4.00 percent respectively. It is estimated that the City will reduce its aggregate debt service payments by approximately \$23,362 over the 5 years and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$22,415.41.

CITY OF NORTHFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	\$ 5,835,000

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

Year Ending December 31,	Certificates of Participation		Total
	Principal	Interest	
2016	\$ 270,000	\$ 150,155	\$ 420,155
2017	270,000	146,915	416,915
2018	275,000	142,960	417,960
2019	280,000	137,960	417,960
2020	285,000	132,168	417,168
2021 - 2025	1,525,000	555,268	2,080,268
2026 - 2030	1,750,000	332,460	2,082,460
2031 - 2033	1,180,000	56,805	1,236,805
Total	\$ 5,835,000	\$ 1,654,691	\$ 7,489,691

CITY OF NORTHFIELD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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	7.13 %	08/01/08	08/01/26	\$ 1,487,176

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

Year Ending December 31,	Notes payable		Total
	Principal	Interest	
2016	\$ 119,003	\$ 55,706	\$ 174,709
2017	123,641	51,068	174,709
2018	128,460	46,249	174,709
2019	133,466	41,243	174,709
2020	138,668	36,041	174,709
2021 - 2025	778,741	94,805	873,546
2026	65,197	1,269	66,466
Total	\$ 1,487,176	\$ 326,381	\$ 1,813,557

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	\$ 1,787,723
Business-type					
Capital lease payable - Energy Improvements	204,170	3.88	03/28/08	08/01/23	<u>198,592</u>
Total capital leases					<u>\$ 1,986,315</u>

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

Year-Ending December 31,	Capital Leases			Total
	Business-type Activities	Governmental Activities	Interest	
2016	\$ 21,669	\$ 7,495	\$ 29,164	\$ 262,061
2017	22,517	6,649	29,166	262,061
2018	23,399	5,769	29,168	262,061
2019	24,315	4,854	29,169	262,061
2020	25,267	3,905	29,172	262,062
2021 - 2023	81,425	5,636	87,061	786,184
Total	<u>\$ 198,592</u>	<u>\$ 34,308</u>	<u>\$ 232,900</u>	<u>\$ 2,096,490</u>

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 1,100,000	\$ -	\$ (295,000)	\$ 805,000	\$ 310,000
General obligation bonds	7,400,712	1,925,000	(1,611,364)	7,714,348	896,364
General obligation special assessment bonds	741,000	-	(76,000)	665,000	81,000
General obligation revenue bonds	4,155,000	-	(2,310,000)	1,845,000	185,000
Plus amounts for unamortized premiums	160,219	35,574	(14,318)	181,475	-
Less amounts for unamortized discounts	(35,325)	-	1,963	(33,362)	-
Total bonds payable	13,521,606	1,960,574	(4,304,719)	11,177,461	1,472,364
Certificates of participation	6,100,000	-	(265,000)	5,835,000	270,000
Capital leases payable	1,974,993	-	(187,270)	1,787,723	194,602
Notes payable	1,587,157	-	(99,981)	1,487,176	119,003
Other post-employment benefit liability	203,113	9,026	-	212,139	-
Pension liability	-	2,888,197 *	(226,015)	2,662,182	-
GERF	-	2,218,027 *	(263,705)	1,954,322	-
PEPPF	-	-	-	-	-
Compensated absences payable	698,089	446,634	(419,582)	725,141	271,703
Governmental activity long-term liabilities	<u>\$ 24,084,958</u>	<u>\$ 7,572,458</u>	<u>\$ (5,766,273)</u>	<u>\$ 25,891,144</u>	<u>\$ 2,327,672</u>

* Includes January 1, 2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 4 for further detail.

CITY OF NORTFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 12,049,288	\$ 610,000	\$ (2,083,636)	\$ 10,575,652	\$ 2,408,636
Capital leases payable	219,444	-	(20,852)	198,592	21,669
Plus amounts for unamortized premiums	44,035	15,298	(6,289)	53,044	-
Total bonds payable	12,312,767	625,298	(2,110,777)	10,827,288	2,430,305
Other post-employment benefit liability	43,742	2,117	-	45,859	-
Pension liability	-	-	(107,030)	839,112	-
GERF	-	946,142 *	-	-	-
Compensated absences payable	151,871	72,629	(73,387)	151,113	50,762
Business-type activity long-term liabilities	\$ 12,508,380	\$ 1,646,186	\$ (2,291,194)	\$ 11,863,372	\$ 2,481,067

* Includes January 1, 2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 4 for further detail.

In the coming years, the other post-employment 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, 2015, the total conduit debt issued for issues outstanding totaled \$16,620,847.

CITY OF NORTFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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. 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 2006	\$ 31,930,000	5.00 - 5.50 %	08/01/06	11/01/31	\$ 24,865,000
Hospital Revenue Bonds of 2015	8,405,000	2.98	12/29/15	11/01/25	8,405,000
					<u>\$ 33,270,000</u>

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

Year Ending December 31,	Revenue Bonds	
	Component Unit - Municipal Hospital	Total
2016	\$ 1,465,000	\$ 1,545,928
2017	1,550,000	1,516,795
2018	1,625,000	1,443,389
2019	1,695,000	1,366,236
2020	1,765,000	1,288,485
2021 - 2025	13,400,000	5,128,191
2026 - 2030	9,600,000	2,184,669
2031	2,170,000	116,638
Total	\$ 33,270,000	\$ 47,860,331

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	\$ 91,133,588
Principal and interest	2,412,036
Percent of revenue	3%

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities- Municipal Hospital					
Bonds payable	\$ 25,830,000	\$ 8,405,000	\$ (965,000)	\$ 33,270,000	\$ 1,465,000
Revenue bonds	662,526	-	(39,358)	623,168	-
Bond premium	-	-	-	-	-
Pension liability	-	30,825,624 *	-	30,825,624	-
GERF	-	-	-	-	-
Component unit long-term liabilities	\$ 26,492,526	\$ 39,230,624	\$ (1,004,358)	\$ 64,718,792	\$ 1,465,000
Component unit activities - EDA					
Pension liability	-	46,666 *	(12,613)	34,053	-
GERF	-	-	-	-	-
Component unit activities - HRA					
Pension liability	-	55,985 *	(20,570)	35,409	-
GERF	-	-	-	-	-

* Includes 1/1/15 pension liability balance related to GASB Statement No. 68 implementation. See Note 4 for further detail.

Note 4: DEFINED BENEFIT PENSION PLAN - 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 is 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 unretired 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 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 2015. 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 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$304,456, \$285,990 and \$274,895, 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 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$265,741, \$237,442 and \$216,670, 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, 2015, the City reported a liability of \$3,570,756 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0689 percent which was an decrease of 0.0039 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$334,821 for its proportionate share of GERF's pension expense.

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Primary Government	Municipal Hospital
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,308	\$ 176,525
Changes in actuarial assumptions	216,210	-
Net difference between projected and actual earnings on plan investments	-	311,680
Changes in proportion	-	155,179
Contributions to GERF subsequent to the measurement date	149,933	-
Total	\$ 400,451	\$ 643,384

Deferred outflows of resources totaling \$149,932 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (116,824)
2017	(116,824)
2018	(242,083)
2019	82,865
2020	-
Thereafter	-

At December 31, 2015, the City's component units reported their proportionate share of GERF'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	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 334	\$ 1,717	\$ 347	\$ 1,785	\$ 284,284	\$ 1,554,137
Changes in actuarial assumptions	2,103	-	2,187	-	1,909,064	-
Net difference between projected and actual earnings on plan investments	-	3,031	-	3,152	-	2,712,565
Changes in proportion	-	1,510	-	1,570	116,265	-
Contributions to GERF subsequent to the measurement date	1,458	-	1,516	-	1,438,809	-
Total	\$ 3,895	\$ 6,258	\$ 4,050	\$ 6,507	\$ 3,788,420	\$ 4,266,702

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Deferred outflows of resources totaling \$1,458, \$1,516 and \$1,438,809, 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, 2016. 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
2016	\$ (1,136)	\$ (1,181)	\$ (530,078)
2017	(1,136)	(1,181)	(530,078)
2018	(2,354)	(2,448)	(1,626,752)
2019	805	837	729,817
2020	-	-	-
Thereafter	-	-	-

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$1,954,322 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.1720 percent which was an increase of 0.001 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$183,847 for its proportionate share of PEPFF's pension expense. The City also recognized \$15,480 for the year ended December 31, 2015, 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, 2015, 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:

Differences between expected and actual experience	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 2,067	\$ 316,927
Net difference between projected and actual earnings on plan investments	371,469	-
Changes in proportion	11,178	406,971
Contributions to PEPFF subsequent to the measurement date	142,717	-
Total	\$ 527,431	\$ 723,898

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Deferred outflows of resources totaling \$142,717 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2016	\$ (131,797)
2017	(131,797)
2018	(131,797)
2019	117,362
2020	(61,155)
Thereafter	-

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability rates were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERP and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

Note 5: DEFINED CONTRIBUTION PLAN

There are 7 City Council members, of the City, 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.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353A.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.

The City's contributions to the PEDCP for the years ended December 31, 2015, 2014 and 2013 were \$2,001, \$1,801 and \$1,789 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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 2015, the City did not contribute to the plan.

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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:

GERF	City Proportionate Share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
Primary government	\$ 5,505,277	\$ 3,501,294	\$ 1,846,310
Component Unit - EDA	53,544	34,053	17,957
Component Unit - HRA	55,676	35,409	18,672
Component Unit - Municipal Hospital	48,468,836	30,825,624	16,255,059
PEPPF - Primary government	3,808,995	1,954,322	422,040

H. Pension plan fiduciary net position

Detailed information about each defined benefit 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

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	Primary
Interest on net OPEB obligation	Government
Adjustment to annual required contribution	
Annual OPEB cost (expense)	\$ 78,589
	2,469
	<u>(9,518)</u>
Contributions made	71,540
Increase in net OPEB obligation	<u>(60,397)</u>
	11,143
Net OPEB obligation - beginning of year	246,855
NET OPEB obligation - end of year	<u>\$ 257,998</u>

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 was as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Annual OPEB Contributed	Percentage
12/31/15	\$ 71,540	84.4	%
12/31/14	72,080	73.7	
12/31/13	44,200	15.9	
			Net OPEB Obligation
	\$ 257,998		246,855
			<u>227,921</u>

D. Funded status and funding progress

As of December 31, 2015 the City's actuarial accrued liability for benefits was \$1,152,223, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$6,001,282, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.2 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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1.0 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 3.5 percent. The initial healthcare trend rate was 8 percent, reduced by decrements to an ultimate rate of 3 percent after five 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, 2014, was twenty-seven years.

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 January 2017. 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, 2015, that has initial or remaining lease terms in excess of one year.

Year Ending December 31,	Amount
2016	\$ 107,750
2017	4,111
Total	\$ 111,861

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, 2015 were \$4,076,702 and are included with Accrued Payroll and Benefits.

Estimates of amounts incurred but not reported at December 31, 2015 and 2014 are as follows:

	2015	2014
Beginning IBNR	\$ 1,641,027	\$ 1,928,670
Claims Paid	(4,632,063)	(5,382,987)
Claims Incurred	4,923,177	5,095,344
Ending IBNR	\$ 1,932,141	\$ 1,641,027

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 2014 and 2013, 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 2015. For 2015, the payment was \$47,341.

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. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

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.

B. Medicaid

The State of Minnesota uses a Minimum Data Set (MDS)-based resident assessment system. As a result, Medicaid and private paying residents are classified into one of 34 Resource Utilization Groups (RUG) for purposes of establishing payment rates.

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 Medicaid services are reimbursed on the Medicaid fee schedule.

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 decreased for the year ended December 31, 2015 by approximately \$57,960 and by \$287,832 for the year ended December 31, 2014 due to changes in estimated settlement amounts.

Note 8: NET PATIENT SERVICE REVENUE - CONTINUED

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

	2015	2014	2013	2012
Total patient and resident revenues	\$ 197,986,591	\$ 184,457,734	\$ 167,383,968	\$ 151,805,103
Contractual adjustments				
Medicare	(40,566,304)	(37,955,709)	(32,670,590)	(28,584,366)
Medicaid	(16,073,204)	(13,153,203)	(9,685,091)	(8,998,778)
Commercial / HMO's	(44,623,528)	(41,095,947)	(38,523,851)	(33,819,978)
Provision of bad debts	(1,594,122)	(1,994,555)	(2,432,402)	(1,877,497)
Other	(5,143,774)	(4,569,104)	(4,648,145)	(4,386,972)
Total contractual adjustments	(108,000,932)	(98,768,518)	(87,960,079)	(77,667,591)
Net patient and resident revenues	\$ 89,985,659	\$ 85,689,216	\$ 79,423,889	\$ 74,137,512

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 reimburse 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, 2015.

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 general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments. Currently, the City's general obligation debt outstanding of \$805,000 is below this limit.

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 2015 was \$2,871,694 for LGA. This accounted for 26 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 \$209,185 were received in the fiscal years ending December 31, 2015. 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.

Note 9: OTHER INFORMATION - CONTINUED

H. Joint powers agreement

The cities of Northfield and Dundas, Minnesota and the townships of Bridgewater, Northfield, Webster, Forest, Waterford, Scotia 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.

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, 2015 was \$367,239. The City's portion of this is recorded as an investment in joint venture in the amount of \$265,220 at year end.

CITY OF NORTFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 10: CHANGE IN ACCOUNTING STANDARDS

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015	
	Net Position January 1, 2015 as Previously Reported	Net Position January 1, 2015 as Restated
Governmental activities	\$ 47,576,140	\$ (5,042,170) <u>\$ 42,533,970</u>
Business-type activities	\$ 30,693,701	\$ (899,959) <u>\$ 29,793,742</u>
Business-type activities		
Water	\$ 10,414,455	\$ (244,028) <u>\$ 10,170,427</u>
Wastewater	14,858,852	(248,307) <u>14,610,545</u>
Garbage	564,875	(9,618) <u>555,257</u>
Storm Water	3,582,019	(107,075) <u>3,474,944</u>
Municipal Liquor Store	1,316,699	(290,931) <u>1,025,768</u>
Interfund eliminations	(43,199)	-
Total business-type activities	\$ 30,693,701	\$ (899,959) <u>\$ 29,793,742</u>
Internal service funds		
Information technology	\$ 311,049	\$ (162,843) <u>\$ 148,206</u>
Insurance	644,812	(15,744) <u>629,068</u>
Total internal service funds	\$ 955,861	\$ (178,587) <u>\$ 777,274</u>
Component unit - EDA	\$ 1,716,913	\$ (43,050) <u>\$ 1,673,863</u>
Component unit - HRA	\$ 1,659,614	\$ (54,847) <u>\$ 1,604,767</u>
Component unit - Municipal hospital	\$ 67,110,490	\$ (30,839,558) <u>\$ 36,270,932</u>

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

Note 11: SUBSEQUENT EVENT

On May 17, 2016, the City approved the issuance of a \$987,500 Taxable Tax Increment Revenue Note, series 2016

CITY OF NORTHFIELD, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Required Supplementary Information							
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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.6637 %	\$ 34,396,380	\$ -	\$ 34,396,380	\$ 44,097,901	78.0 %	78.2 %

Schedule of employer's PERA contributions - General Employees Retirement Fund

Required Supplementary Information					
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)
12/31/15	\$ 3,182,075	\$ 3,182,075	\$ -	\$ 44,176,501	7.2 %

CITY OF NORTHFIELD, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund

Required Supplementary Information							
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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.1720 %	\$ 1,954,322	-	\$ 1,954,322	\$ 1,536,019	127.2 %	86.6 %

Schedule of employer's PERA contributions - Public Employees Police and Fire Fund

Required Supplementary Information					
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)
12/31/15	\$ 265,741	\$ 265,741	-	\$ 1,640,377	16.2 %

Schedule of funding progress for other post-employment benefit plan

Required Supplementary Information						
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)
01/01/14	-	\$ 1,152,223	\$ 1,152,223	-	\$ 6,001,282	19.2 %
01/01/11	-	381,772	381,772	-	4,830,240	7.9
01/01/08	-	420,171	420,171	-	4,830,240	8.7

