

PRELIMINARY OFFICIAL STATEMENT DATED MAY 3, 2018

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 tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax (although interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018) or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest 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: S&P Global Ratings

CITY OF NORTHFIELD, MINNESOTA (Rice and Dakota Counties)

\$4,215,000* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2018A

PROPOSAL OPENING: May 15, 2018, 10:30 A.M., C.T.

CONSIDERATION: May 15, 2018, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$4,215,000* General Obligation Capital Improvement Plan Bonds, Series 2018A (the "Bonds") are being issued by the City of Northfield, Minnesota (the "City") pursuant to Minnesota Statutes, Section 475.521 and Chapter 475, for the purpose of financing renovations and capital improvements to the City's fire facility. The Bonds are 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: June 7, 2018

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$165,000	2027	\$190,000	2034	\$235,000
2021	170,000	2028	195,000	2035	240,000
2022	170,000	2029	200,000	2036	250,000
2023	175,000	2030	210,000	2037	260,000
2024	180,000	2031	215,000	2038	265,000
2025	185,000	2032	220,000	2039	275,000
2026	185,000	2033	230,000		

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: February 1, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing February 1, 2028 and thereafter are subject to call for prior redemption on February 1, 2027 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$4,172,850.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$84,300 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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").

Preliminary Official Statement: This Preliminary 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: 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 Preliminary Official Statement describes the conditions under which the Bonds are exempt or 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 Preliminary 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>
Rhonda Pownell	Mayer	January 2021
Suzie Nakasian	Council Member	January 2019
David Delong	Council Member	January 2021
Ericka Zweifel	Council Member	January 2021
Jessica Peterson White	Council Member	January 2019
Greg Colby	Council Member	January 2019
Brad Ness	Council Member	January 2021

ADMINISTRATION

Ben Martig, City Administrator
Deb Little, City Clerk
Brenda Angelstad, Finance Director

PROFESSIONAL SERVICES

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

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, 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 \$4,215,000* General Obligation Capital Improvement Plan Bonds, Series 2018A (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 authorizing the sale of the Bonds ("Award Resolution") to be adopted by the City Council on May 15, 2018.

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 Preliminary 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.

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 June 7, 2018. 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 February 1, 2019, 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 2020 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.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 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, Section 475.521 and Chapter 475, for the purpose of financing renovations and capital improvements to the City's fire facility, inclusive of financing, soft costs and contingency. The facility will be leased to the Northfield Area Fire and Rescue Service ("NAFRS") joint powers entity.

Minnesota Statutes, Section 475.521, adopted by the 2003 Minnesota State Legislature and amended in 2005, allows cities and towns to plan for and finance the acquisition and betterment of public lands, buildings, and certain other improvements within the municipality, including financing the construction of city halls, town halls, libraries, public safety, and public works facilities. Annual principal and interest payments on General Obligation Capital Improvement Bonds are limited to .16% of the City's estimated market value. The estimated market value of the City for taxes collectible in 2018 is \$1,387,176,300. This results in a maximum annual debt service allowable of \$2,219,482 for General Obligation Capital Improvement Bonds outstanding at any time.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	<u>\$4,215,000</u>	
Total Sources		\$4,215,000
Uses		
Total Underwriter's Discount (1.000%)	\$42,150	
Costs of Issuance	49,000	
Deposit to Project Fund	<u>4,123,850</u>	
Total Uses		\$4,215,000

*Preliminary, subject to change

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. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

Although not pledged as security, the City anticipates the levy will be offset with rent payments received from the Northfield Area Fire and Rescue Service ("NAFRS") joint powers entity, under the terms of a lease agreement.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA" by S&P Global Ratings.

The City has requested a rating on this issue from S&P Global Ratings, 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 S&P Global Ratings. 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 judgment 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 the Award Resolution by entering into a Continuing Disclosure Certificate (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.

Except to the extent that the following deficiencies are deemed to be material, the City believes it has not failed to comply in all material respects in the last 5 years with its prior undertakings under the Rule. In the interest of full disclosure, the City has found the following: Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required timeframe as provided for in each undertaking. 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
S&P Hospital Revenue Debt Rating Change from “BBB-” to “BBB”. The event notice was not filed timely.	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, interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and is excluded 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 on alternative minimum taxable income (although interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018). 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 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 Preliminary 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 retained 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, 2016, 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 this Preliminary 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. 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 income tax purposes 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 federal 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 effect 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	2015/16	2016/17	2017/18
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 \$2,140,000 - 0.50% ² Over \$2,140,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% ² Over \$2,050,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 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 \$106,000 - .75% Over \$106,000 - .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 \$115,000 - .75% Over \$115,000 - .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 \$121,000 - .75% Over \$121,000 - .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

2016/17 Economic Market Value¹

\$1,500,723,602²

2017/18 Assessor's Estimated Market Value

	Rice County	Dakota County	Total
Real Estate	\$1,247,190,600	\$128,468,100	\$1,375,658,700
Personal Property	11,114,100	403,500	11,517,600
Total Valuation	<u>\$1,258,304,700</u>	<u>\$128,871,600</u>	<u>\$1,387,176,300</u>