CITY OF NORTHFIELD, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 2,457,127	\$ 5,044,917	\$ 7,502,044
Restricted cash	-	572,536	572,536
Receivables			
Interest	9,608	11,037	20,645
Delinquent taxes	7,315	-	7,315
Accounts	58,187	-	58,187
Notes, net of allowances	103,835	-	103,835
Special assessments	-	204,659	204,659
Intergovernmental	18,332	436,566	454,898
Due from other funds	-	17,007	17,007
Advance to other funds	103,000	-	103,000
Prepaid items	2,731	-	2,731
Land held for resale	-	180,983	180,983
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,760,135</u>	<u>\$ 6,467,705</u>	<u>\$ 9,227,840</u>
LIABILITIES			
Accounts payable	\$ 6,545	\$ 531,591	\$ 538,136
Accrued wages payable	4,926	-	4,926
Due to other funds	29,613	217,567	247,180
Due to other governments	768	-	768
Deposits payable	-	64,749	64,749
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>41,852</u>	<u>813,907</u>	<u>855,759</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	7,315	-	7,315
Unavailable revenue - special assessments	-	204,659	204,659
Unavailable revenue - intergovernmental	-	436,566	436,566
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,315</u>	<u>641,225</u>	<u>648,540</u>
FUND BALANCES			
Nonspendable			
Prepaid items	2,731	-	2,731
Restricted			
Library	333,924	-	333,924
Arts and culture	9,040	-	9,040
Redevelopment and housing	1,282,001	-	1,282,001
Recreational activities	346,165	-	346,165
Rescue squad	10,453	-	10,453
Capital projects	-	1,474,280	1,474,280
Committed			
Community resource center operations	46,056	-	46,056
Assigned			
Community resource center operations	137,189	-	137,189
Motor vehicle operations	167,850	-	167,850
Communications	394,776	-	394,776
Capital projects	-	3,833,309	3,833,309
Unassigned	(19,217)	(295,016)	(314,233)
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>2,710,968</u>	<u>5,012,573</u>	<u>7,723,541</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,760,135</u>	<u>\$ 6,467,705</u>	<u>\$ 9,227,840</u>

CITY OF NORTHFIELD, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 192,425	\$ 380,075	\$ 572,500
Tax increment	7,633	-	7,633
Franchise fees	194,015	-	194,015
Intergovernmental			
Federal	125,266	-	125,266
Charges for services			
General government	211,885	-	211,885
Culture and recreation	-	7,551	7,551
Communication	29,597	-	29,597
Special assessments	-	245,707	245,707
Investment earnings	13,499	20,929	34,428
Miscellaneous			
Other	-	1,300	1,300
Contributions and donations	22,465	858,673	881,138
Refunds and reimbursements	56,600	-	56,600
TOTAL REVENUES	853,385	1,514,235	2,367,620
EXPENDITURES			
Current			
General government	288,299	-	288,299
Public safety	-	167,633	167,633
Culture and recreation	249,657	28,973	278,630
Housing and economic development	125,427	-	125,427
Capital outlay			
General government	16,521	-	16,521
Public safety	-	93,856	93,856
Public works	-	2,178,718	2,178,718
Culture and recreation	-	1,303,838	1,303,838
Housing and economic development	79,010	-	79,010
Debt service			
Principal	40,534	-	40,534
Interest and other charges	16,067	-	16,067
Issuance fees	-	33,736	33,736
TOTAL EXPENDITURES	815,515	3,806,754	4,622,269
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,870	(2,292,519)	(2,254,649)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,199,411	1,199,411
Debt issued	-	1,595,000	1,595,000
Transfers out	(246,398)	(115,000)	(361,398)
Bond premiums	-	27,004	27,004
TOTAL OTHER FINANCING SOURCES (USES)	(246,398)	2,706,415	2,460,017
NET CHANGE IN FUND BALANCES	(208,528)	413,896	205,368
FUND BALANCES, JANUARY 1	2,919,496	4,598,677	7,518,173
FUND BALANCES, DECEMBER 31	\$ 2,710,968	\$ 5,012,573	\$ 7,723,541

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.

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.

CITY OF NORTHFIELD, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED ON THE FOLLOWING PAGES
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	211 Community Resource Center	215 Motor Vehicle Fund	229 Communication Fund	240 Library Gift Fund	241 G.W. Bunday Fund
ASSETS					
Cash and temporary investments	\$ 182,514	\$ 172,198	\$ 336,846	\$ 78,653	\$ 25,406
Receivables					
Interest	731	650	1,245	305	-
Delinquent taxes	-	-	-	-	-
Accounts	-	-	58,187	-	-
Notes	-	-	-	-	-
Intergovernmental	-	-	1	-	-
Advance to other funds	-	-	-	-	-
Prepaid items	-	2,731	-	-	-
TOTAL ASSETS	\$ 183,245	\$ 175,579	\$ 396,279	\$ 78,958	\$ 25,406
LIABILITIES					
Accounts payable	\$ -	\$ 72	\$ 1,503	\$ 1,045	\$ -
Accrued wages payable	-	4,926	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	768	-
TOTAL LIABILITIES	-	4,998	1,503	1,813	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	-	-	-	-	-
FUND BALANCES					
Nonspendable					
Prepaid items	-	2,731	-	-	-
Restricted					
Library	-	-	-	77,145	25,406
Arts and culture	-	-	-	-	-
Redevelopment and housing	-	-	-	-	-
Recreational activities	-	-	-	-	-
Rescue squad	-	-	-	-	-
Committed					
Community resource center operations	46,056	-	-	-	-
Assigned					
Community resource center operations	137,189	-	-	-	-
Motor vehicle operations	-	167,850	-	-	-
Communications	-	-	394,776	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	183,245	170,581	394,776	77,145	25,406
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 183,245	\$ 175,579	\$ 396,279	\$ 78,958	\$ 25,406

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	271 Jefferson Square TIF Fund
\$ 140,654	\$ 35,767	\$ 44,363	\$ 12,018	\$ 9,159	\$ -	\$ 3,084	\$ 11,358
550	141	174	47	31	-	12	45
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	18,331	-	-
-	-	-	-	-	-	-	-
<u>\$ 141,204</u>	<u>\$ 35,908</u>	<u>\$ 44,537</u>	<u>\$ 12,065</u>	<u>\$ 9,190</u>	<u>\$ 18,331</u>	<u>\$ 3,096</u>	<u>\$ 11,403</u>
\$ 1,009	\$ 1,302	\$ -	\$ 30	\$ 150	\$ 1,434	\$ -	\$ -
-	-	-	-	-	7,300	22,313	-
-	-	-	-	-	-	-	-
<u>1,009</u>	<u>1,302</u>	<u>-</u>	<u>30</u>	<u>150</u>	<u>8,734</u>	<u>22,313</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
140,195	34,606	44,537	12,035	9,040	-	-	-
-	-	-	-	-	9,597	-	11,403
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(19,217)	-
<u>140,195</u>	<u>34,606</u>	<u>44,537</u>	<u>12,035</u>	<u>9,040</u>	<u>9,597</u>	<u>(19,217)</u>	<u>11,403</u>
<u>\$ 141,204</u>	<u>\$ 35,908</u>	<u>\$ 44,537</u>	<u>\$ 12,065</u>	<u>\$ 9,190</u>	<u>\$ 18,331</u>	<u>\$ 3,096</u>	<u>\$ 11,403</u>

CITY OF NORTHFIELD, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	270 Master Development TIF Fund	851 Whittier Trust Fund	853 Rescue Squad Trust Fund	Total Nonmajor
ASSETS				
Cash and temporary investments	\$ 1,049,880	\$ 344,815	\$ 10,412	\$ 2,457,127
Receivables				
Interest	4,286	1,350	41	9,608
Delinquent taxes	7,315	-	-	7,315
Accounts	-	-	-	58,187
Notes	103,835	-	-	103,835
Intergovernmental	-	-	-	18,332
Advance to other funds	103,000	-	-	103,000
Prepaid items	-	-	-	2,731
	<u>\$ 1,268,316</u>	<u>\$ 346,165</u>	<u>\$ 10,453</u>	<u>\$ 2,760,135</u>
TOTAL ASSETS				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,545
Accrued wages payable	-	-	-	4,926
Due to other funds	-	-	-	29,613
Due to other governments	-	-	-	768
	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,852</u>
TOTAL LIABILITIES				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	7,315	-	-	7,315
	<u>7,315</u>	<u>-</u>	<u>-</u>	<u>7,315</u>
FUND BALANCES				
Nonspendable				
Prepaid items	-	-	-	2,731
Restricted				
Library	-	-	-	333,924
Arts and culture	-	-	-	9,040
Redevelopment and housing	1,261,001	-	-	1,282,001
Recreational activities	-	346,165	-	346,165
Rescue squad	-	-	10,453	10,453
Committed				
Community resource center operations	-	-	-	46,056
Assigned				
Community resource center operations	-	-	-	137,189
Motor vehicle operations	-	-	-	167,850
Communications	-	-	-	394,776
Unassigned	-	-	-	(19,217)
	<u>1,261,001</u>	<u>346,165</u>	<u>10,453</u>	<u>2,710,968</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 1,268,316</u>	<u>\$ 346,165</u>	<u>\$ 10,453</u>	<u>\$ 2,760,135</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, 2015

	211 Community Resource Center	215 Motor Vehicle Fund	229 Communication Fund	240 Library Gift Fund	241 G.W. Bunday Fund
REVENUES					
Taxes					
Property taxes	\$ 189,472	\$ -	\$ -	\$ -	\$ -
Tax increment	-	-	-	-	-
Franchise fees	-	-	194,015	-	-
Intergovernmental					
Federal	-	-	-	-	-
Charges for services					
General government	-	211,885	-	-	-
Communication	-	-	29,597	-	-
Investment earnings	769	908	1,684	418	38
Miscellaneous					
Contributions and donations	-	-	-	11,315	-
Other	56,600	-	-	-	-
TOTAL REVENUES	246,841	212,793	225,296	11,733	38
EXPENDITURES					
Current					
General government	-	187,913	100,386	-	-
Culture and recreation	224,000	-	-	8,307	240
Housing and economic development	-	-	-	-	-
Capital outlay					
General government	-	-	16,521	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Principal	40,534	-	-	-	-
Interest and other charges	16,067	-	-	-	-
TOTAL EXPENDITURES	280,601	187,913	116,907	8,307	240
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(33,760)	24,880	108,389	3,426	(202)
OTHER FINANCING SOURCES (USES)					
Transfers out	(10,000)	-	(63,223)	-	-
NET CHANGE IN FUND BALANCES	(43,760)	24,880	45,166	3,426	(202)
FUND BALANCES, JANUARY 1	227,005	145,701	349,610	73,719	25,608
FUND BALANCES, DECEMBER 31	<u>\$ 183,245</u>	<u>\$ 170,581</u>	<u>\$ 394,776</u>	<u>\$ 77,145</u>	<u>\$ 25,406</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	271 Jefferson Square TIF Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,953
-	-	-	-	-	-	-	-
-	-	-	-	-	125,266	-	-
-	-	-	-	-	-	-	-
765	196	242	64	42	-	17	65
-	-	-	350	10,800	-	-	-
<u>765</u>	<u>196</u>	<u>242</u>	<u>414</u>	<u>10,842</u>	<u>125,266</u>	<u>17</u>	<u>3,018</u>
-	-	-	-	-	-	-	-
2,182	2,059	-	150	5,919	110,668	-	2,655
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,182</u>	<u>2,059</u>	<u>-</u>	<u>150</u>	<u>5,919</u>	<u>110,668</u>	<u>-</u>	<u>2,655</u>
(1,417)	(1,863)	242	264	4,923	14,598	17	363
-	-	-	-	-	-	-	-
(1,417)	(1,863)	242	264	4,923	14,598	17	363
<u>141,612</u>	<u>36,469</u>	<u>44,295</u>	<u>11,771</u>	<u>4,117</u>	<u>(5,001)</u>	<u>(19,234)</u>	<u>11,040</u>
<u>\$ 140,195</u>	<u>\$ 34,606</u>	<u>\$ 44,537</u>	<u>\$ 12,035</u>	<u>\$ 9,040</u>	<u>\$ 9,597</u>	<u>\$ (19,217)</u>	<u>\$ 11,403</u>

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, 2015

	270 Master Development TIF Fund	851 Whittier Trust Fund	853 Rescue Squad Trust Fund	Total Nonmajor Special Revenue
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 192,425
Tax increment	7,633	-	-	7,633
Franchise fees	-	-	-	194,015
Intergovernmental				
Federal	-	-	-	125,266
Charges for services				
General government	-	-	-	211,885
Communication	-	-	-	29,597
Investment earnings	6,362	1,872	57	13,499
Miscellaneous				
Contributions and donations	-	-	-	22,465
Other	-	-	-	56,600
TOTAL REVENUES	13,995	1,872	57	853,385
EXPENDITURES				
Current				
General government	-	-	-	288,299
Culture and recreation	-	6,800	-	249,657
Housing and economic development	12,104	-	-	125,427
Capital outlay				
General government	-	-	-	16,521
Housing and economic development	79,010	-	-	79,010
Debt service				
Principal	-	-	-	40,534
Interest and other charges	-	-	-	16,067
TOTAL EXPENDITURES	91,114	6,800	-	815,515
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(77,119)	(4,928)	57	37,870
OTHER FINANCING SOURCES (USES)				
Transfers out	(173,175)	-	-	(246,398)
NET CHANGE IN FUND BALANCES	(250,294)	(4,928)	57	(208,528)
FUND BALANCES, JANUARY 1	1,511,295	351,093	10,396	2,919,496
FUND BALANCES, DECEMBER 31	\$ 1,261,001	\$ 346,165	\$ 10,453	\$ 2,710,968

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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	Final Budget	2015 Actual Amounts	Variance with Final Budget	2014 Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 189,475	\$ 189,472	\$ (3)	\$ 189,472
Investment earnings	4,800	769	(4,031)	4,648
Miscellaneous				
Rents	-	-	-	106,831
Other	56,603	56,600	(3)	28,549
TOTAL REVENUES	250,878	246,841	(4,037)	329,500
EXPENDITURES				
Current				
Culture and recreation				
Personal services	-	-	-	18,522
Supplies	-	-	-	23,349
Other services and charges	10,000	224,000	(214,000)	284,851
Capital outlay				
Culture and recreation	-	-	-	10,560
Debt service				
Principal	39,008	40,534	(1,526)	37,274
Interest and other charges	17,593	16,067	1,526	19,327
TOTAL EXPENDITURES	66,601	280,601	(214,000)	393,883
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	184,277	(33,760)	(218,037)	(64,383)
OTHER FINANCING SOURCES (USES)				
Transfers out	(184,000)	(10,000)	174,000	(2,060)
NET CHANGE IN FUND BALANCES	277	(43,760)	(44,037)	(66,443)
FUND BALANCES, JANUARY 1	227,005	227,005	-	293,448
FUND BALANCES, DECEMBER 31	\$ 227,282	\$ 183,245	\$ (44,037)	\$ 227,005

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, 2015
 With Comparative Actual Amounts for Year Ended December 31, 2014

	2015		Variance with Final Budget	2014
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Charges for services				
General government	\$ 201,000	\$ 211,885	\$ 10,885	\$ 207,474
Investment earnings	1,200	908	(292)	2,942
Miscellaneous				
Other	-	-	-	135
	<u>202,200</u>	<u>212,793</u>	<u>10,593</u>	<u>210,551</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government				
Personal services	174,550	169,614	4,936	149,797
Supplies	2,335	862	1,473	9,571
Other services and charges	<u>18,379</u>	<u>17,437</u>	<u>942</u>	<u>15,003</u>
	<u>195,264</u>	<u>187,913</u>	<u>7,351</u>	<u>174,371</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,936	24,880	17,944	36,180
OTHER FINANCING SOURCES (USES)				
Transfer out	-	-	-	<u>(10,987)</u>
NET CHANGE IN FUND BALANCES	6,936	24,880	17,944	25,193
FUND BALANCES, JANUARY 1	<u>145,701</u>	<u>145,701</u>	<u>-</u>	<u>120,508</u>
FUND BALANCES, DECEMBER 31	<u>\$ 152,637</u>	<u>\$ 170,581</u>	<u>\$ 17,944</u>	<u>\$ 145,701</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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Franchise fees	\$ 169,000	\$ 194,015	\$ 25,015	\$ 195,174
Charges for service	30,000	29,597	(403)	30,815
Investment earnings	15,000	1,684	(13,316)	4,879
TOTAL REVENUES	<u>214,000</u>	<u>225,296</u>	<u>11,296</u>	<u>230,868</u>
EXPENDITURES				
Current				
General government				
Personal services	3,991	3,184	807	3,708
Supplies	4,500	-	4,500	260
Other services and charges	87,466	97,202	(9,736)	99,141
TOTAL EXPENDITURES	<u>120,957</u>	<u>116,907</u>	<u>4,050</u>	<u>103,109</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	93,043	108,389	15,346	127,759
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(63,223)</u>	<u>(63,223)</u>	<u>-</u>	<u>(113,223)</u>
NET CHANGE IN FUND BALANCES	29,820	45,166	15,346	14,536
FUND BALANCES, JANUARY 1	<u>349,610</u>	<u>349,610</u>	<u>-</u>	<u>335,074</u>
FUND BALANCES, DECEMBER 31	<u>\$ 379,430</u>	<u>\$ 394,776</u>	<u>\$ 15,346</u>	<u>\$ 349,610</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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings (loss)	\$ 2,500	\$ 418	\$ (2,082)	\$ 1,605
Contributions and donations	10,000	11,315	1,315	17,617
TOTAL REVENUES	12,500	11,733	(767)	19,222
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	15,000	8,307	6,693	17,190
NET CHANGE IN FUND BALANCES	(2,500)	3,426	5,926	2,032
FUND BALANCES, JANUARY 1	73,719	73,719	-	71,687
FUND BALANCES, DECEMBER 31	\$ 71,219	\$ 77,145	\$ 5,926	\$ 73,719

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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 8,000	\$ 38	\$ (7,962)	\$ 6,196
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	8,000	240	7,760	8,555
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(202)	(202)	(2,359)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(300,000)
NET CHANGE IN FUND BALANCES	-	(202)	(202)	(302,359)
FUND BALANCES, JANUARY 1	25,608	25,608	-	327,967
FUND BALANCES, DECEMBER 31	\$ 25,608	\$ 25,406	\$ (202)	\$ 25,608

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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 3,500	\$ 765	\$ (2,735)	\$ 3,106
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	3,500	2,182	1,318	3,124
NET CHANGE IN FUND BALANCES	-	(1,417)	(1,417)	(18)
FUND BALANCES, JANUARY 1	141,612	141,612	-	141,630
FUND BALANCES, DECEMBER 31	\$ 141,612	\$ 140,195	\$ (1,417)	\$ 141,612

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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 2,000	\$ 196	\$ (1,804)	\$ 813
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	2,000	2,059	(59)	1,309
NET CHANGE IN FUND BALANCES	-	(1,863)	(1,863)	(496)
FUND BALANCES, JANUARY 1	36,469	36,469	-	36,965
FUND BALANCES, DECEMBER 31	<u>\$ 36,469</u>	<u>\$ 34,606</u>	<u>\$ (1,863)</u>	<u>\$ 36,469</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, 2015
 With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 1,200	\$ 242	\$ (958)	\$ 951
EXPENDITURES				
Current				
Miscellaneous				
Other services and charges	1,200	-	1,200	-
NET CHANGE IN FUND BALANCES	-	242	242	951
FUND BALANCES, JANUARY 1	44,295	44,295	-	43,344
FUND BALANCES, DECEMBER 31	<u>\$ 44,295</u>	<u>\$ 44,537</u>	<u>\$ 242</u>	<u>\$ 44,295</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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015		Variance with Final Budget	2014
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Intergovernmental				
Federal	\$ 100,000	\$ 125,266	\$ 25,266	\$ 92,768
EXPENDITURES				
Current				
Housing and economic development				
Other services and charges	100,000	110,668	(10,668)	95,453
NET CHANGE IN FUND BALANCES	-	14,598	14,598	(2,607)
FUND BALANCES, JANUARY 1	(5,001)	(5,001)	-	(2,394)
FUND BALANCES, DECEMBER 31	\$ (5,001)	\$ 9,597	\$ 14,598	\$ (5,001)

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, 2015
 With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Tax increment	\$ -	\$ 7,633	\$ 7,633	\$ 13,521
Investment earnings	10,000	6,362	(3,638)	33,576
TOTAL REVENUES	<u>10,000</u>	<u>13,995</u>	<u>3,995</u>	<u>47,097</u>
EXPENDITURES				
Current				
Housing and economic development				
Other services and charges	560,000	12,104	547,896	145,480
Capital outlay				
Housing and economic development	-	79,010	(79,010)	172,139
TOTAL EXPENDITURES	<u>560,000</u>	<u>91,114</u>	<u>468,886</u>	<u>317,619</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(550,000)	(77,119)	472,881	(270,522)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(173,175)	(173,175)	(141,721)
NET CHANGE IN FUND BALANCES	(550,000)	(250,294)	299,706	(412,243)
FUND BALANCES, JANUARY 1	<u>1,511,295</u>	<u>1,511,295</u>	<u>-</u>	<u>1,923,538</u>
FUND BALANCES, DECEMBER 31	<u>\$ 961,295</u>	<u>\$ 1,261,001</u>	<u>\$ 299,706</u>	<u>\$ 1,511,295</u>

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).

2013 Capital Project - accounts for projects to be financed by the 2013A bond issue.

2014 Capital Project - accounts for projects financed by the 2014A bond issue.

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

2016 Capital Project - accounts for projects financed by 2016 future bonds proceeds.

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.

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

CITY OF NORTHFIELD, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2015

	414	415	416	417
	2013 Capital Project Fund	2014 Capital Project Fund	2015 Capital Project Fund	2016 Capital Project Fund
ASSETS				
Cash and temporary investments	\$ 84,777	\$ -	\$ 416,027	\$ -
Restricted cash and investments	-	-	-	-
Receivables				
Interest	347	-	-	-
Special assessments				
Current	-	-	-	-
Delinquent	-	-	-	-
Noncurrent	-	-	-	-
Intergovernmental	-	-	-	436,566
Due from other funds	17,007	-	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	<u>\$ 102,131</u>	<u>\$ -</u>	<u>\$ 416,027</u>	<u>\$ 436,566</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 77,449
Due to other funds	-	12,834	-	204,733
Deposits payable	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>12,834</u>	<u>-</u>	<u>282,182</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - intergovernmental	-	-	-	436,566
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,566</u>
FUND BALANCES				
Restricted for capital projects	95,556	-	416,027	-
Assigned for capital projects	6,575	-	-	-
Unassigned	-	(12,834)	-	(282,182)
TOTAL FUND BALANCE	<u>102,131</u>	<u>(12,834)</u>	<u>416,027</u>	<u>(282,182)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES	<u>\$ 102,131</u>	<u>\$ -</u>	<u>\$ 416,027</u>	<u>\$ 436,566</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
\$ 604,513	\$ 74,710	\$ 17,055	\$ 720,207	\$ 3,600	\$ 388,741
-	-	-	-	-	572,536
2,087	754	45	2,382	13	1,420
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 606,600</u>	<u>\$ 75,464</u>	<u>\$ 17,100</u>	<u>\$ 722,589</u>	<u>\$ 3,613</u>	<u>\$ 962,697</u>
\$ 9,000	\$ -	\$ -	\$ 172,938	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
9,000	-	-	172,938	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
597,600	75,464	17,100	549,651	3,613	962,697
-	-	-	-	-	-
<u>597,600</u>	<u>75,464</u>	<u>17,100</u>	<u>549,651</u>	<u>3,613</u>	<u>962,697</u>
<u>\$ 606,600</u>	<u>\$ 75,464</u>	<u>\$ 17,100</u>	<u>\$ 722,589</u>	<u>\$ 3,613</u>	<u>\$ 962,697</u>

CITY OF NORTHFIELD, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	461	462	475	Total Nonmajor Capital Projects
	TIGER Grant Project Fund	Library Capital Project Fund	Capital Reserve Fund	
ASSETS				
Cash and temporary investments	\$ 415,128	\$ 1,926,033	\$ 394,126	\$ 5,044,917
Restricted cash and investments	-	-	-	572,536
Receivables				
Interest	1,610	-	2,379	11,037
Special assessments				
Current	-	-	43,671	43,671
Delinquent	-	-	1,431	1,431
Noncurrent	-	-	159,557	159,557
Intergovernmental	-	-	-	436,566
Due from other funds	-	-	-	17,007
Land held for resale	-	-	180,983	180,983
TOTAL ASSETS	\$ 416,738	\$ 1,926,033	\$ 782,147	\$ 6,467,705
LIABILITIES				
Accounts payable	\$ -	\$ 272,204	\$ -	\$ 531,591
Due to other funds	-	-	-	217,567
Deposits payable	-	-	64,749	64,749
TOTAL LIABILITIES	-	272,204	64,749	813,907
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	-	204,659	204,659
Unavailable revenue - intergovernmental	-	-	-	436,566
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	204,659	641,225
FUND BALANCES				
Restricted for capital projects	-	-	-	1,474,280
Assigned for capital projects	416,738	1,653,829	512,739	3,816,209
Unassigned	-	-	-	(277,916)
TOTAL FUND BALANCE	416,738	1,653,829	512,739	5,012,573
TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES	\$ 416,738	\$ 1,926,033	\$ 782,147	\$ 6,467,705

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, 2015

	414	415	416	417
	2013 Capital Project Fund	2014 Capital Project Fund	2015 Capital Project Fund	2016 Capital Project Fund
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services				
Culture and recreation	-	-	-	-
Special assessments	-	-	222,220	-
Investment earnings	540	1,468	1,006	-
Miscellaneous				
Contributions and donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	<u>540</u>	<u>1,468</u>	<u>223,226</u>	<u>-</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay				
Public safety	-	-	-	-
Public works	-	129,484	1,557,946	265,175
Culture and recreation	-	-	-	-
Debt service				
Bond issuance costs	-	954	32,782	-
TOTAL EXPENDITURES	<u>-</u>	<u>130,438</u>	<u>1,590,728</u>	<u>265,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>540</u>	<u>(128,970)</u>	<u>(1,367,502)</u>	<u>(265,175)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Bond premiums	-	-	27,004	-
Bonds issued	-	-	1,595,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>1,622,004</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	540	(128,970)	254,502	(265,175)
FUND BALANCES, JANUARY 1	<u>101,591</u>	<u>116,136</u>	<u>161,525</u>	<u>(17,007)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 102,131</u>	<u>\$ (12,834)</u>	<u>\$ 416,027</u>	<u>\$ (282,182)</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
\$ 65,000	\$ -	\$ 40,000	\$ 275,075	\$ -	\$ -
7,551	-	-	-	-	-
-	-	-	-	-	-
2,432	1,244	21	3,051	16	4,720
75,752	-	-	-	-	-
78	-	-	-	1,222	-
<u>150,813</u>	<u>1,244</u>	<u>40,021</u>	<u>278,126</u>	<u>1,238</u>	<u>4,720</u>
-	167,633	-	-	-	-
28,973	-	-	-	-	-
-	-	-	93,856	-	-
-	-	-	221,533	-	-
280,307	-	-	-	-	-
-	-	-	-	-	-
<u>309,280</u>	<u>167,633</u>	<u>-</u>	<u>315,389</u>	<u>-</u>	<u>-</u>
<u>(158,467)</u>	<u>(166,389)</u>	<u>40,021</u>	<u>(37,263)</u>	<u>1,238</u>	<u>4,720</u>
532,808	-	-	-	-	-
(25,000)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>507,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
349,341	(166,389)	40,021	(37,263)	1,238	4,720
248,259	241,853	(22,921)	586,914	2,375	957,977
<u>\$ 597,600</u>	<u>\$ 75,464</u>	<u>\$ 17,100</u>	<u>\$ 549,651</u>	<u>\$ 3,613</u>	<u>\$ 962,697</u>

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, 2015

	461	462	475	Total Nonmajor Capital Projects
	TIGER Grant Project Fund	Library Capital Project Fund	Capital Reserve Fund	
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 380,075
Charges for services				
Culture and recreation	-	-	-	7,551
Special assessments	-	-	23,487	245,707
Investment earnings	2,395	-	4,036	20,929
Miscellaneous				
Contributions and donations	-	782,921	-	858,673
Other	-	-	-	1,300
TOTAL REVENUES	2,395	782,921	27,523	1,514,235
EXPENDITURES				
Current				
Public safety	-	-	-	167,633
Culture and recreation	-	-	-	28,973
Capital outlay				
Public safety	-	-	-	93,856
Public works	-	-	4,580	2,178,718
Culture and recreation	-	1,023,531	-	1,303,838
Debt service				
Issuance fees	-	-	-	33,736
TOTAL EXPENDITURES	-	1,023,531	4,580	3,806,754
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,395	(240,610)	22,943	(2,292,519)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	666,603	-	1,199,411
Transfers out	-	-	(90,000)	(115,000)
Bond premiums	-	-	-	27,004
Bonds issued	-	-	-	1,595,000
TOTAL OTHER FINANCING SOURCES (USES)	-	666,603	(90,000)	2,706,415
NET CHANGE IN FUND BALANCES	2,395	425,993	(67,057)	413,896
FUND BALANCES, JANUARY 1	414,343	1,227,836	579,796	4,598,677
FUND BALANCES, DECEMBER 31	\$ 416,738	\$ 1,653,829	\$ 512,739	\$ 5,012,573

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.

CITY OF NORTHFIELD, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2015

	2015	2014
ASSETS		
Cash and temporary investments	\$ 6,751,847	\$ 6,960,363
Receivables		
Interest	20,612	21,676
Delinquent taxes	85,702	105,219
Accounts	145,457	145,243
Intergovernmental	49,384	53,689
Inventories	1,069	420
Due from other funds	324,240	173,014
Prepaid items	98,046	92,917
	<u>\$ 7,476,357</u>	<u>\$ 7,552,541</u>
TOTAL ASSETS		
LIABILITIES		
Accounts payable	\$ 315,319	\$ 363,823
Accrued wages payable	149,281	122,042
Due to other governments	12,484	60,206
Deposits payable	12,975	10,760
	<u>490,059</u>	<u>556,831</u>
TOTAL LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	85,702	105,219
	<u>85,702</u>	<u>105,219</u>
FUND BALANCES		
Nonspendable		
Inventories	1,069	420
Prepaid items	98,046	92,917
Restricted		
Police forfeitures	6,491	6,604
Unassigned	6,794,990	6,790,550
	<u>6,900,596</u>	<u>6,890,491</u>
TOTAL FUND BALANCES		
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 7,476,357</u>	<u>\$ 7,552,541</u>

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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 5,156,637	\$ 5,156,637	\$ 5,140,354	\$ (16,283)	\$ 5,166,751
Hotel-motel tax	82,000	82,000	95,264	13,264	92,993
Total taxes	<u>5,238,637</u>	<u>5,238,637</u>	<u>5,235,618</u>	<u>(3,019)</u>	<u>5,259,744</u>
Licenses and permits					
Business	66,150	66,150	72,078	5,928	61,441
Nonbusiness	324,000	324,000	356,687	32,687	335,457
Total licenses and permits	<u>390,150</u>	<u>390,150</u>	<u>428,765</u>	<u>38,615</u>	<u>396,898</u>
Intergovernmental					
State					
Local government aid	2,902,875	2,902,875	2,871,694	(31,181)	2,802,323
Street maintenance aid	190,235	190,235	200,325	10,090	190,235
Fire aid	-	-	151,674	151,674	142,563
Police aid	156,050	156,050	162,967	6,917	159,068
Other state aid	25,494	25,494	23,451	(2,043)	26,015
County					
Library aid	188,470	188,470	188,890	420	188,470
Highway	7,223	7,223	9,310	2,087	9,310
Total intergovernmental	<u>3,470,347</u>	<u>3,470,347</u>	<u>3,608,311</u>	<u>137,964</u>	<u>3,517,984</u>
Charges for services					
General government	647,516	647,516	640,755	(6,761)	659,199
Public safety	83,400	83,400	88,295	4,895	97,673
Streets and highways	295,850	295,850	327,826	31,976	293,035
Culture and recreation	508,950	508,950	461,483	(47,467)	403,100
Total charges for services	<u>1,535,716</u>	<u>1,535,716</u>	<u>1,518,359</u>	<u>(17,357)</u>	<u>1,453,007</u>
Fines and forfeits	147,000	147,000	113,521	(33,479)	114,273
Investment earnings	150,000	150,000	30,372	(119,628)	143,748
Miscellaneous					
Contributions and donations	260,625	260,625	266,475	5,850	264,947
Other	10,000	10,000	48,621	38,621	48,751
Total miscellaneous	<u>270,625</u>	<u>270,625</u>	<u>315,096</u>	<u>44,471</u>	<u>313,698</u>
TOTAL REVENUES	<u>11,202,475</u>	<u>11,202,475</u>	<u>11,250,042</u>	<u>47,567</u>	<u>11,199,352</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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 66,025	\$ 66,025	\$ 64,909	\$ 1,116	\$ 59,254
Supplies	1,000	1,000	1,620	(620)	4,512
Other services and charges	187,116	197,116	153,746	43,370	84,527
Total Mayor and Council	254,141	264,141	220,275	43,866	148,293
City clerk					
Personal services	158,057	158,057	161,971	(3,914)	142,843
Supplies	1,200	1,200	255	945	1,382
Other services and charges	45,538	45,538	33,166	12,372	10,612
Total city clerk	204,795	204,795	195,392	9,403	154,837
Administration					
Personal services	175,443	175,443	156,582	18,861	196,723
Supplies	2,200	2,200	377	1,823	1,234
Other services and charges	236,838	216,838	142,737	74,101	146,925
Total administration	414,481	394,481	299,696	94,785	344,882
Information technology					
Personal services	-	-	-	-	620
Finance					
Personal services	352,261	352,261	336,822	15,439	304,622
Supplies	4,800	4,800	10,144	(5,344)	4,237
Other services and charges	99,983	99,983	81,850	18,133	58,471
Total finance	457,044	457,044	428,816	28,228	367,330
Elections					
Supplies	1,000	1,000	-	1,000	567
Other services and charges	19,000	19,000	10,715	8,285	29,446
Total elections	20,000	20,000	10,715	9,285	30,013
Human resources					
Personal services	210,629	210,629	205,077	5,552	178,208
Supplies	2,497	2,497	767	1,730	650
Other services and charges	162,108	162,108	149,851	12,257	103,387
Total human resources	375,234	375,234	355,695	19,539	282,245
Community development					
Personal services	97,194	97,194	110,848	(13,654)	98,092
Supplies	500	500	524	(24)	1,777
Other services and charges	37,487	37,487	36,193	1,294	9,798
Total community development	135,181	135,181	147,565	(12,384)	109,667