2017/18 Net Tax Capacity

	Rice County	Dakota County	Total
Real Estate	\$13,606,523	\$ 1,249,259	\$14,855,782
Personal Property	221,435	7,320	228,755
Net Tax Capacity	\$13,827,958	\$ 1,256,579	\$15,084,537
Less: Captured Tax Increment Tax Capacity ³	(323,723)	0	(323,723)
Taxable Net Tax Capacity	<u>\$13,504,235</u>	<u>\$ 1,256,579</u>	<u>\$14,760,814</u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Northfield is about 87.53% of the actual selling prices of property most recently sold in the portion of the City in Rice County, and about 91.94% 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 \$1,500,723,602.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 8,789,220	58.27%
Agricultural	49,696	0.33%
Commercial/industrial	3,498,338	23.19%
Public utility	66,052	0.44%
Railroad operating property	177,534	1.18%
Non-homestead residential	2,265,839	15.02%
Commercial & residential seasonal/rec.	9,103	0.06%
Personal property	228,755	1.52%
Total	<u>\$15,084,537</u>	<u>100.00%</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
2013/14	\$1,134,820,400	\$1,044,117,469	\$12,297,543	\$11,863,539	+ 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	13,413,977	12,878,306	+ 2.36%
2016/17	1,322,187,500	1,239,408,896	14,324,202	14,007,263	+ 7.45%
2017/18	1,387,176,300	1,307,155,923	15,084,537	14,760,814	+ 4.92%

¹ Net Tax Capacity includes tax increment values.

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Mom Brands Company ¹	Commercial	\$ 746,120	4.95%
Xcel Energy	Utility	596,778	3.96%
McLane Minnesota, Inc.	Industrial	371,780	2.46%
Target Corp.	Commercial	234,058	1.55%
Chicago & NW Transportation	Commercial	215,278	1.43%
Hidden Valley Apartments Ltd.	Apartments	204,676	1.36%
Community Resource Bank	Commercial	199,872	1.33%
Hayzin LLC	Commercial	197,426	1.31%
Cardinal CG Company	Commercial/Industrial	182,534	1.21%
Strobel & Werner Real Estate Holding Co.	Industrial	182,904	1.21%
Total		<u>\$ 3,131,426</u>	<u>20.76%</u>

City's Total 2017/18 Net Tax Capacity \$15,084,537

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

¹ Formerly listed as Malt-O-Meal Brands Company.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues	\$ 4,595,000
Total g.o. debt being paid from tax increment revenues	467,500
Total g.o. debt being paid from taxes (includes the Bonds)*	4,215,000
Total g.o. debt being paid from revenues and taxes	415,000
Total g.o. debt being paid from special assessments and taxes	2,430,000
Total g.o. debt being paid from revenues, special assessments and taxes	5,220,000
Total g.o. debt being paid from special assessments, tax abatement revenues and taxes	<u>2,125,000</u>
Total General Obligation Debt*	<u><u>\$19,467,500</u></u>

Lease Purchase Obligations (see schedule following)²

Total lease purchase obligations paid by annual appropriations ³	<u><u>\$5,020,000</u></u>
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Revenue Debt (see schedule following)

Total revenue debt being paid from hospital revenues ⁴	<u><u>\$ 29,921,977</u></u>
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*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

² Leases for computers and copiers have not been included, however, information related to these leases can be reviewed in the City's audit.

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

⁴ The Northfield Municipal Hospital Board of Directors is appointed by the City Council, and as such is reported as a discretely presented component unit Enterprise Fund within the City's Comprehensive Audited Financial Statements. The Hospital has its own budget review and prepares its own financial statements. The outstanding bonded indebtedness is the Hospital's debt and is not an obligation of the City.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues
(As of 6/7/18)

Refunding 1)
Series 2013B

Fiscal Year Ending	Dated Amount	Maturity	8/08/13 \$8,920,000		8/20		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest	Principal	Interest						
2018			1,110,000	54,486			1,110,000	54,486	1,164,486	3,485,000	24.16%	2018
2019			1,135,000	88,438			1,135,000	88,438	1,223,438	2,350,000	48.86%	2019
2020			1,160,000	62,900			1,160,000	62,900	1,222,900	1,190,000	74.10%	2020
2021			1,190,000	33,320			1,190,000	33,320	1,223,320	0	100.00%	2021
			4,595,000	239,144			4,595,000	239,144	4,834,144			

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 6/7/18)