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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
General government - Continued					
City Hall operations					
Supplies	\$ 36,800	\$ 36,800	\$ 35,549	\$ 1,251	\$ 52,405
Other services and charges	70,300	70,300	61,524	8,776	76,427
Total city hall operations	<u>107,100</u>	<u>107,100</u>	<u>97,073</u>	<u>10,027</u>	<u>128,832</u>
Planning and zoning					
Personal services	114,310	114,310	108,489	5,821	93,071
Supplies	500	500	174	326	2,640
Other services and charges	53,321	63,321	34,973	28,348	43,978
Total planning and zoning	<u>168,131</u>	<u>178,131</u>	<u>143,636</u>	<u>34,495</u>	<u>139,689</u>
Insurance					
	<u>154,354</u>	<u>154,354</u>	<u>154,355</u>	<u>(1)</u>	<u>154,354</u>
Total general government	<u>2,290,461</u>	<u>2,290,461</u>	<u>2,053,218</u>	<u>237,243</u>	<u>1,860,762</u>
Public safety					
Police protection					
Personal services	\$ 2,799,017	\$ 2,799,017	\$ 2,673,868	\$ 125,149	\$ 2,472,837
Supplies	185,000	185,000	144,017	40,983	171,056
Other services and charges	357,344	357,344	309,344	48,000	202,990
Total police protection	<u>3,341,361</u>	<u>3,341,361</u>	<u>3,127,229</u>	<u>214,132</u>	<u>2,846,883</u>
Fire protection					
Personal services	-	-	151,674	(151,674)	262,637
Supplies	-	-	240	(240)	23,928
Other services and charges	390,397	390,397	367,319	23,078	143,479
Total fire protection	<u>390,397</u>	<u>390,397</u>	<u>519,233</u>	<u>(128,836)</u>	<u>430,044</u>
Building inspection					
Personal services	180,693	180,693	172,253	8,440	165,866
Supplies	8,800	8,800	8,082	718	10,670
Other services and charges	33,238	33,238	23,184	10,054	5,941
Total building inspection	<u>222,731</u>	<u>222,731</u>	<u>203,519</u>	<u>19,212</u>	<u>182,477</u>
Total public safety	<u>3,954,489</u>	<u>3,954,489</u>	<u>3,849,981</u>	<u>104,508</u>	<u>3,459,404</u>
Public works					
Engineering					
Personal services	366,418	366,418	394,405	(27,987)	389,037
Supplies	14,882	14,882	15,403	(521)	15,484
Other services and charges	108,701	108,701	110,443	(1,742)	29,423
Total engineering	<u>490,001</u>	<u>490,001</u>	<u>520,251</u>	<u>(30,250)</u>	<u>433,944</u>
Streets					
Personal services	548,781	548,781	602,826	(54,045)	547,300
Supplies	190,000	190,000	144,569	45,431	225,805
Other services and charges	470,098	470,098	451,048	19,050	624,798
Total streets	<u>1,208,879</u>	<u>1,208,879</u>	<u>1,198,443</u>	<u>10,436</u>	<u>1,397,903</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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Public works - Continued					
Street lighting					
Supplies	\$ 35,000	\$ 35,000	\$ 17,587	\$ 17,413	\$ 54,732
Other services and charges	270,000	270,000	265,375	4,625	224,742
Total street lighting	<u>305,000</u>	<u>305,000</u>	<u>282,962</u>	<u>22,038</u>	<u>279,474</u>
Facilities					
Personal services	175,363	175,363	152,586	22,777	156,908
Supplies	8,000	8,000	3,457	4,543	16,148
Other services and charges	62,842	62,842	73,925	(11,083)	53,768
Total facilities	<u>246,205</u>	<u>246,205</u>	<u>229,968</u>	<u>16,237</u>	<u>226,824</u>
Total public works	<u>2,250,085</u>	<u>2,250,085</u>	<u>2,231,624</u>	<u>18,461</u>	<u>2,338,145</u>
Culture and recreation					
Ice arena					
Personal services	67,236	67,236	94,588	(27,352)	98,116
Supplies	34,000	34,000	29,245	4,755	33,182
Other services and charges	116,814	116,814	97,849	18,965	93,286
Total ice arena	<u>218,050</u>	<u>218,050</u>	<u>221,682</u>	<u>(3,632)</u>	<u>224,584</u>
Swimming pool					
Personal services	135,665	135,665	98,174	37,491	96,489
Supplies	49,800	49,800	51,245	(1,445)	38,468
Other services and charges	53,910	53,910	39,026	14,884	32,026
Total swimming pool	<u>239,375</u>	<u>239,375</u>	<u>188,445</u>	<u>50,930</u>	<u>166,983</u>
General parks					
Personal services	107,303	107,303	69,304	37,999	84,598
Supplies	71,520	71,520	63,030	8,490	54,870
Other services and charges	176,990	176,990	167,559	9,431	92,387
Total general parks	<u>355,813</u>	<u>355,813</u>	<u>299,893</u>	<u>55,920</u>	<u>231,855</u>
Recreation administration					
Personal services	79,314	79,314	85,570	(6,256)	78,649
Supplies	250	250	-	250	-
Other services and charges	113,825	113,825	115,663	(1,838)	112,421
Total recreation administration	<u>193,389</u>	<u>193,389</u>	<u>201,233</u>	<u>(7,844)</u>	<u>191,070</u>
Library					
Personal services	827,720	827,720	790,355	37,365	785,725
Supplies	33,000	33,000	20,257	12,743	31,981
Other services and charges	225,530	225,530	238,050	(12,520)	165,774
Total library	<u>1,086,250</u>	<u>1,086,250</u>	<u>1,048,662</u>	<u>37,588</u>	<u>983,480</u>
Total culture and recreation	<u>2,092,877</u>	<u>2,092,877</u>	<u>1,959,915</u>	<u>132,962</u>	<u>1,797,972</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, 2015
With Comparative Actual Amounts for Year Ended December 31, 2014

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
EXPENDITURES- CONTINUED					
Current - Continued					
Miscellaneous					
Unallocated					
Other services and charges	\$ 197,900	\$ 197,900	\$ 150,623	\$ 47,277	\$ 221,322
Total current	10,785,812	10,785,812	10,245,361	540,451	9,677,605
Capital outlay					
General government	31,800	31,800	15,618	16,182	3,847
Public works	5,000	5,000	3,570	1,430	-
Culture and recreation	65,000	65,000	43,626	21,374	52,618
Total capital outlay	116,800	116,800	76,102	40,698	56,465
Debt service					
Principal	141,706	141,706	147,136	(5,430)	135,388
Interest and other charges	63,754	63,754	58,325	5,429	70,196
Total debt service	205,460	205,460	205,461	(1)	205,584
TOTAL EXPENDITURES	11,108,072	11,108,072	10,526,924	581,148	9,939,654
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	94,403	94,403	723,118	628,715	1,259,698
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	7,747
Transfers in	170,800	170,800	223,223	52,423	334,035
Transfers out	-	(576,603)	(936,236)	(359,633)	(1,751,442)
TOTAL OTHER FINANCING SOURCES (USES)	170,800	(405,803)	(713,013)	(307,210)	(1,409,660)
NET CHANGE IN FUND BALANCES	265,203	(311,400)	10,105	321,505	(149,962)
FUND BALANCES, JANUARY 1	6,890,491	6,890,491	6,890,491	-	7,040,453
FUND BALANCES, DECEMBER 31	\$ 7,155,694	\$ 6,579,091	\$ 6,900,596	\$ 321,505	\$ 6,890,491

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.

CITY OF NORTHFIELD, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2015

	306	307	308	309	310
	2002A Bonds Fund	2009A Refunding Bonds Fund	2007A Bonds Fund	2008B Bonds Fund	2009A Bonds Fund
ASSETS					
Cash and temporary investments	\$ 9,727	\$ 20,568	\$ 636,164	\$ 27,716	\$ 296,625
Receivables					
Interest	27	364	2,679	194	1,423
Accounts	-	-	-	-	-
Delinquent taxes	-	-	-	-	-
Special assessments					
Current	-	-	81,717	18,275	92,899
Delinquent	-	-	798	-	2,621
Noncurrent	31,133	-	2,640	-	-
Intergovernmental	-	-	-	-	-
TOTAL ASSETS	<u>\$ 40,887</u>	<u>\$ 20,932</u>	<u>\$ 723,998</u>	<u>\$ 46,185</u>	<u>\$ 393,568</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 327
Due to other funds	-	-	-	-	-
Due to component unit	-	-	-	-	-
Advance from other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	-	-	-	-	-
Unavailable revenue - special assessments	31,133	-	85,155	18,275	95,520
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>31,133</u>	<u>-</u>	<u>85,155</u>	<u>18,275</u>	<u>95,520</u>
FUND BALANCES					
Restricted for debt service	9,754	20,932	638,843	27,910	297,721
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 40,887</u>	<u>\$ 20,932</u>	<u>\$ 723,998</u>	<u>\$ 46,185</u>	<u>\$ 393,568</u>

311	312	313	314	315	316	351	352 2014A (2006A) Public Project Revenue Refunding Bonds
2010A Bonds Fund	2011A Bonds Fund	2012A Bonds Fund	2013A Bonds Fund	2014A Bonds Fund	2015A Bonds Fund	Community Resource Center Bonds Fund	
\$ 135,988	\$ 376,470	\$ 183,546	\$ 103,189	\$ 307,782	\$ 123,237	\$ 367,930	\$ 179,350
860	1,653	915	608	1,353	-	1,527	1,424
-	-	-	2,931	11,830	29,468	-	-
-	-	-	-	-	-	3,429	-
101,292	198,480	252,859	155,407	438,467	289,997	-	-
3,534	7,841	-	268	7,382	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,565	-
<u>\$ 241,674</u>	<u>\$ 584,444</u>	<u>\$ 437,320</u>	<u>\$ 262,403</u>	<u>\$ 766,814</u>	<u>\$ 442,702</u>	<u>\$ 374,451</u>	<u>\$ 180,774</u>
\$ 97	\$ -	\$ 450	\$ 450	\$ 450	\$ -	\$ -	\$ 5,450
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>97</u>	<u>-</u>	<u>450</u>	<u>450</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>5,450</u>
-	-	-	-	-	-	3,429	-
<u>104,826</u>	<u>206,321</u>	<u>252,859</u>	<u>155,675</u>	<u>445,849</u>	<u>289,997</u>	<u>-</u>	<u>-</u>
<u>104,826</u>	<u>206,321</u>	<u>252,859</u>	<u>155,675</u>	<u>445,849</u>	<u>289,997</u>	<u>3,429</u>	<u>-</u>
<u>136,751</u>	<u>378,123</u>	<u>184,011</u>	<u>106,278</u>	<u>320,515</u>	<u>152,705</u>	<u>371,022</u>	<u>175,324</u>
<u>\$ 241,674</u>	<u>\$ 584,444</u>	<u>\$ 437,320</u>	<u>\$ 262,403</u>	<u>\$ 766,814</u>	<u>\$ 442,702</u>	<u>\$ 374,451</u>	<u>\$ 180,774</u>

CITY OF NORTHFIELD, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	354	355	376	379
	2012 COPS Debt Fund	2012 Equipment Certificates	2001B (1992) TIF Bonds Fund	2007D (1999C) Presidential Commons TIF Bonds
ASSETS				
Cash and temporary investments	\$ 397,963	\$ 107,778	\$ 621	\$ 26,774
Receivables				
Interest	1,589	418	-	215
Accounts	-	-	-	-
Delinquent taxes	-	-	-	539
Special assessments				
Current	-	-	-	-
Delinquent	-	-	-	-
Noncurrent	-	-	-	-
Intergovernmental	-	-	-	466
TOTAL ASSETS	<u>\$ 399,552</u>	<u>\$ 108,196</u>	<u>\$ 621</u>	<u>\$ 27,994</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to component unit	-	-	-	-
Advance from other funds	-	-	-	103,000
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,000</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	-	-	539
Unavailable revenue - special assessments	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>539</u>
FUND BALANCES				
Restricted for debt service	399,552	108,196	621	(75,545)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 399,552</u>	<u>\$ 108,196</u>	<u>\$ 621</u>	<u>\$ 27,994</u>

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Hiley Neff TIF Bonds	Riverfront TIF Bonds	2008 TIF Bonds	2015 TIF Bonds	Totals
\$ 3,399	\$ 195,697	\$ -	\$ -	\$ 3,500,524
-	919	-	-	16,168
-	-	-	-	44,229
-	10,204	-	-	14,172
-	-	-	-	1,629,393
-	-	-	-	22,444
-	-	-	-	33,773
-	3,465	-	-	5,496
<u>\$ 3,399</u>	<u>\$ 210,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,266,199</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,224
93,909	-	-	158	94,067
14,000	-	-	-	14,000
-	-	-	-	103,000
<u>107,909</u>	<u>-</u>	<u>-</u>	<u>158</u>	<u>218,291</u>
-	10,204	-	-	14,172
-	-	-	-	1,685,610
-	10,204	-	-	1,699,782
<u>(104,510)</u>	<u>200,081</u>	<u>-</u>	<u>(158)</u>	<u>3,348,126</u>
<u>\$ 3,399</u>	<u>\$ 210,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,266,199</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, 2015

	306	307	308	309	310
	2002A Bonds Fund	2009A Refunding Bonds Fund	2007A Bonds Fund	2008B Bonds Fund	2009A Bonds Fund
REVENUES					
Taxes					
Property taxes	\$ -	\$ -	\$ 35,000	\$ 50,000	\$ 50,000
Tax increment	-	-	-	-	-
Special assessments	524	-	42,812	12,814	39,205
Investment earnings	32	1,175	3,983	-	1,942
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	556	1,175	81,795	62,814	91,147
EXPENDITURES					
Debt service					
Principal	-	345,000	220,000	75,000	125,000
Interest and other charges	-	3,599	34,288	32,684	17,901
TOTAL EXPENDITURES	-	348,599	254,288	107,684	142,901
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	556	(347,424)	(172,493)	(44,870)	(51,754)
OTHER FINANCING SOURCES (USES)					
Debt issued	-	-	-	330,000	-
Payment to refunded bond escrow agent	-	-	-	(410,000)	-
Premium on debt issued	-	-	-	8,570	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(71,430)	-
NET CHANGE IN FUND BALANCES	556	(347,424)	(172,493)	(116,300)	(51,754)
FUND BALANCES, JANUARY 1	9,198	368,356	811,336	144,210	349,475
FUND BALANCES, DECEMBER 31	\$ 9,754	\$ 20,932	\$ 638,843	\$ 27,910	\$ 297,721

311	312	313	314	315	316	351	352 2014A (2006A) Public Project Revenue Refunding Bonds
2010A Bonds Fund	2011A Bonds Fund	2012A Bonds Fund	2013A Bonds Fund	2014A Bonds Fund	2015A Bonds Fund	Community Resource Center Bonds Fund	
\$ 150,000	\$ 50,000	\$ 55,000	\$ 70,000	\$ 85,000	\$ 123,237	\$ 234,794	\$ 246,700
-	-	-	-	-	-	-	-
48,679	65,289	53,714	34,947	152,534	29,468	-	-
1,042	2,278	1,204	735	1,431	-	1,989	1,829
-	-	-	-	-	-	-	-
<u>199,721</u>	<u>117,567</u>	<u>109,918</u>	<u>105,682</u>	<u>238,965</u>	<u>152,705</u>	<u>236,783</u>	<u>248,529</u>
146,364	110,000	100,000	80,000	-	-	200,000	160,000
23,480	19,804	13,161	22,888	26,433	-	20,888	184,004
<u>169,844</u>	<u>129,804</u>	<u>113,161</u>	<u>102,888</u>	<u>26,433</u>	<u>-</u>	<u>220,888</u>	<u>344,004</u>
29,877	(12,237)	(3,243)	2,794	212,532	152,705	15,895	(95,475)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(2,150,000)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	<u>(2,150,000)</u>
29,877	(12,237)	(3,243)	2,794	212,532	152,705	15,895	(2,245,475)
106,874	390,360	187,254	103,484	107,983	-	355,127	2,420,799
<u>\$ 136,751</u>	<u>\$ 378,123</u>	<u>\$ 184,011</u>	<u>\$ 106,278</u>	<u>\$ 320,515</u>	<u>\$ 152,705</u>	<u>\$ 371,022</u>	<u>\$ 175,324</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, 2015

	354	355	376	379
	2012 COPS Debt Fund	2012 Equipment Certificates	2001B (1992) TIF Bonds Fund	2007D (1999C) Presidential Commons TIF Bonds
REVENUES				
Taxes				
Property taxes	\$ 421,640	\$ 113,400	\$ -	\$ -
Tax increment	-	-	-	74,886
Special assessments	-	-	-	-
Investment earnings	3,197	515	1	312
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>424,837</u>	<u>113,915</u>	<u>1</u>	<u>75,198</u>
EXPENDITURES				
Debt service				
Principal	265,000	95,000	-	70,000
Interest and other	<u>156,070</u>	<u>9,188</u>	<u>-</u>	<u>36,811</u>
TOTAL EXPENDITURES	<u>421,070</u>	<u>104,188</u>	<u>-</u>	<u>106,811</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,767</u>	<u>9,727</u>	<u>1</u>	<u>(31,613)</u>
OTHER FINANCING SOURCES				
Debt issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Premium on debt issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,767	9,727	1	(31,613)
FUND BALANCES, JANUARY 1	<u>395,785</u>	<u>98,469</u>	<u>620</u>	<u>(43,932)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 399,552</u>	<u>\$ 108,196</u>	<u>\$ 621</u>	<u>\$ (75,545)</u>

381	382	384	385	
Hiley Neff TIF Bonds	Riverfront TIF Bonds	2008 TIF Bonds	2015 TIF Bonds	Totals
\$ -	\$ -	\$ -	\$ -	\$ 1,684,771
13,406	195,849	-	-	284,141
-	-	-	-	479,986
5	1,206	-	-	22,876
-	-	779	-	779
<u>13,411</u>	<u>197,055</u>	<u>779</u>	<u>-</u>	<u>2,472,553</u>
6,000	99,981	-	-	2,097,345
<u>4,908</u>	<u>68,744</u>	<u>-</u>	<u>158</u>	<u>675,009</u>
<u>10,908</u>	<u>168,725</u>	<u>-</u>	<u>158</u>	<u>2,772,354</u>
<u>2,503</u>	<u>28,330</u>	<u>779</u>	<u>(158)</u>	<u>(299,801)</u>
-	-	-	-	330,000
-	-	-	-	(2,560,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,570</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,221,430)</u>
2,503	28,330	779	(158)	(2,521,231)
<u>(107,013)</u>	<u>171,751</u>	<u>(779)</u>	<u>-</u>	<u>5,869,357</u>
<u>\$ (104,510)</u>	<u>\$ 200,081</u>	<u>\$ -</u>	<u>\$ (158)</u>	<u>\$ 3,348,126</u>

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.

CITY OF NORTHFIELD, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		Total
	701 Information Technology	705 Insurance	
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 512,008	\$ 849,037	\$ 1,361,045
Receivables			
Interest	1,755	3,290	5,045
Intergovernmental	-	1,730	1,730
Prepaid items	1,923	17,796	19,719
TOTAL CURRENT ASSETS	515,686	871,853	1,387,539
NONCURRENT ASSETS			
Capital assets			
Machinery and equipment	87,080	-	87,080
Less accumulated depreciation	(87,080)	-	(87,080)
TOTAL CAPITAL ASSETS	-	-	-
TOTAL ASSETS	515,686	871,853	1,387,539
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	19,132	1,087	20,219
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	107,792	25,246	133,038
Due to other governments	3,750	-	3,750
Accrued wages payable	92	51,427	51,519
TOTAL CURRENT LIABILITIES	111,634	76,673	188,307
NONCURRENT LIABILITIES			
Pension liability	167,266	9,501	176,767
TOTAL LIABILITIES	278,900	86,174	365,074
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	30,736	1,746	32,482
NET POSITION			
Unrestricted	<u>\$ 225,182</u>	<u>\$ 785,020</u>	<u>\$ 1,010,202</u>

CITY OF NORTHFIELD, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		Total
	701 Information Technology	705 Insurance	
OPERATING REVENUES			
Charges for services	\$ 622,204	\$ 442,894	\$ 1,065,098
OPERATING EXPENSES			
Personal services	250,963	159,244	410,207
Pension expense	16,027	(5,584)	10,443
Supplies	20,959	-	20,959
Other services and charges	260,838	203,738	464,576
TOTAL OPERATING EXPENSES	548,787	357,398	906,185
OPERATING INCOME (LOSS)	73,417	85,496	158,913
NONOPERATING REVENUES (EXPENSES)			
Investment income	3,559	5,144	8,703
Property taxes	-	63,084	63,084
Other income	-	2,228	2,228
TOTAL NONOPERATING REVENUES	3,559	70,456	74,015
CHANGE IN NET POSITION	76,976	155,952	232,928
NET POSITION, JANUARY 1 AS RESTATED (NOTE 10)	148,206	629,068	777,274
NET POSITION, DECEMBER 31	\$ 225,182	\$ 785,020	\$ 1,010,202

CITY OF NORTHFIELD, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	701	705	Total
	Information Technology	Insurance	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 622,204	\$ 503,124	\$ 1,125,328
Payments to suppliers and vendors	(217,549)	(216,104)	(433,653)
Payments to and on behalf of employees	(234,876)	(164,824)	(399,700)
Other receipts	-	2,228	2,228
	<u>169,779</u>	<u>124,424</u>	<u>294,203</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Property taxes received	-	66,147	66,147
	<u>-</u>	<u>66,147</u>	<u>66,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and investments	1,804	4,069	5,873
	<u>1,804</u>	<u>4,069</u>	<u>5,873</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	171,583	194,640	366,223
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>340,425</u>	<u>654,397</u>	<u>994,822</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 512,008</u>	<u>\$ 849,037</u>	<u>\$ 1,361,045</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 73,417	\$ 85,496	\$ 158,913
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other income related to operations	-	2,228	2,228
(Increase) decrease in assets			
Due from other governments	-	60,230	60,230
Prepaid items	(639)	(2,121)	(2,760)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	4,571	1,205	5,776
Increase (decrease) in liabilities			
Accounts payable	77,164	(15,829)	61,335
Due to other governments	3,750	-	3,750
Accrued wages payable	60	4	64
Pension liability	20,402	(4,698)	15,704
(Increase) decrease in deferred inflows of resources			
Deferred pension resources	(8,946)	(2,091)	(11,037)
	<u>(8,946)</u>	<u>(2,091)</u>	<u>(11,037)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 169,779</u>	<u>\$ 124,424</u>	<u>\$ 294,203</u>

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.

CITY OF NORTHFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

ASSETS		
Cash and temporary investments	\$	1,395,355
Receivables		
Interest		4,883
Delinquent taxes		2,667
Notes, net of allowances		344,056
Intergovernmental		1,516
Prepaid items		104
		<u>104</u>
TOTAL ASSETS		<u><u>\$ 1,748,581</u></u>
LIABILITIES		
Due to other government	\$	455
Accrued wages payable		267
		<u>267</u>
TOTAL LIABILITIES		<u>722</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes		2,667
		<u>2,667</u>
FUND BALANCES		
Nonspendable		
Prepaid items		104
Unassigned		1,745,088
		<u>1,745,088</u>
TOTAL FUND BALANCES		<u>1,745,192</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		<u><u>\$ 1,748,581</u></u>
Total fund balances - governmental funds	\$	1,745,192
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		(34,053)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable		2,667
Governmental funds to not report long-term amounts related to pensions.		
Deferred outflows of resources		3,895
Deferred inflows of resources		(6,258)
		<u>(6,258)</u>
Total net position - governmental activities	\$	<u><u>1,711,443</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, 2015

REVENUES	\$	213,844
Taxes		6,282
Investment earnings (loss)		11,154
Miscellaneous		<u>11,154</u>
Other		
TOTAL REVENUES		<u>231,280</u>
EXPENDITURES		
Current		
Economic development		64,950
Personal services		425
Supplies		137,626
Other services and charges		
TOTAL EXPENDITURES		<u>203,001</u>
NET CHANGE IN FUND BALANCES		28,279
FUND BALANCES, JANUARY 1		<u>1,716,913</u>
FUND BALANCES, DECEMBER 31	\$	<u><u>1,745,192</u></u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - governmental funds	\$	28,279
Long-term pension activity is not reported in governmental funds.		
Pension expense		<u>9,301</u>
Change in net position - governmental activities	\$	<u><u>37,580</u></u>

CITY OF NORTHFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - HOUSING REDEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

ASSETS		
Cash and temporary investments	\$	963,701
Receivables		
Interest		3,789
Delinquent taxes		2,690
Notes, net of allowances		217,377
Intergovernmental		1,545
Due from primary government		14,000
Prepaid items		76
Land held for resale		<u>287,679</u>
TOTAL ASSETS	\$	<u>1,490,857</u>
LIABILITIES		
Accounts payable	\$	1,402
Due to other governments		200
Accrued wages payable		132
Deposits payable		<u>1,700</u>
TOTAL LIABILITIES		<u>3,434</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes		<u>2,690</u>
FUND BALANCES		
Nonspendable		
Land held for resale		287,679
Prepaid items		76
Unassigned		<u>1,196,978</u>
TOTAL FUND BALANCES		<u>1,484,733</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$	<u>1,490,857</u>
Total fund balances - governmental funds	\$	1,484,733
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.		282,219
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(35,409)
Pension liability		
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes receivable		2,690
Governmental funds to not report long-term amounts related to pensions.		
Deferred outflows of resources		4,050
Deferred inflows of resources		<u>(6,507)</u>
Total net position - governmental activities	\$	<u>1,731,776</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, 2015

REVENUES	\$	218,175
Taxes		5,034
Investment earnings		
Miscellaneous		42,384
Rents		376
Other		<u> </u>
TOTAL REVENUES		<u>265,969</u>
EXPENDITURES		
Current		
Housing and economic development		
Personal services		63,254
Other services and charges		64,579
Capital outlay		
Housing and economic development		<u>56,513</u>
TOTAL EXPENDITURES		<u>184,552</u>
NET CHANGE IN FUND BALANCES		81,417
FUND BALANCES, JANUARY 1		<u>1,403,316</u>
FUND BALANCES, DECEMBER 31		<u><u>\$ 1,484,733</u></u>
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds	\$	81,417
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		36,123
Depreciation expense		(6,924)
Long-term pension activity is not reported in governmental funds.		
Pension expense		16,981
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		<u>(588)</u>
Change in net position - governmental activities	\$	<u><u>127,009</u></u>

CITY OF NORTHFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - MUNICIPAL HOSPITAL
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,479,334
Current portion of noncurrent cash and cash equivalents	1,932,141
Patient receivable, less allowance for uncollectible accounts (2015, \$3,655,000; 2014, \$3,787,000)	11,941,274
Accounts receivable - other	96,575
Inventories	1,855,737
Prepaid items	889,979
TOTAL CURRENT ASSETS	<u>19,195,040</u>
NONCURRENT CASH AND INVESTMENTS	
Internally Designated for Health Benefits	1,932,141
Internally Designated for Capital Improvements	46,658,104
Restricted by Bond Agreement	3,752,211
Less current portion of noncurrent cash and investments	<u>(1,932,141)</u>
TOTAL NONCURRENT CASH AND INVESTMENTS	<u>50,410,315</u>
CAPITAL ASSETS, NET	
TOTAL ASSETS	<u>116,038,812</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension resources	3,748,420
Loss on refunding	920,647
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,669,067</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 120,707,879</u>
LIABILITIES	
CURRENT LIABILITIES	
Current maturities of long-term debt	\$ 1,465,000
Accounts payable, trade	2,911,840
Construction payable	268,503
Accrued payroll and benefits	7,827,223
Accrued interest payable	224,007
Third party payor settlements payable	703,919
TOTAL CURRENT LIABILITIES	<u>13,400,492</u>
NONCURRENT LIABILITIES	
Long-term debt, less current maturities	32,428,168
Pension liability	30,825,624
TOTAL NONCURRENT LIABILITIES	<u>63,253,792</u>
TOTAL LIABILITIES	<u>76,654,284</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension resources	<u>4,266,702</u>
NET POSITION	
Net investment in capital assets	12,540,289
Restricted by bond agreement	3,752,211
Unrestricted	23,494,393
TOTAL NET POSITION	<u>39,786,893</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 120,707,879</u>

CITY OF NORTHFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - MUNICIPAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES AND CHANGES FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUES

Net patient and resident service revenue, net of provision for bad debts of \$1,594,122 in 2015 and \$1,994,555 in 2014	\$ 89,985,659
EHR/Meaningful use incentive payment	209,185
Other revenues	<u>938,744</u>

TOTAL OPERATING REVENUES 91,133,588

OPERATING EXPENSES

Salaries and wages	40,117,088
Employee benefits	10,387,741
Supplies and drugs	13,114,235
Purchased services	11,091,551
Utilities	1,116,379
Other	3,968,214
Depreciation and amortization	4,791,361
Interest	1,400,204
Taxes and surcharges	<u>2,422,987</u>

TOTAL OPERATING EXPENSES 88,409,760

OPERATING INCOME

2,723,828

NONOPERATING REVENUES (EXPENSES)

Investment income	868,338
Gifts and grants	109,492
Gain (loss) on the sale of assets	2,618
Miscellaneous	<u>(218,315)</u>

TOTAL NONOPERATING REVENUES (EXPENSES) 762,133

EXCESS OF REVENUES OVER EXPENSES 3,485,961

CAPITAL GRANTS

30,000

CHANGE IN NET POSITION

3,515,961

NET POSITION, JANUARY 1 AS RESTATED

36,270,932

NET POSITION, DECEMBER 31

\$ 39,786,893

CITY OF NORTHFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - MUNICIPAL HOSPITAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients and third party payors	\$ 86,656,292
Cash paid to employees	(49,617,785)
Cash paid to suppliers	(31,382,238)
Other receipts and payments, net	<u>1,101,447</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,757,716</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Unrestricted gifts and grants	109,492
Miscellaneous losses	<u>(218,315)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(108,823)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(9,814,459)
Proceeds (loss) from sale of capital assets	2,987
Proceeds from issuance of long-term debt	8,405,000
Principal payments on long-term debt	(965,000)
Interest payments on long-term debt	(1,447,036)
Capital contributions	<u>30,000</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,788,508)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) decrease in noncurrent cash and investments	(2,934,762)
Investment income	<u>870,070</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,064,692)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	795,693
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,683,641</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,479,334</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,723,828
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	4,791,361
Interest	1,400,204
Provision for bad debt expense	1,594,122
Amortization of deferred financing costs	58,146
(Increase) decrease in assets:	
Patient receivables	(4,111,886)
Inventories, prepaids and other receivables	(344,019)
(Increase) decrease in assets:	
Deferred pension resources	705,402
Increase (decrease) in liabilities:	
Accounts payable	275,356
Third-party payor settlements payable	(1,020,788)
Accrued expenses	887,044
Pension liability	3,039,917
Increase (decrease) in liabilities:	
Deferred pension resources	<u>(3,240,971)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,757,716</u>
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES	
Amortization of net premium as a component of interest expense	<u>\$ 39,358</u>
Construction payable	<u>\$ 268,503</u>