Tax Increment Series 2002			Taxable Tax Increment Refunding 1) Series 2017B							
Dated Amount	8/01/02 \$140,000	9/07/17 \$460,000								
Maturity	12/15	2/01								
Fiscal Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2018	6,500	3,495	0	4,499	6,500	7,994	14,494	461,000	1.39%	2018
2019	6,500	3,170	55,000	8,571	61,500	11,741	73,241	399,500	14.55%	2019
2020	7,000	2,842	55,000	7,568	62,000	10,409	72,409	337,500	27.81%	2020
2021	7,000	2,485	55,000	6,413	62,000	8,897	70,897	275,500	41.07%	2021
2022	7,000	2,124	55,000	5,258	62,000	7,382	69,382	213,500	54.33%	2022
2023	7,000	1,764	60,000	3,900	67,000	5,664	72,664	146,500	68.66%	2023
2024	7,000	1,400	60,000	2,340	67,000	3,740	70,740	79,500	82.99%	2024
2025	7,000	1,036	60,000	780	67,000	1,816	68,816	12,500	97.33%	2025
2026	7,000	668			7,000	668	7,668	5,500	98.82%	2026
2027	5,500	297			5,500	297	5,797	0	100.00%	2027
	67,500	19,278	400,000	39,328	467,500	58,606	526,106			

1) This issue refunded the 2019 through 2022 maturities of the City's \$1,050,000 Taxable General Obligation Tax Increment Bonds, Series 2007D, dated August 1, 1999.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 6/7/18)

**Capital Improvement
Series 2018A**

Dated Amount	6/7/18 \$4,215,000*	Maturity	2/1	Estimated		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
				Principal	Interest						
2019				0	137,980	0	137,980	137,980	4,215,000	0.00%	2019
2020				165,000	118,539	165,000	118,539	283,539	4,050,000	3.91%	2020
2021				170,000	115,523	170,000	115,523	285,523	3,880,000	7.95%	2021
2022				170,000	112,250	170,000	112,250	282,250	3,710,000	11.98%	2022
2023				175,000	108,713	175,000	108,713	283,713	3,535,000	16.13%	2023
2024				180,000	104,895	180,000	104,895	284,895	3,355,000	20.40%	2024
2025				185,000	100,741	185,000	100,741	285,741	3,170,000	24.79%	2025
2026				185,000	96,301	185,000	96,301	281,301	2,985,000	29.18%	2026
2027				190,000	91,613	190,000	91,613	281,613	2,795,000	33.69%	2027
2028				195,000	86,558	195,000	86,558	281,558	2,600,000	38.32%	2028
2029				200,000	81,075	200,000	81,075	281,075	2,400,000	43.06%	2029
2030				210,000	75,075	210,000	75,075	285,075	2,190,000	48.04%	2030
2031				215,000	68,646	215,000	68,646	283,646	1,975,000	53.14%	2031
2032				220,000	61,958	220,000	61,958	281,958	1,755,000	58.36%	2032
2033				230,000	54,925	230,000	54,925	284,925	1,525,000	63.82%	2033
2034				235,000	47,543	235,000	47,543	282,543	1,290,000	69.40%	2034
2035				240,000	39,883	240,000	39,883	279,883	1,050,000	75.09%	2035
2036				250,000	31,795	250,000	31,795	281,795	800,000	81.02%	2036
2037				260,000	23,188	260,000	23,188	283,188	540,000	87.19%	2037
2038				265,000	14,196	265,000	14,196	279,196	275,000	93.48%	2038
2039				275,000	4,813	275,000	4,813	279,813	0	100.00%	2039
				4,215,000	1,576,206	4,215,000	1,576,206	5,791,206			

*Preliminary, subject to change.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues and Taxes
(As of 6/7/18)

G.O. Bonds 1)
Series 2012C

Fiscal Year Ending	Dated Amount	Maturity	12/27/12 \$1,640,000		2/01		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest	Principal	Interest						
2018			0	4,150			0	4,150	4,150	415,000	0.00%	2018
2019			285,000	5,450			285,000	5,450	290,450	130,000	68.67%	2019
2020			40,000	2,200			40,000	2,200	42,200	90,000	78.31%	2020
2021			45,000	1,350			45,000	1,350	46,350	45,000	89.16%	2021
2022			45,000	450			45,000	450	45,450	0	100.00%	2022
			415,000	13,600			415,000	13,600	428,600			

- 1) A portion of this issue refunded the 2014 through 2022 maturities of the City's \$2,245,000 General Obligation Water and Sewer 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 \$100,000). A portion of this issue is payable entirely from revenues (\$315,000 water and sewer refunding portion outstanding).