CITY OF NORTHFIELD, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Total 2015	Total 2014	Percent Increase (Decrease)
REVENUES			
Taxes	\$ 7,978,678	\$ 8,164,634	(2.28) %
Special assessments	725,693	777,420	(6.65)
Licenses and permits	428,765	396,898	8.03
Intergovernmental	3,733,577	4,309,972	(13.37)
Charges for services	1,767,392	1,701,689	3.86
Fines and forfeits	113,521	114,273	(0.66)
Investment earnings	87,347	381,593	(77.11)
Miscellaneous	<u>1,254,913</u>	<u>628,366</u>	99.71
TOTAL REVENUES	<u>\$ 16,089,886</u>	<u>\$ 16,474,845</u>	(2.34) %
Per Capita	\$ 792	\$ 818	(3.14) %
EXPENDITURES			
Current			
General government	\$ 2,341,517	\$ 2,138,242	9.51 %
Public safety	4,017,614	3,459,404	16.14
Public works	2,231,624	2,338,145	(4.56)
Culture and recreation	2,238,545	2,216,064	1.01
Housing and economic development	125,427	447,826	(71.99)
Transit	-	91,916	(100.00)
Miscellaneous	150,623	221,322	(31.94)
Capital outlay			
General government	32,139	109,919	(70.76)
Public safety	107,144	2,758,586	(96.12)
Public works	2,182,288	3,363,651	(35.12)
Culture and recreation	1,347,464	416,770	223.31
Housing and economic development	79,010	172,139	(54.10)
Transit	-	5,687	(100.00)
Debt service			
Principal	2,285,015	2,138,563	6.85
Interest and other charges	749,072	738,364	1.45
Issuance costs	<u>33,736</u>	<u>28,815</u>	17.08
TOTAL EXPENDITURES	<u>\$ 17,921,218</u>	<u>\$ 20,645,413</u>	(13.20) %
Per Capita	\$ 882	\$ 1,025	(13.91) %
Total Long-term Indebtedness	<u>\$ 20,139,247</u>	<u>\$ 23,058,862</u>	(12.66) %
Per Capita	\$ 991	\$ 1,145	(13.38)
General Fund Balance - December 31	<u>\$ 6,900,596</u>	<u>\$ 6,890,491</u>	0.15 %
Per Capita	\$ 340	\$ 342	(0.68)

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 Melanie Lammers, 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.

CITY OF NORTHFIELD, MINNESOTA
NET POSITION BY COMPONENT
2006 - 2015
(accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities					
Net investment in capital assets	\$ 20,744,769	\$ 23,421,940	\$ 27,423,379	\$ 22,389,016	\$ 22,438,059
Restricted	10,890,066	6,031,721	4,812,824	5,740,046	3,796,597
Unrestricted	10,355,807	12,135,697	10,017,819	11,137,609	12,201,182
Total governmental activities net position	41,990,642	41,589,358	42,254,022	39,266,671	38,435,838
Business-type activities					
Net investment in capital assets	13,682,610	11,533,680	13,823,838	16,098,718	16,917,076
Unrestricted	5,780,416	9,130,216	7,717,321	7,422,614	7,179,036
Total business-type activities net position	19,463,026	20,663,896	21,541,159	23,521,332	24,096,112
Primary government					
Net investment in capital assets	34,427,379	34,955,620	41,247,217	38,487,734	39,355,135
Restricted	10,890,066	6,031,721	4,812,824	5,740,046	3,796,597
Unrestricted	16,136,223	21,265,913	17,735,140	18,560,223	19,380,218
Total primary government net position	\$ 61,453,668	\$ 62,253,254	\$ 63,795,181	\$ 62,788,003	\$ 62,531,950

Table 1

		Fiscal Year							
		2011	2012	2013	2014	2015			
\$	24,594,993	\$	27,190,260	\$	28,503,588	\$	28,034,313	\$	31,622,817
	6,458,248		6,364,734		8,043,606		9,688,690		5,167,449
	10,056,506		12,178,898		11,028,546		11,570,050		7,439,855
	<u>41,109,747</u>		<u>45,733,892</u>		<u>47,575,740</u>		<u>49,293,053</u>		<u>44,230,121</u>
	18,222,783		17,944,934		20,110,058		20,687,495		21,436,632
	6,954,395		9,314,970		8,758,812		<u>10,006,206</u>		10,789,829
	<u>25,177,178</u>		<u>27,259,904</u>		<u>28,868,870</u>		<u>30,693,701</u>		<u>32,226,461</u>
	42,817,776		45,135,194		48,613,646		48,721,808		53,059,449
	6,458,248		6,364,734		8,043,606		9,688,690		5,167,449
	<u>17,010,901</u>		<u>21,493,868</u>		<u>19,787,358</u>		<u>21,576,256</u>		<u>18,229,684</u>
\$	<u>66,286,925</u>	\$	<u>72,993,796</u>	\$	<u>76,444,610</u>	\$	<u>79,986,754</u>	\$	<u>76,456,582</u>

CITY OF NORTHFIELD, MINNESOTA
 CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
 2006 - 2015
 (accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
EXPENSES					
Governmental activities					
General government	\$ 4,234,370	\$ 2,862,032	\$ 3,072,077	\$ 2,380,301	\$ 2,588,720
Public safety	3,500,605	3,929,169	3,751,857	3,796,557	3,672,421
Public works/streets	4,338,800	2,513,940	4,277,593	6,262,791	3,668,669
Culture and recreation	2,906,572	2,767,583	2,369,056	3,142,420	2,736,334
Transit	392,226	350,400	379,959	351,763	392,843
Housing and economic development	1,281,477	333,017	766,993	275,022	389,584
Miscellaneous	-	-	388,410	357,443	164,856
Interest on long-term debt	817,418	960,668	880,279	1,112,174	665,911
Total governmental activities expenses	17,471,468	13,716,809	15,886,224	17,678,471	14,279,338
Business-type activities					
Water	1,208,324	1,335,869	1,411,186	1,408,659	1,775,806
Wastewater	3,130,099	3,063,287	3,377,011	3,123,978	3,192,739
Garbage	664,303	693,248	733,098	767,648	767,573
Storm water drainage	250,071	371,702	295,084	400,623	506,573
Liquor store	2,211,759	2,440,643	2,519,314	2,634,984	2,656,796
Total business-type activities expenses	7,464,556	7,904,749	8,335,693	8,335,892	8,899,487
Total primary government expenses	\$ 24,936,024	\$ 21,621,558	\$ 24,221,917	\$ 26,014,363	\$ 23,178,825
PROGRAM REVENUES					
Governmental activities					
Charges for services:					
Licenses and permits	\$ 1,137,550	\$ 767,520	\$ 521,006	\$ 326,449	\$ 613,423
Other public works	266,595	714,973	443,574	257,467	302,584
Parks and recreation	235,737	149,508	314,230	649,448	737,501
Other activities	3,831,061	633,305	1,301,796	985,121	1,009,453
Operating grants and contributions	1,295,214	1,339,191	344,748	872,820	984,475
Capital grants and contributions	2,318,375	1,204,647	936,400	3,907,877	1,451,645
Total governmental activities program revenues	9,084,532	4,809,144	3,861,754	6,999,182	5,099,081
Business-type activities					
Charges for services					
Water	2,644,540	2,003,128	2,040,646	1,886,692	1,926,224
Wastewater	3,798,736	2,949,489	3,212,024	3,011,113	3,254,851
Liquor store	2,371,698	2,624,640	2,635,677	2,793,405	2,856,959
Other activities	1,688,622	1,004,375	1,068,294	1,257,395	1,330,240
Capital grants and contributions	-	396,506	150,619	6,294	138,150
Operating grants and contributions	-	-	-	-	-
Total business-type activities program revenues	10,503,596	8,978,138	9,107,260	8,954,899	9,506,424
Total primary government program revenues	\$ 19,588,128	\$ 13,787,282	\$ 12,969,014	\$ 15,954,081	\$ 14,605,505

Table 2

		Fiscal Year							
		2011	2012	2013	2014	2015			
\$	2,654,908	\$	2,522,007	\$	2,471,488	\$	2,329,667	\$	2,452,348
	3,630,668		2,940,591		3,373,344		3,700,747		4,064,654
	3,721,097		3,909,751		4,376,670		4,482,892		4,488,113
	2,651,180		2,898,557		2,795,216		3,179,054		2,842,634
	439,607		333,134		48,029		123,541		25,938
	95,154		79,429		259,475		454,921		151,088
	181,674		121,764		119,087		221,322		150,623
	605,540		694,881		668,675		770,748		709,534
	<u>13,979,828</u>		<u>13,500,114</u>		<u>14,111,984</u>		<u>15,262,892</u>		<u>14,884,932</u>
	1,458,694		1,185,334		1,224,605		1,400,876		1,457,422
	3,200,268		3,069,492		3,255,031		3,203,623		3,091,885
	829,103		828,181		668,627		672,044		692,840
	393,413		429,193		444,145		689,699		442,311
	<u>2,650,392</u>		<u>2,694,832</u>		<u>2,860,049</u>		<u>2,973,798</u>		<u>2,944,079</u>
	<u>8,531,870</u>		<u>8,207,032</u>		<u>8,452,457</u>		<u>8,940,040</u>		<u>8,628,537</u>
\$	<u>22,511,698</u>	\$	<u>21,707,146</u>	\$	<u>22,564,441</u>	\$	<u>24,202,932</u>	\$	<u>23,513,469</u>
\$	340,454	\$	420,768	\$	464,599	\$	396,898	\$	428,765
	302,442		292,863		263,374		299,695		338,914
	739,915		823,926		782,784		543,223		555,673
	1,095,697		1,049,087		1,030,637		1,050,895		1,033,774
	986,487		690,287		815,995		825,775		908,187
	<u>1,111,799</u>		<u>2,331,344</u>		<u>1,081,129</u>		<u>1,743,405</u>		<u>1,854,869</u>
	<u>4,576,794</u>		<u>5,608,275</u>		<u>4,438,518</u>		<u>4,859,891</u>		<u>5,120,182</u>
	2,141,679		2,244,788		2,254,872		2,174,773		2,109,788
	3,471,535		3,602,649		3,781,043		3,840,957		4,260,147
	2,853,534		2,918,912		3,080,768		3,160,587		3,076,452
	1,320,196		1,436,992		1,565,371		1,602,410		1,673,271
	5,336		79,561		-		-		-
	-		-		8,805		6,839		16,011
	<u>9,792,280</u>		<u>10,282,902</u>		<u>10,690,859</u>		<u>10,785,566</u>		<u>11,135,669</u>
\$	<u>14,369,074</u>	\$	<u>15,891,177</u>	\$	<u>15,129,377</u>	\$	<u>15,645,457</u>	\$	<u>16,255,851</u>

CITY OF NORTHFIELD, MINNESOTA
 CHANGES IN NET POSITION - CONTINUED
 2006 - 2015
 (accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
PROGRAM REVENUES - CONTINUED					
Net (expense)/revenue					
Governmental activities	\$ (8,386,936)	\$ (8,907,665)	\$ (12,024,470)	\$ (10,679,289)	\$ (9,180,257)
Business-type activities	3,039,040	1,073,389	771,567	619,007	606,937
Total primary government net expense	\$ (5,347,896)	\$ (7,834,276)	\$ (11,252,903)	\$ (10,060,282)	\$ (8,573,320)
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes	\$ 5,092,851	\$ 5,793,327	\$ 6,590,131	\$ 6,998,405	\$ 7,003,550
Franchise taxes	91,541	198,371	150,878	161,350	166,668
Hotel/motel taxes	85,665	98,861	82,822	73,846	82,014
Unrestricted grants and contributions	3,583,586	3,115,703	4,771,722	3,350,459	2,649,667
Investment earnings	589,433	882,668	654,246	783,040	402,709
Miscellaneous	-	779,206	238,032	177,725	47,708
Transfers of capital assets	-	-	-	-	-
Transfers	120,000	125,000	164,400	(978,726)	165,350
Extraordinary item	-	(2,258,000)	-	-	-
Total governmental activities	9,563,076	8,735,136	12,652,231	10,566,099	10,517,666
Business-type activities					
Investment earnings (loss)	158,617	252,487	270,093	87,015	133,193
Transfers of capital assets	-	-	-	-	-
Transfers	(120,000)	(125,000)	(164,400)	978,726	(165,350)
Total business-type activities	38,617	127,487	105,693	1,065,741	(32,157)
Total primary government	\$ 9,601,693	\$ 8,862,623	\$ 12,757,924	\$ 11,631,840	\$ 10,485,509
CHANGES IN NET POSITION					
Governmental activities	\$ 1,176,140	\$ (172,529)	\$ 627,761	\$ (113,190)	\$ 1,337,409
Business-type activities	3,077,657	1,200,876	877,260	1,684,748	574,780
Total primary government	\$ 4,253,797	\$ 1,028,347	\$ 1,505,021	\$ 1,571,558	\$ 1,912,189

Table 2 (continued)

		Fiscal Year							
		2011	2012	2013	2014	2015			
\$	(9,403,034)	\$	(7,891,839)	\$	(9,673,466)	\$	(10,403,001)	\$	(9,764,750)
	1,260,410		2,075,870		2,238,402		1,845,526		2,507,132
\$	(8,142,624)	\$	(5,815,969)	\$	(7,435,064)	\$	(8,557,475)	\$	(7,257,618)
\$	7,017,127	\$	7,667,910	\$	8,497,671	\$	7,896,765	\$	7,748,248
	169,174		174,403		187,314		195,174		194,015
	99,466		89,505		82,123		92,993		95,264
	2,728,423		2,628,918		2,428,140		3,093,285		3,161,620
	637,443		232,998		(260,663)		381,593		87,347
	57,950		197,900		60,428		280,486		49,407
	202,010		(134,314)		176,462		-		-
	165,350		173,005		343,839		180,018		125,000
	-		-		-		-		-
	11,076,943		11,030,325		11,515,314		12,120,314		11,460,901
	188,016		73,282		(109,135)		159,323		50,587
	(202,010)		134,314		(176,462)		-		-
	(165,350)		(173,005)		(343,839)		(180,018)		(125,000)
	(179,344)		34,591		(629,436)		(20,695)		(74,413)
\$	10,897,599	\$	11,064,916	\$	10,885,878	\$	12,099,619	\$	11,386,488
\$	1,673,909	\$	3,138,486	\$	1,841,848	\$	1,717,313	\$	1,696,151
	1,081,066		2,110,461		1,608,966		1,824,831		2,432,719
\$	2,754,975	\$	5,248,947	\$	3,450,814	\$	3,542,144	\$	4,128,870

CITY OF NORTHFIELD, MINNESOTA
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 2006 - 2015
 (accrual basis of accounting)

Table 3

Fiscal Year	General Property Taxes	Tax Increment Taxes	Hotel- Motel Tax	Franchise Tax	Total
2006	\$ 4,475,638	\$ 617,213	\$ 85,665	\$ 91,541	\$ 5,270,057
2007	5,078,459	714,868	98,861	198,371	6,090,559
2008	5,586,520	1,003,611	82,822	150,878	6,823,831
2009	6,033,061	965,344	73,846	161,350	7,233,601
2010	6,162,878	840,672	82,014	166,668	7,252,232
2011	6,178,349	838,778	99,466	169,174	7,285,767
2012	6,797,332	870,578	89,505	174,403	7,931,818
2013	7,668,451	829,220	82,123	187,314	8,767,108
2014	7,619,913	276,852	92,993	195,174	8,184,932
2015	7,488,485	259,763	95,264	194,015	8,037,527