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments and Taxes
(As of 6/7/18)

Dated Amount Maturity	Improvement Series 2011A		Improvement Series 2012A		Improvement Series 2013A		Improvement Series 2017A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	7/14/11 \$1,205,000 2/01	7/12/12 \$965,000 2/01	8/08/13 \$830,000 2/01	9/07/17 \$945,000 2/01										
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2018	0	6,453	0	4,394	0	8,075	0	17,438	0	36,359	36,359	2,430,000	0.00%	2018
2019	120,000	11,555	95,000	8,146	85,000	14,875	90,000	18,475	390,000	53,051	443,051	2,040,000	16.05%	2019
2020	125,000	8,643	95,000	6,650	85,000	12,325	95,000	16,625	400,000	44,243	444,243	1,640,000	32.51%	2020
2021	125,000	5,393	95,000	4,940	85,000	9,775	95,000	14,725	400,000	34,833	434,833	1,240,000	48.97%	2021
2022	130,000	1,853	95,000	3,064	85,000	7,225	95,000	12,825	405,000	24,966	429,966	835,000	65.64%	2022
2023			95,000	1,021	85,000	4,463	95,000	10,925	275,000	16,409	291,409	560,000	76.95%	2023
2024					85,000	1,488	95,000	9,025	180,000	10,513	190,513	380,000	84.36%	2024
2025							95,000	7,125	95,000	7,125	102,125	285,000	88.27%	2025
2026							95,000	5,225	95,000	5,225	100,225	190,000	92.18%	2026
2027							95,000	3,206	95,000	3,206	98,206	95,000	96.09%	2027
2028							95,000	1,069	95,000	1,069	96,069	0	100.00%	2028
	500,000	33,895	475,000	28,215	510,000	58,225	945,000	116,663	2,430,000	236,998	2,666,998			

CITY OF NORTHFIELD, MINNESOTA

**Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues, Special Assessments and Taxes
(As of 6/7/18)**

Fiscal Year Ending	G.O. Bonds 1) Series 2009A		G.O. Bonds 2) Series 2010A		G.O. Bonds 3) Series 2015A		G.O. Bonds 4) Series 2016C		% Paid	Principal Outstanding	Total P & I	Total Interest	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity					
2018	0	2/01	0	2/01	0	2/01	0	2/01	0.00%	5,220,000	55,826	55,826	2018
2019	115,000	2/01	220,000	2/01	415,000	2/01	320,000	2/01	20.50%	4,150,000	1,169,828	1,169,828	2019
2020	115,000	2/01	220,000	2/01	330,000	2/01	325,000	2/01	39.46%	3,160,000	1,066,538	76,538	2020
2021			225,000	2/01	160,000	2/01	340,000	2/01	53.35%	2,435,000	781,698	56,698	2021
2022			55,000	2/01	160,000	2/01	340,000	2/01	63.98%	1,880,000	597,333	42,333	2022
2023			55,000	2/01	160,000	2/01	190,000	2/01	71.74%	1,475,000	436,853	31,853	2023
2024			60,000	2/01	165,000	2/01	190,000	2/01	79.69%	1,060,000	437,733	22,733	2024
2025			60,000	2/01	165,000	2/01	200,000	2/01	87.84%	635,000	438,373	13,373	2025
2026			60,000	2/01	170,000	2/01	205,000	2/01	96.07%	205,000	437,840	7,840	2026
2027							205,000	2/01	100.00%	0	206,691	1,691	2027
			230,000		955,000		2,310,000			5,628,710	408,710	5,628,710	

- 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.
- 2) A portion of this issue is payable entirely from revenues (\$440,000 sewer portion outstanding).
- 3) 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. Portions of this issue are payable entirely from revenues (\$240,000 2007C refunding portion outstanding) and (\$20,000 2008B stormwater refunding portion outstanding).
- 4) The Equipment Certificate portion of this issue is subject to the debt limit (\$510,000 principal outstanding). Portions of this issue are payable entirely from revenues (\$985,000 waste water portion outstanding) and (\$90,000 storm water portion outstanding).

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments, Tax Abatement Revenues & Taxes
(As of 6/7/18)

G.O. Bonds 1)
Series 2014A

Fiscal Year Ending	Dated Amount	Maturity	9/3/14 \$3,210,000		2/01	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest							
2018			0	25,763		0	25,763	25,763	2,125,000	0.00%	2018
2019			315,000	47,981		315,000	47,981	362,981	1,810,000	14.82%	2019
2020			325,000	40,781		325,000	40,781	365,781	1,485,000	30.12%	2020
2021			325,000	33,063		325,000	33,063	358,063	1,160,000	45.41%	2021
2022			335,000	24,813		335,000	24,813	359,813	825,000	61.18%	2022
2023			345,000	16,313		345,000	16,313	361,313	480,000	77.41%	2023
2024			355,000	7,563		355,000	7,563	362,563	125,000	94.12%	2024
2025			125,000	1,563		125,000	1,563	126,563	0	100.00%	2025
			2,125,000	197,838		2,125,000	197,838	2,322,838			

1) A portion of this issue refunded the 2015 through 2025 maturities of the Economic Development Authority's \$3,210,000 Public Project Revenue Bonds, Series 2006A, dated July 18, 2006.

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Annual Appropriations
(As of 6/7/18)

Cert. of Participation
Series 2012B

Fiscal Year Ending	Dated Amount	Maturity	9/18/12 \$6,280,000		4/01		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest	Principal	Interest						
2018			0	70,380			0	70,380	70,380	5,020,000	0.00%	2018
2019			280,000	137,960			280,000	137,960	417,960	4,740,000	5.58%	2019
2020			285,000	132,168			285,000	132,168	417,168	4,455,000	11.25%	2020
2021			290,000	125,840			290,000	125,840	415,840	4,165,000	17.03%	2021
2022			300,000	118,905			300,000	118,905	418,905	3,865,000	23.01%	2022
2023			305,000	111,493			305,000	111,493	416,493	3,560,000	29.08%	2023
2024			310,000	103,650			310,000	103,650	413,650	3,250,000	35.26%	2024
2025			320,000	95,380			320,000	95,380	415,380	2,930,000	41.63%	2025
2026			330,000	86,603			330,000	86,603	416,603	2,600,000	48.21%	2026
2027			340,000	77,220			340,000	77,220	417,220	2,260,000	54.98%	2027
2028			350,000	67,213			350,000	67,213	417,213	1,910,000	61.95%	2028
2029			360,000	56,650			360,000	56,650	416,650	1,550,000	69.12%	2029
2030			370,000	44,775			370,000	44,775	414,775	1,180,000	76.49%	2030
2031			380,000	31,650			380,000	31,650	411,650	800,000	84.06%	2031
2032			395,000	18,828			395,000	18,828	413,828	405,000	91.93%	2032
2033			405,000	6,328			405,000	6,328	411,328	0	100.00%	2033
			5,020,000	1,285,041			5,020,000	1,285,041	6,305,041			

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Hospital Revenues 1)
(As of 6/7/18)

Fiscal Year Ending	Hospital Rev Bonds Series 2015B			Hospital Refunding 2) Series 2016A			Hospital Series 2016B			Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	12/29/15 \$8,405,000		8/05/16 \$22,375,000		8/05/16 \$2,625,000							
		Maturity	12/31	Monthly Final Maturity 8/01	Monthly Final Maturity 8/01	Monthly Final Maturity 8/01	Monthly Final Maturity 8/01						
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest			
2018	485,000	216,125	645,219	253,491	75,712	29,738	1,205,930	499,354	1,205,930	499,354	1,705,285	28,716,047	4.03%
2019	495,000	201,523	1,315,453	481,967	154,359	56,541	1,964,811	740,031	1,964,811	740,031	2,704,843	26,751,236	10.60%
2020	510,000	186,548	1,349,526	447,894	158,357	52,543	2,017,883	686,985	2,017,883	686,985	2,704,868	24,733,352	17.34%
2021	525,000	171,127	1,384,482	412,938	162,459	48,441	2,071,941	632,505	2,071,941	632,505	2,704,447	22,661,411	24.26%
2022	540,000	155,258	1,420,344	377,076	166,667	44,233	2,127,011	576,567	2,127,011	576,567	2,703,578	20,534,400	31.37%
2023	560,000	138,868	1,457,135	340,285	170,984	39,916	2,188,118	519,070	2,188,118	519,070	2,707,188	18,346,282	38.69%
2024	575,000	121,957	1,494,878	302,542	175,413	34,487	2,245,291	458,986	2,245,291	458,986	2,704,276	16,100,991	46.19%
2025	3,805,000	56,695	1,533,599	263,821	179,956	30,944	5,518,556	351,459	5,518,556	351,459	5,870,015	10,582,436	64.63%
2026			1,573,323	224,097	184,618	26,282	1,757,941	250,379	1,757,941	250,379	2,008,320	8,824,495	70.51%
2027			1,614,076	183,344	189,400	21,500	1,803,476	204,844	1,803,476	204,844	2,008,320	7,021,019	76.54%
2028			1,655,885	141,535	194,306	16,594	1,850,191	158,129	1,850,191	158,129	2,008,320	5,170,828	82.72%
2029			1,698,776	98,644	199,339	11,561	1,898,115	110,205	1,898,115	110,205	2,008,320	3,272,713	89.06%
2030			1,742,779	54,641	204,502	6,398	1,947,281	61,039	1,947,281	61,039	2,008,320	1,325,432	95.57%
2031			1,186,718	11,420	138,714	1,331	1,325,432	12,751	1,325,432	12,751	1,338,183	0	100.00%
	7,495,000	1,248,099	20,072,194	3,593,694	2,354,783	420,511	29,921,977	5,262,304	29,921,977	5,262,304	35,184,281		

1) The Northfield Municipal Hospital Board of Directors is appointed by the City Council, and as such is reported as a discretely presented Enterprise Fund within the City's Comprehensive Audited Financial Statements. The Hospital has its own budget review and prepares its own financial statements. The outstanding bonded indebtedness is the Hospital's debt and is not an obligation of the City.

2) This issue refunded the 2016 through 2031 maturities of the City's \$31,930,000 Hospital Revenue Bonds, Series 2006, dated August 2, 2006.

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.