CITY OF NORTHFIELD, MINNESOTA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund					
Reserved	\$ 62,322	\$ 84,789	\$ 73,277	\$ 68,339	\$ 62,297
Unreserved	5,535,274	5,205,577	4,813,349	5,049,125	5,603,762
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General fund	<u>\$ 5,597,596</u>	<u>\$ 5,290,366</u>	<u>\$ 4,886,626</u>	<u>\$ 5,117,464</u>	<u>\$ 5,666,059</u>
All other governmental funds					
Reserved	\$ 6,623,917	\$ 9,387,812	\$ 6,504,762	\$ 6,426,347	\$ 4,072,829
Unreserved, reported in:					
Special revenue funds	3,098,242	3,512,969	3,423,870	3,481,490	3,794,157
Capital projects funds	2,968,370	1,927,372	2,494,825	2,489,621	2,607,173
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 12,690,529</u>	<u>\$ 14,828,153</u>	<u>\$ 12,423,457</u>	<u>\$ 12,397,458</u>	<u>\$ 10,474,159</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				
2011	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
56,933	77,534	98,503	93,337	99,115
19,002	4,651	5,054	6,604	6,491
750,000	-	-	-	-
313,844	252,397	-	-	-
5,071,260	6,368,330	6,936,896	6,790,550	6,794,990
<u>\$ 6,211,039</u>	<u>\$ 6,702,912</u>	<u>\$ 7,040,453</u>	<u>\$ 6,890,491</u>	<u>\$ 6,900,596</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	678	3,194	3,005	2,731
6,678,023	14,797,894	11,747,582	10,844,573	6,803,989
87,023	87,023	89,816	89,816	46,056
4,095,069	4,343,051	3,707,962	4,231,212	4,533,124
(747,617)	(713,593)	(188,835)	(64,163)	(314,233)
<u>\$ 10,112,498</u>	<u>\$ 18,515,053</u>	<u>\$ 15,359,719</u>	<u>\$ 15,104,443</u>	<u>\$ 11,071,667</u>

CITY OF NORTHFIELD, MINNESOTA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
REVENUES					
Taxes	\$ 5,226,419	\$ 6,015,063	\$ 6,726,779	\$ 7,021,332	\$ 7,102,351
Licenses, fees and permits	1,137,550	767,520	510,506	326,449	613,423
Fines and forfeits	98,677	108,508	118,814	116,937	139,091
Charges for services	1,601,699	1,340,429	1,870,502	1,532,846	1,589,147
Special assessments	1,387,175	977,880	832,639	1,014,688	870,870
Intergovernmental	4,599,005	4,811,854	5,328,406	6,396,026	3,978,493
Investment earnings	589,433	867,031	639,736	204,891	351,807
Miscellaneous	<u>3,042,285</u>	<u>1,001,750</u>	<u>683,315</u>	<u>1,320,727</u>	<u>818,783</u>
TOTAL REVENUES	<u>17,682,243</u>	<u>15,890,035</u>	<u>16,710,697</u>	<u>17,933,896</u>	<u>15,463,965</u>
EXPENDITURES					
CURRENT:					
General government	3,963,215	2,462,827	2,711,539	2,445,232	2,433,016
Public safety	3,416,511	3,833,814	3,471,145	3,617,035	3,459,798
Public works	2,553,903	1,731,366	1,847,685	2,105,459	1,941,562
Culture and recreation	2,573,446	2,533,441	2,734,626	2,130,925	2,149,931
Transit	371,675	324,509	355,825	310,134	346,134
Housing and economic development	280,280	46,041	724,551	331,943	48,053
Nondepartmental	211,241	248,781	400,038	193,198	171,400
CAPITAL OUTLAY:					
General government	-	5,158	371,063	5,477	85,427
Public safety	-	28,838	77,409	13,547	12,040
Public works	417,588	3,142,036	3,843,405	4,676,691	2,071,359
Culture and recreation	2,586,065	561,106	2,075,374	116,579	129,288
Transit	-	-	61,979	31,061	-
Housing and economic development	31,806	-	288,093	137,587	368,284
DEBT SERVICE:					
Principal	2,486,001	2,193,913	1,835,995	2,974,646	2,242,739
Interest and other	730,076	1,006,793	952,084	1,105,455	732,019
Issuance fees	-	-	-	-	-
TOTAL EXPENDITURES	<u>19,621,807</u>	<u>18,118,623</u>	<u>21,750,811</u>	<u>20,194,969</u>	<u>16,191,050</u>
Revenues over (under) expenditures	<u>(1,939,564)</u>	<u>(2,228,588)</u>	<u>(5,040,114)</u>	<u>(2,261,073)</u>	<u>(727,085)</u>
OTHER FINANCING SOURCES (USES):					
Bonds issued	5,137,598	4,814,463	3,878,275	2,938,580	1,466,400
Bond premium/(discount)	-	46,125	-	67,976	-
Transfers in	-	-	1,286,980	714,882	1,710,382
Transfers out	(528,055)	(555,937)	(1,122,580)	(1,281,961)	(1,812,518)
Payment to refunded bond escrow agent	-	-	(1,815,000)	-	(1,885,000)
Sale of capital assets	(53,512)	173,186	4,003	26,435	4,163
Discontinuance of services	<u>(62,869)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,493,162</u>	<u>4,477,837</u>	<u>2,231,678</u>	<u>2,465,912</u>	<u>(516,573)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 2,553,598</u>	<u>\$ 2,249,249</u>	<u>\$ (2,808,436)</u>	<u>\$ 204,839</u>	<u>\$ (1,243,658)</u>
Debt service as a percentage of noncapital expenditures	19.4%	18.9%	18.0%	23.5%	21.4%

Table 5

		Fiscal Year				
		2011	2012	2013	2014	2015
\$	7,190,519	\$ 7,890,230	\$ 8,727,871	\$ 8,164,634	\$ 7,978,678	
	340,454	420,768	464,599	396,898	428,765	
	175,450	117,177	119,442	114,273	113,521	
	1,695,131	1,746,420	1,695,092	1,701,689	1,767,392	
	1,055,710	833,269	601,262	777,420	725,693	
	3,594,665	4,574,760	3,638,115	4,309,972	3,733,577	
	526,787	227,060	(260,663)	381,593	87,347	
	690,599	701,845	659,955	628,366	1,254,913	
	15,269,315	16,511,529	15,645,673	16,474,845	16,089,886	
	2,320,974	2,537,743	2,440,340	2,138,242	2,341,517	
	3,552,039	3,324,670	3,335,072	3,459,404	4,017,614	
	2,013,997	1,881,458	2,329,237	2,338,145	2,231,624	
	2,092,893	2,197,931	2,244,441	2,216,064	2,238,545	
	359,227	324,524	55,832	91,916	-	
	176,089	98,709	259,733	447,826	125,427	
	181,674	121,764	119,087	221,322	150,623	
	632,115	302,372	842,984	109,919	32,139	
	-	750,649	3,420,227	2,758,586	107,144	
	2,242,869	2,629,590	1,630,427	3,363,651	2,182,288	
	206,555	54,816	105,920	416,770	1,347,464	
	71,050	42,331	1,508	5,687	-	
	8,345	-	55,365	172,139	79,010	
	2,079,899	1,975,412	2,089,482	2,138,563	2,285,015	
	672,349	613,358	719,926	738,364	749,072	
	-	72,534	31,149	28,815	33,736	
	16,610,075	16,927,861	19,680,730	20,645,413	17,921,218	
	(1,340,760)	(416,332)	(4,035,057)	(4,170,568)	(1,831,332)	
	1,555,810	7,740,000	830,000	3,210,000	1,925,000	
	-	(14,773)	-	-	35,574	
	1,882,014	2,015,008	2,032,902	3,550,128	1,422,634	
	(1,940,955)	(1,742,003)	(1,689,063)	(3,730,110)	(1,297,634)	
	-	-	27,116	108,626	(2,560,000)	
	27,210	1,029	16,309	57,747	-	
	-	-	-	-	-	
	1,524,079	7,999,261	1,217,264	3,196,391	(474,426)	
\$	183,319	\$ 7,582,929	\$ (2,817,793)	\$ (974,177)	\$ (2,305,758)	
	20.0%	19.7%	20.2%	20.7%	21.3%	

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
2006	\$ 10,044,897	\$ 3,424,760	\$ 249,655	\$ 13,719,312	\$ 34.230	\$ 1,214,700,400	1.13%
2007	11,135,711	2,822,579	274,007	14,232,297	35.691	1,334,826,400	1.07%
2008	11,899,873	4,266,574	190,680	16,357,127	36.648	1,409,744,400	1.16%
2009	12,113,353	4,387,040	193,079	16,693,472	38.405	1,437,011,100	1.16%
2010	12,182,880	4,512,181	225,544	16,920,605	40.369	1,373,149,700	1.23%
2011	10,436,580	3,698,901	210,615	14,346,096	43.890	1,157,743,200	1.24%
2012	9,227,358	4,127,738	214,631	13,569,727	50.947	1,139,637,251	1.19%
2013	9,705,601	4,919,269	287,213	14,912,083	61.901	1,393,512,713	1.07%
2014	8,648,275	3,294,362	186,430	12,129,067	59.785	1,134,820,400	1.07%
2015	9,364,921	3,461,187	192,895	13,019,003	56.750	1,202,202,700	1.08%

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
2006	30.11	4.12	34.23	26.69	1.91	28.61
2007	32.86	2.83	35.69	25.31	2.16	27.47
2008	32.64	4.01	36.65	24.26	2.17	26.43
2009	33.96	4.45	38.41	24.73	2.40	27.13
2010	34.96	5.41	40.37	24.91	3.52	28.43
2011	37.82	6.07	43.89	27.16	3.26	30.42
2012	45.18	6.07	51.25	29.44	4.93	34.37
2013	54.28	7.62	61.90	32.95	5.31	38.26
2014	47.80	11.99	59.79	32.78	5.62	38.40
2015	45.37	11.38	56.75	33.27	5.59	38.86

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
School Districts	Other Districts			
Total School	Special Districts			
32.42	1.23	34.23	62.25	96.48
32.16	1.31	35.69	60.95	96.64
31.33	2.83	36.65	60.59	97.24
29.58	2.78	38.41	59.49	97.90
28.38	3.57	40.37	60.37	100.74
31.03	3.67	43.89	65.12	109.01
33.58	4.10	51.25	72.05	123.31
38.44	4.21	61.90	80.91	142.81
36.41	4.07	59.79	78.88	138.67
34.06	3.65	56.75	76.57	133.32

CITY OF NORTHFIELD, MINNESOTA
 PRINCIPAL PROPERTY TAXPAYERS
 DECEMBER 31, 2015

Table 8

Taxpayer	2015			2006		
	Taxable Tax Capacity	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Malt-O-Meal	\$ 736,930	1	5.66 %	\$ 488,204	1	3.56 %
Xcel Energy	516,472	2	3.97	181,266	3	1.32
McLane Minnesota, Inc.	368,608	3	2.83	210,358	2	1.53
Community Resource Bank	243,132	4	1.87	111,134	5	0.81
Dayton Hudson Corp	225,732	5	1.73	141,484	4	1.03
Hayzin LLC	198,636	6	1.53	106,268	6	0.77
Hidden Valley Apartments Ltd.	185,074	7	1.42	105,088	7	0.77
Allina Health Systems	174,668	8	1.34			
Carleton College	171,724	9	1.32	67,970	10	0.50
Cardinal CG Company	157,586	10	1.21	82,963	8	0.60
Heritage Square LLC				73,736	9	0.54
Total	<u>\$ 2,978,562</u>		<u>22.88 %</u>	<u>\$ 1,568,471</u>		<u>11.43 %</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
2006	\$ 4,697,878	\$ 4,632,528	98.60 %	\$ 64,384	\$ 4,696,912	100.00 %
2007	5,033,926	4,944,441	98.20	87,314	5,031,755	100.00
2008	5,816,276	5,709,529	98.20	104,272	5,813,801	100.00
2009	6,179,781	6,051,405	97.90	124,302	6,175,707	99.90
2010	6,022,007 a	5,866,663	97.40	147,426	6,014,089	99.90
2011	6,099,661 a	5,951,540	97.60	140,220	6,091,760	99.90
2012	6,770,991	6,617,593	97.70	138,780	6,756,373	99.80
2013	7,345,288	7,263,683	98.90	64,201	7,327,884	99.80
2014	7,345,288	7,293,692	99.30	25,975	7,319,667	99.70
2015	7,411,661	7,356,097	99.30	40,918	7,397,015	99.80

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							
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds	General Obligation Revenue Bonds	Certificates of Participation	Capital Lease Payable	Notes Payable	Total Governmental Activities
2006	\$ 2,015,000	\$ 8,425,000	\$ 3,987,244	\$ -	\$ -	\$ -	\$ -	\$ 14,427,244
2007	3,465,000	9,155,000	4,766,724	-	-	3,040,000	2,089,480	22,516,204
2008	1,650,000	8,605,000	5,086,860	-	-	5,344,139	2,131,621	22,817,620
2009	1,505,000	9,910,000	1,925,000	-	-	5,252,834	2,076,860	20,669,694
2010	1,340,000	8,017,900	1,670,000	-	-	4,963,436	2,015,072	18,006,408
2011	1,165,000	7,932,900	1,419,000	-	-	5,058,215	1,907,203	17,482,318
2012	1,504,477	7,779,657	1,163,000	-	6,280,000	2,281,898	1,794,319	20,803,351
2013	1,319,477	7,344,192	957,000	2,295,000	6,280,000	2,110,367	1,695,694	22,001,730
2014	1,124,477	7,469,341	741,000	4,222,113	6,100,000	1,939,668	1,587,157	23,183,756
2015	824,582	7,815,840	665,000	1,905,402	5,835,000	1,754,360	1,487,176	20,287,360

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

Note: The General Obligation Revenue Bonds are part of the Economic Development Authority which were previously shown as a discretely presented component unit and were moved to blended in 2013 in accordance of GASB 61.

Table 10

Percentage of Tax Capacity	Business-type Activities			Per Customer	Total Primary Government	Percentage of Personal Income	Per Capita
	Sewer/Storm and Water Bonds	Capital Lease Payable	Total Business-Type Activities				
105%	\$ 20,111,000	\$ -	\$ 20,111,000	3,948	\$ 34,538,244	5.30 %	1,779
158%	23,194,000	-	23,194,000	4,546	45,710,204	4.18	2,309
139%	20,641,000	204,173	20,845,173	5,347	43,662,793	4.59	2,201
124%	20,178,000	268,295	20,446,295	5,498	41,115,989	4.87	2,078
106%	18,771,100	249,653	19,020,753	5,509	37,027,161	5.47	1,851
122%	17,315,100	274,261	17,589,361	5,511	35,071,679	5.99	1,715
153%	16,878,177	255,697	17,133,874	5,488	37,937,225	5.96	1,851
148%	14,083,250	236,387	14,319,637	5,521	36,321,367	6.18	1,783
191%	12,093,323	219,444	12,312,767	5,431	35,496,523	6.85	1,762
156%	10,628,695	198,592	10,827,287	5,431	31,114,647	*	1,533

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
2006	\$ 2,015,000	\$ 312,310	\$ 1,702,690	0.14 %	\$ 88
2007	3,465,000	2,016,231	1,448,769	0.11	73
2008	1,650,000	324,191	1,325,809	0.09	67
2009	1,505,000	318,308	1,186,692	0.08	60
2010	1,340,000	305,946	1,034,054	0.08	52
2011	1,165,000	303,514	861,486	0.07	42
2012	1,504,477	318,796	1,185,681	0.10	58
2013	1,319,477	333,779	985,698	0.07	48
2014	1,124,477	449,986	674,491	0.06	33
2015	824,582	475,708	348,874	0.03	17

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, 2015

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
School District			
ISD No. 659	\$ 40,335,000	52.16 %	\$ 21,040,107
Rice County	23,490,000	21.45	5,038,488
Dakota County	38,910,000	0.28	107,392
Subtotal - overlapping debt			\$ 26,185,987
City direct debt			20,287,360
Total direct and overlapping debt			\$ 46,473,347

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 23,705,562	\$ 25,890,048	\$ 40,598,200	\$ 41,985,952	\$ 40,938,930
Total net debt applicable to limit	<u>1,672,812</u>	<u>1,109,422</u>	<u>1,650,000</u>	<u>1,505,000</u>	<u>1,340,000</u>
Legal debt margin	<u>\$ 22,032,750</u>	<u>\$ 24,780,626</u>	<u>\$ 38,948,200</u>	<u>\$ 40,480,952</u>	<u>\$ 39,598,930</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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 36,534,430	\$ 34,189,118	\$ 41,805,381	\$ 34,044,612	\$ 36,066,081
<u>1,165,000</u>	<u>10,195,000</u>	<u>9,870,000</u>	<u>8,710,000</u>	<u>11,771,000</u>
<u>\$ 35,369,430</u>	<u>\$ 23,994,118</u>	<u>\$ 31,935,381</u>	<u>\$ 25,334,612</u>	<u>\$ 24,295,081</u>