2017/18 Assessor's Estimated Market Value	\$1,387,176,300
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 41,615,289
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹ (includes the Bonds)*	(4,825,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(5,020,000)</u>
Unused Debt Limit*	<u><u>\$ 31,770,289</u></u>

*Preliminary, subject to change.

¹ Also includes the Equipment Certificate portion of the City's \$1,640,000 General Obligation Bonds, Series 2012C, which is payable entirely from taxes (\$100,000 principal currently outstanding); and the Equipment Certificate portion of the City's \$2,610,000 General Obligation Bonds, Series 2016C which is payable entirely from taxes (\$510,000 principal currently outstanding).

OVERLAPPING DEBT¹

Taxing District	2017/18 Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Rice County	\$ 61,326,774	22.0201%	\$18,974,000	\$ 4,178,094
Dakota County	455,146,423	0.2761%	17,255,000	47,641
I.S.D. No. 659 (Northfield)	27,854,824	52.9919%	28,255,000	14,972,861
City's Share of Total Overlapping Debt				<u>\$19,198,596</u>

¹ Overlapping debt is as of the dated date of the Bonds. 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.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$1,500,723,602)	Debt/ Current Population Estimate (20,405)
Direct G.O. Debt Being Paid From:			
Revenues	\$ 4,595,000		
Tax Increment Revenues	467,500		
Taxes*	4,215,000		
Revenues & Taxes	415,000		
Special Assessments & Taxes	2,430,000		
Revenues, Special Assessments & Taxes	5,220,000		
Special Assessments, Tax Abatement Revenues & Taxes	2,125,000		
Total General Obligation Debt (includes the Bonds)*	\$19,467,500		
Less: G.O. Debt Paid Entirely from Revenues ¹	(6,685,000)		
Tax Supported General Obligation Debt*	\$12,782,500	0.85%	\$626.44
City's Share of Total Overlapping Debt	\$19,198,596	1.28%	\$940.88
Total*	\$31,981,096	2.13%	\$1,567.32

*Preliminary, subject to change.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. Also includes portions of the following issues, which are payable entirely from revenues: \$2,305,000 General Obligation Bonds, Series 2010A (\$440,000 sewer portion outstanding); \$1,640,000 General Obligation Bonds, Series 2012C (\$315,000 water and sewer refunding portion outstanding); \$2,535,000 General Obligation Bonds, Series 2015A (\$240,000 2007C refunding portion outstanding and \$20,000 2008B stormwater refunding portion outstanding); and \$2,610,000 General Obligation Bonds, Series 2016C (\$985,000 waste water portion outstanding and \$90,000 stormwater portion outstanding).

DEBT PAYMENT HISTORY

The City of Northfield inadvertently failed to timely make its October 1, 2017 interest payment in the amount of \$72,580.00 as required for the Certificates of Participation, Series 2012B. The City had appropriated sufficient funds for the payment, but did not receive an expected advance notification from the Trustee to coordinate for the payment. The City promptly made the payment upon receiving notice of the missed payment from the Trustee on October 3, 2017.

The City has coordinated with the Trustee to update its contact information and ensure the Trustee's internal controls provide agreed upon notifications and flag future delinquencies. The City has also updated its internal controls accordingly to proactively manage all future payment dates.

FUTURE FINANCING

The City plans to issue approximately \$2,200,000 General Obligation Bonds, for street and improvement projects, in the next 12 months.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2013/14	\$ 7,333,784	\$ 7,290,240	\$ 7,329,152	99.94%
2014/15	7,379,154	7,342,503	7,374,489	99.94%
2015/16	7,645,491	7,615,160	7,638,486	99.91%
2016/17	7,785,345	7,751,975	7,763,118	99.71%
2017/18	8,428,718	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.

TAX CAPACITY RATES⁴

	2013/14	2014/15	2015/16	2016/17	2017/18
Rice County	40.179%	40.545%	42.535%	41.566%	41.810%
Dakota County	31.827%	26.875%	25.941%	25.411%	24.083%
City of Northfield	59.785%	56.750%	57.640%	55.667%	57.164%
I.S.D. No. 659 (Northfield)	36.410%	34.064%	32.897%	30.937%	33.150%
Dakota County CDA	1.650%	1.559%	1.547%	1.548%	1.479%
Rice County HRA	0.601%	0.223%	0.219%	0.109%	0.124%
Metro Transit/Light Rail	0.403%	0.371%	0.357%	0.342%	0.031%
City of Northfield EDA	1.716%	1.697%	1.704%	1.638%	1.624%
City of Northfield HRA	1.751%	1.732%	1.739%	1.670%	1.655%

Referendum Market Value Rates:

City of Northfield	0.02100%	0.01983%	0.01746%	0.00000%	0.00000%
I.S.D. No. 659 (Northfield)	0.37078%	0.36518%	0.36073%	0.34276%	0.44173%

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

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

² Collections are through February 28, 2018 for Rice County and Dakota County.

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

⁴ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

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.

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 Administrator, City Clerk and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 89 full-time, 12.5 part-time, and 1.5 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, 2018
LELS - Sergeants	December 31, 2018
IUOE Local 70 - General	December 31, 2018
IUOE Local 70 - Utility	December 31, 2018

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 January 1, 2017, the City's actuarial accrued liability for benefits was \$2,062,977 all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$5,733,488, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 36.0 percent. The City is currently funding these obligations on a pay-as-you-go basis, and will continue to do so in the future.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of March 30, 2018)

Fund	Total Cash and Investments
General	\$ 5,434,104
Special Revenue	1,970,409
Debt Service	1,423,342
Capital Projects	1,898,159
Enterprise Funds	12,112,725
Internal Service Funds	1,284,719
Component Units (w/o hospital)	1,870,839
Total Funds on Hand	<u>\$25,994,297</u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2014	2015	2016
Water			
Total Operating Revenues	\$ 2,158,076	\$ 2,097,055	\$ 2,050,412
Less: Operating Expenses	<u>(1,324,369)</u>	<u>(1,457,073)</u>	<u>(1,542,944)</u>
Operating Income	\$ 833,707	\$ 639,982	\$ 507,468
Plus: Depreciation	<u>332,901</u>	<u>347,017</u>	<u>331,735</u>
Revenues Available for Debt Service	<u><u>\$ 1,166,608</u></u>	<u><u>\$ 986,999</u></u>	<u><u>\$ 839,203</u></u>
Wastewater			
Total Operating Revenues	\$ 3,840,957	\$ 4,260,147	\$ 4,274,724
Less: Operating Expenses	<u>(2,971,887)</u>	<u>(2,887,740)</u>	<u>(2,930,452)</u>
Operating Income	\$ 869,070	\$ 1,372,407	\$ 1,344,272
Plus: Depreciation	<u>1,131,646</u>	<u>1,136,606</u>	<u>1,145,277</u>
Revenues Available for Debt Service	<u><u>\$ 2,000,716</u></u>	<u><u>\$ 2,509,013</u></u>	<u><u>\$ 2,489,549</u></u>
Garbage			
Total Operating Revenues	\$ 897,870	\$ 908,842	\$ 921,143
Less: Operating Expenses	<u>(672,426)</u>	<u>(694,090)</u>	<u>(716,985)</u>
Operating Income	\$ 225,444	\$ 214,752	\$ 204,158
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$ 225,444</u></u>	<u><u>\$ 214,752</u></u>	<u><u>\$ 204,158</u></u>
Stormwater			
Total Operating Revenues	\$ 704,540	\$ 764,429	\$ 825,735
Less: Operating Expenses	<u>(652,446)</u>	<u>(410,367)</u>	<u>(383,407)</u>
Operating Income	\$ 52,094	\$ 354,062	\$ 442,328
Plus: Depreciation	<u>211,434</u>	<u>220,075</u>	<u>225,125</u>
Revenues Available for Debt Service	<u><u>\$ 263,528</u></u>	<u><u>\$ 574,137</u></u>	<u><u>\$ 667,453</u></u>
Municipal Liquor			
Total Operating Revenues	\$ 829,900	\$ 739,750	\$ 839,687
Less: Operating Expenses	<u>(601,926)</u>	<u>(616,433)</u>	<u>(637,221)</u>
Operating Income	\$ 227,974	\$ 123,317	\$ 202,466
Plus: Depreciation	<u>1,923</u>	<u>1,923</u>	<u>4,860</u>
Revenues Available for Debt Service	<u><u>\$ 229,897</u></u>	<u><u>\$ 125,240</u></u>	<u><u>\$ 207,326</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 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Unaudited ¹	2018 Adopted Budget ²
Revenues					
Property taxes	\$ 5,259,744	\$ 5,235,618	\$ 5,454,266	\$ 5,624,152	\$ 6,245,318
Licenses and permits	396,898	428,765	679,474	859,248	416,130
Intergovernmental	3,517,984	3,608,311	3,674,908	3,659,007	3,768,203
Charges for services	1,453,007	1,518,359	1,335,304	1,219,594	1,489,661
Fines and forfeitures	114,273	113,521	82,032	98,171	124,000
Investment earnings	143,748	30,372	45,623	67,323	85,000
Other miscellaneous revenues	313,698	315,096	308,421	288,461	270,625
Total Revenues	\$ 11,199,352	\$ 11,250,042	\$ 11,580,028	\$ 11,815,956	\$ 12,398,937
Expenditures					
Current:					
General government	\$ 1,860,762	\$ 2,053,218	\$ 2,095,141	\$ 1,951,872	\$ 2,431,075
Public safety	3,459,404	3,849,981	4,045,397	4,159,893	4,528,419
Public works	2,338,145	2,231,624	2,381,026	2,489,657	2,586,454
Culture and recreation	1,797,972	1,959,915	2,084,284	2,180,026	2,346,768
Miscellaneous	221,322	150,623	109,809	462,047	364,800
Capital outlay:					
General government	3,847	15,618	11,594	24,650	31,000
Public safety	0	13,288	0	0	0
Public works	0	3,570	23,859	0	0
Culture and recreation	52,618	43,626	8,102	0	0
Debt service:					
Principal	135,388	147,136	152,897	158,883	165,105
Interest and other charges	70,196	58,325	52,563	46,576	40,356
Total Expenditures	\$ 9,939,654	\$ 10,526,924	\$ 10,964,672	\$ 11,473,603	\$ 12,493,977
Excess of revenues over (under) expenditures	\$ 1,259,698	\$ 723,118	\$ 615,356	\$ 342,353	\$ (95,040)
Other Financing Sources (Uses)					
Sale of capital assets	\$ 7,747	\$ 223,223	\$ 25,337	\$ 17,464	\$ 0
Operating transfers in	334,035	0	568,742	125,000	95,040
Operating transfers out	(1,751,442)	(936,236)	(794,600)	(90,000)	0
Total Other Financing Sources (Uses)	\$ (1,409,660)	\$ (713,013)	\$ (200,521)	\$ 52,464	\$ 95,040
Net Changes in Fund Balances	\$ (149,962)	\$ 10,105	\$ 414,835	\$ 394,817	\$ 0
General Fund Balance January 1	7,040,453	6,890,491	6,900,596	7,315,431	
General Fund Balance December 31	\$ 6,890,491	\$ 6,900,596	\$ 7,315,431	\$ 7,710,248	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$ 93,337	\$ 99,115	\$ 115,936	\$ 103,591	
Restricted	6,604	6,491	6,491	11,168	
Committed	0	0	71,742	0	
Unassigned	6,790,550	6,794,900	7,121,262	7,595,489	
Total	\$ 6,890,491	\$ 6,900,506	\$ 7,315,431	\$ 7,710,248	