Legal Debt Margin Calculation for Fiscal Year 2015

Total estimated market value	<u>\$ 1,202,202,700</u>
Debt limit (3% of total assessed value)	<u>36,066,081</u>
Debt applicable to limit:	
General obligation bonds	<u>11,771,000</u>
Legal debt margin	<u>\$ 24,295,081</u>

CITY OF NORTHFIELD, MINNESOTA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS

Year	Utility Revenue Bonds					Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2006	\$ 6,069,155	\$ 3,871,325	\$ 2,197,830	\$ 1,100,000	\$ 744,865	1.19
2007	5,883,461	4,779,170	1,104,291	1,105,000	697,739	0.61
2008	6,308,947	5,602,089	706,858	2,693,000	746,416	0.21
2009	6,136,955	5,492,426	644,529	2,013,000	653,771	0.24
2010	6,488,589	5,610,510	878,079	2,161,900	640,850	0.31
2011	6,884,517	5,292,202	1,592,315	1,501,000	599,761	0.76
2012	7,451,758	3,081,683	4,370,075	1,638,540	1,068,520	1.61
2013	7,518,539	3,379,949	4,138,590	1,923,636	592,809	1.64
2014	7,721,254	3,872,724	3,848,530	2,003,023	302,909	1.67
2015	7,958,662	3,665,992	4,292,670	2,018,636	258,250	1.89

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

Special Assessment Collections	Improvement Bonds			Tax Increment Collections	Debt Service			Coverage
	Debt Service		Coverage		Debt Service		Coverage	
	Principal	Interest			Principal	Interest		
\$ 1,387,175	\$ 1,335,000	\$ 343,084	0.83	\$ 617,213	\$ 289,000	\$ 231,109	1.19	
977,880	1,395,000	294,869	0.58	714,868	269,000	268,860	1.33	
832,639	1,320,000	308,287	0.51	564,255	374,000	154,198	1.07	
1,014,688	1,445,000	292,967	0.58	955,270	1,050,000	126,914	0.81	
870,870	3,310,000	254,984	0.24	840,672	363,340	199,213	1.49	
974,870	1,875,000	209,365	0.47	839,861	358,869	151,834	1.64	
497,084	1,124,460	202,619	0.37	867,919	368,884	139,591	1.71	
433,146	1,286,364	257,825	0.28	829,220	304,625	171,981	1.74	
370,432	1,266,364	175,941	0.26	276,852	182,091	103,562	0.97	
479,986	1,201,364	148,689	0.36	281,750	175,981	105,206	1.00	

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
2006	19,413	5,874	\$ 1,829,084	\$ 29,745	4.90 %
2007	19,799	6,011	1,910,673	30,825	5.50
2008	19,839	6,073	2,003,736	32,017	7.40
2009	19,786	6,105	2,003,226	31,938	8.30
2010	20,007	5,858	2,024,596	31,509	7.50
2011	20,454	6,283	2,101,746	32,631	6.30
2012	20,501	6,298	2,261,892	34,877	6.10
2013	20,373	6,308	2,245,742	34,524	4.30
2014	20,146	6,341	2,431,411	37,320	4.70
2015	20,303	6,414	*	*	3.30

*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	2015			2006		
	Employees	Rank	Percentage of Total City Employment (a)	Employees	Rank	Percentage of Total City Employment
St Olaf College	860	1	1.67%	860	1	2.60%
Malt-O-Meal	750	2	1.46%	787	2	2.38%
Carleton College	700	3	1.36%	650	3	1.96%
Northfield Hospital	700	4	1.36%	340	7	1.03%
ISD 659	675	5	1.31%	500	4	1.51%
McLane Minnesota Inc.	480	7	0.93%	400	6	1.21%
Multek Flexible Circuits	450	6	0.88%	450	5	1.36%
Taylor Truck Line, Inc.	360	8	0.70%			
Three Links Care Center	250	9	0.49%	180	10	0.54%
City of Northfield	170	10	0.33%	257	8	0.78%
Allina Medical Center				198	9	0.60%
Total	5,395		10.49%	4,622		13.97%

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				
	2006	2007	2008	2009	2010
General government					
Management services	4.5	4.0	4.0	4.0	3.0
Finance	4.7	5.0	4.5	4.3	4.0
Human resources (a)	2	3.0	3.0	2.6	2.6
Community development	1.8	2.0	2.0	1.1	1.4
Planning	1.3	1.0	1.0	1.7	0.3
Building inspections	3.0	3.0	3.2	2.2	2.0
Information technology	1.0	2.1	2.0	2.0	2.0
Police					
Officers	25.0	19.0	22.0	22.0	21.0
Civilians	4.4	5.0	5.0	4.0	5.0
Fire					
Firefighters and officers (b)	-	-	-	-	-
Public works					
Engineering	4.4	5.0	4.8	4.5	4.5
Streets and park maintenance	8.2	11.0	9.0	8.3	8.3
Economic development	0.9	1.0	0.5	1.0	0.6
Housing	0.6	1.0	1.1	1.1	1.0
Buildings and recreation facilities	9.2	5.5	2.4	2.5	2.5
Library	13.0	12.3	12.8	11.9	11.5
Motor vehicle	1.9	2.0	2.0	2.1	2.1
Community/wellness center	2.1	1.0	1.0	0.2	0.2
Water	4.8	4.0	4.1	4.1	4.0
Wastewater	8.4	7.0	7.1	6.1	6.0
Refuse	0.6	0.0	0.5	0.2	0.0
Storm water	0.0	-	0.1	0.7	1.0
Transit	4.6	4.3	4.9	4.3	4.4
Liquor operations	6.2	8.2	8.2	7.3	7.3
Total	112.5	106.4	105.2	98.1	94.5

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					
2011	2012	2013	2014	2015	
2.6	3.3	3.5	3.0	3.0	3.0
4.0	4.0	4.0	4.0	4.0	4.0
1.4	2.1	2.5	3.0	3.0	3.0
0.5	1.5	1.5	1.5	1.5	1.1
0.3	0.3	1.3	1.3	1.3	1.3
2.0	2.0	2.5	2.5	2.5	2.5
2.2	2.2	2.2	3.2	3.2	3.2
21.0	21.0	22.0	22.0	22.0	22.0
5.0	5.0	5.0	5.0	5.0	5.0
-	-	-	-	-	-
4.5	4.5	4.5	4.5	4.5	4.5
8.3	8.3	8.3	9.0	9.0	9.0
0.5	0.5	0.5	0.5	0.5	0.8
0.7	0.7	0.7	0.7	0.7	0.7
2.5	2.5	3.0	3.0	3.0	3.0
11.0	11.0	11.5	12.0	12.0	12.2
2.1	2.1	2.6	2.6	2.6	2.6
0.2	0.2	0.2	0.0	0.0	0.0
4.0	4.0	4.0	5.0	5.0	4.5
6.0	6.0	6.0	5.0	5.0	7.5
-	-	-	-	-	-
0.5	0.5	0.5	0.5	0.5	0.5
4.4	0.0	0.0	0.0	0.0	0.0
7.3	7.3	7.3	7.5	7.5	7.0
<u>91.0</u>	<u>89.0</u>	<u>93.6</u>	<u>95.8</u>	<u>97.4</u>	<u>97.4</u>

CITY OF NORTHFIELD, MINNESOTA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Traffic violations	1,520	3,152	1,121	3,864	2,072
Part I Crimes	646	649	419	428	416
Part II Crimes	961	1,555	831	754	724
Building inspection					
Permits issued	5,057	1,547	574	686	282
Total value	97,068,004	101,726,142	51,437,368	18,278,494	59,439,518
Single-family home permits issued	56	37	13	12	11
Single-family home value	12,883,164	10,125,861	3,079,805	2,388,002	2,603,150
Library					
Population served	30,219	30,970	31,747	31,745	26,674
Circulation	350,007	372,109	395,266	403,578	382,185
Hours open	3,120	3,227	3,242	3,112	2,986
Cardholders	17,855	19,457	19,974	20,663	19,953
Visits	173,004	187,330	214,292	205,468	205,396
Water					
Connections	5,152	5,444	5,397	6,079	5,611
Total water pumped (millions of gallons)	836.3	841.7	824.3	729.7	752.6
Average daily consumption (millions of gallons)	2.2	2.3	2.3	2.1	2.1
Peak daily consumption (millions of gallons)	4.4	4.6	4.1	4.6	3.4
Wastewater					
Treatment capacity (millions of gallons)	3.2	3.2	3.2	3.2	3.2
Average daily volume treated (millions of gallons)	1.9	2.0	2.0	1.8	2.1
Transit					
Total route miles	81,694	83,477	78,829	75,541	72,785
Passengers	45,012	44,750	41,286	35,849	35,072

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.

Table 18

Fiscal Year				
2011	2012	2013	2014	2015
3,209	3,395	2,362	2,227	3,367
326	412	289	288	243
663	576	472	439	494
283	295	438	731	975
16,657,366	20,018,472	37,905,058	25,088,302	27,934,305
15	15	25	26	31
3,348,710	3,155,350	6,508,390	6,447,000	7,673,730
26,674	26,606	26,758	26,563	26,563
370,832	372,926	365,870	346,702	244,264
2,624	2,904	2,990	3,022	2,763
19,954	19,991	20,578	17,970	16,480
226,668	206,492	207,246	205,271	116,066
5,545	5,582	5,696	5,709	5,767
778	814.6	798.5	793.5	744.7
2.1	2.2	2.1	2.1	2.0
3.6	4.2	4.0	4.1	4.9
3.2	3.2	3.2	3.2	3.2
2.4	2.2	2.3	2.3	2.0
67,753	30,668	-	-	-
27,948	12,901	-	-	-

CITY OF NORTHFIELD, MINNESOTA
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public Works					
Miles of street, local, county and state highways	87.92	81.00	93.00	93.00	93.00
Parks and recreation					
Number of parks	44	44	44	44	44
Acreage	425	425	425	425	425
Playgrounds	17	18	18	18	18
Baseball/softball diamonds	7	7	7	7	7
Soccer/football fields	8	8	8	8	8
Community centers	1	1	1	1	1
Indoor ice arena	1	1	1	1	1
Outdoor pool	-	1	1	1	1
Storage capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000
Wastewater					
Treatment capacity (millions of gallons)	3.2	3.2	3.2	3.2	3.2
Transit-buses	5	5	5	5	5

Sources: Various City departments

- Note: (a) No capital asset indicators are available for the general government of library function.
 (b) A new outdoor pool was constructed in 2006/2007 and opened during 2007.
 (c) Transit program was eliminated in 2012.

Table 19

Fiscal Year				
2011	2012	2013	2014	2015
1	1	1	1	1
1	1	1	1	1
93.00	93.00	93.00	93.00	93.00
44	44	45	45	45
425	425	425	425	425
18	18	18	19	19
7	7	7	8	8
8	8	8	10	10
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
3.2	3.5	3.5	3.5	3.5
5	-	-	-	-

INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

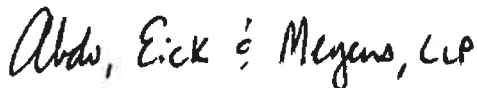
Honorable Mayor and City Council
City of Northfield, Minnesota

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2016.

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 6, 2016

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, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 6, 2016. 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 March 24, 2016, 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 and Responses as items 2015-1 and 2015-2, 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 2015-1 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 2015-2 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 are 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

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 6, 2016

CITY OF NORTHFIELD, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding **Description**

2015-001 **Material audit adjustments**

Condition: During our audit, adjustments were needed to record a number of accounting and audit adjustments, including the following material entries:

- To record a due from other governments receivable for MSA construction.
- To record additional accounts payable.
- A prior period adjustment for bonds payable recorded in the wrong fund.
- To capitalize assets initially recorded to depreciation expense.

Criteria: The financial statements are the responsibility of the City's management.

Cause: City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.

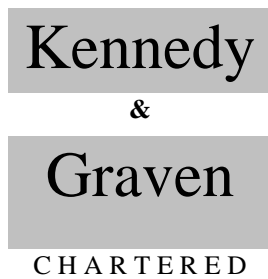
Effect: This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: 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.

Management response:

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.

FORM OF LEGAL OPINION



Offices in 470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis Minneapolis MN 55402

Saint Paul (612) 337-9300 telephone
(612) 337-9310 fax
St. Cloud <http://www.kennedy-graven.com>
Affirmative Action Equal Opportunity Employer

\$2,720,000
General Obligation Improvement and Utility Revenue Bonds, Series 2016C
City of Northfield
Goodhue County, Minnesota

We have acted as bond counsel to the City of Northfield, Goodhue County, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Improvement and Utility Revenue Bonds, Series 2016C (the “Bonds”), originally dated the date hereof and issued in the original aggregate principal amount of \$2,720,000. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable from special assessments levied or to be levied on property benefited by local improvements, certain revenues of the wastewater and storm water systems of the Issuer and ad valorem taxes, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.
3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements.

Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated _____, 2016 at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$2,720,000
City of Northfield, Minnesota
General Obligation Improvement and Utility Revenue Bonds,
Series 2016C

CONTINUING DISCLOSURE CERTIFICATE

_____, 2016

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Northfield, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Improvement and Utility Revenue Bonds, Series 2016C, (the “Bonds”) in the original aggregate principal amount of \$2,720,000. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to _____ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, prepared in accordance with generally accepted accounting principles (“GAAP”) for Governmental Units as Prescribed by the Governmental Accounting Standards Board (“GASB”).

“Bonds” means the General Obligation Improvement and Utility Revenue Bonds, Series 2016C, issued by the Issuer in the original aggregate principal amount of \$2,720,000.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed final official statement dated _____, 2016, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Fiscal Year” means the fiscal year of the Issuer.

“Holder” means the person in whose name a security is registered or a beneficial owner of such a security.

“Issuer” means the City of Northfield, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means the Securities and Exchange Commission.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide, as soon as available, but not later than 12 months after the end of the Fiscal Year commencing with the year that ends December 31, 2016, the Repository with an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and will be submitted as soon as available.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies & Collections
4. Population Trend
5. Employment/Unemployment

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of

business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

15. Failure of an issuer or obligated person to provide annual financial information as required.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within 10 business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the legal defeasance, or upon the redemption or payment in full of all the Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions constituting the undertaking and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the Resolutions and this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of the Resolutions and this Disclosure Certificate and by the Issuer with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with

respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF NORTHFIELD, MINNESOTA

By _____
Its Mayor

By _____
Its City Clerk

TERMS OF PROPOSAL

**\$2,720,000* GENERAL OBLIGATION IMPROVEMENT AND UTILITY REVENUE BONDS,
SERIES 2016C
CITY OF NORTHFIELD, MINNESOTA**

Proposals for the purchase of \$2,720,000* General Obligation Improvement and Utility Revenue Bonds, Series 2016C (the "Bonds") of the City of Northfield, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 12:00 Noon, Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 12:00 Noon, Central Time, on August 16, 2016, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 412, 429, 444, and 475 and Section 410.32, by the City for the purpose of financing various public improvements, certain equipment, and various utility system improvements within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated September 15, 2016, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2018	\$325,000	2022	\$355,000	2026	\$205,000
2019	335,000	2023	200,000	2027	205,000
2020	345,000	2024	200,000		
2021	350,000	2025	200,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2017, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2026 shall be subject to optional redemption prior to maturity on February 1, 2025 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about September 15, 2016, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$2,687,360 plus accrued interest on the principal sum of \$2,720,000 from date of original issue of the Bonds to date of delivery. A signed proposal form must be submitted to Ehlers prior to the time established above for the opening of proposals as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 12:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A cashier's check in the amount of \$54,400 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit in the amount of \$54,400 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such good faith deposit ("Deposit") shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be returned to the Purchaser at the closing for the Bonds.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

INFORMATION FROM WINNING BIDDER

The winning bidder will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies upon request of the Final Official Statement within seven business days of the proposal acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Northfield, Minnesota

PROPOSAL FORM

The City Council
City of Northfield, Minnesota

August 16, 2016

RE: \$2,720,000* General Obligation Improvement and Utility Revenue Bonds, Series 2016C

DATED: September 15, 2016

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$2,687,360) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2018	_____ % due 2022	_____ % due 2026
_____ % due 2019	_____ % due 2023	_____ % due 2027
_____ % due 2020	_____ % due 2024	
_____ % due 2021	_____ % due 2025	

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our good faith deposit in the amount of \$54,400, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our good faith deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such good faith deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about September 15, 2016.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from September 15, 2016 of the above proposal is \$_____ and the true interest cost (TIC) is _____%

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Northfield, Minnesota, on August 16, 2016.

By: _____ By: _____
Title: _____ Title: _____