¹ Unaudited data is as of May 2, 2018.

² The 2018 budget was adopted on December 5, 2017.

GENERAL INFORMATION

LOCATION

The City of Northfield, with a 2010 U.S. Census population of 20,007 and a current population estimate of 20,405, and comprising an area of 7.6 square miles, is located approximately 40 miles south of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

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	839
I.S.D. No. 659 (Northfield)	Elementary and secondary education	730 ²
Carleton College	Private liberal arts college	700
Post Consumer Products	Breakfast cereal manufacturer	675
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
Lutheran Home - The Cannon Valley	Retirement community	250
City of Northfield	Municipal government and services	103

Source: *ReferenceUSA, written and telephone survey (March 2018), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

² Figure excludes approximately 375 seasonal staff.

BUILDING PERMITS

	2014	2015	2016	2017	2018 ¹
<u>New Single Family Homes</u>					
No. of building permits	26	31	30	30	6
Valuation	\$6,447,000	\$7,643,730	\$5,988,500	\$7,627,499	\$1,691,300
<u>New Commercial/Industrial</u>					
No. of building permits	0	5	2	35	29
Valuation	\$0	\$1,192,000	\$1,293,441	\$71,874,149	\$10,434,717
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	731	931	828	673	146
Valuation	\$25,088,302	\$27,824,305	\$71,319,059	\$102,549,565	\$12,791,928

Source: The City.

¹ As of March 26, 2018.

U.S. CENSUS DATA

Population Trend: City of Northfield, Minnesota

2000 U.S. Census population	17,147
2010 U.S. Census population	20,007
2016 State Demographer's Estimate	20,405
Percent of Change 2000 - 2010	+ 16.68%

Income and Age Statistics

	City of Northfield	Rice County	State of Minnesota	United States
2016 per capita income	\$25,262	\$27,856	\$33,225	\$29,826
2016 median household income	\$60,235	\$61,683	\$63,217	\$55,322
2016 median family income	\$74,832	\$75,606	\$79,595	\$67,871
2016 median gross rent	\$754	\$760	\$873	\$928
2016 median value owner occupied units	\$196,400	\$184,400	\$191,500	\$184,700
2016 median age	27.3 yrs.	36.5 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	United States
City % of 2016 per capita income	76.03%	84.70%
City % of 2016 median family income	94.02%	110.26%

Housing Statistics

	<u>City of Northfield</u>		
	2000	2016	Percent of Change
All Housing Units	5,119	6,813	33.09%

Source: 2000 and 2010 Census of Population and Housing, and 2015 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
2014	33,529	4.1%	4.2%
2015	33,902	3.6%	3.7%
2016	34,623	3.5%	3.8%
2017	35,667	3.2%	3.5%
2018, March	36,046	3.5%	3.8%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

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, 2016**

PREPARED BY:

FINANCE DEPARTMENT

Ben Martig

**Member GFOA of U.S. and Canada
Published June 12, 2017**

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, 2016, 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, 2016, 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.

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.

Report on Summarized Comparative Information

We have previously audited the City's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information in our report dated June 06, 2016. In our opinion, the summarized comparative information presented herein for the respective proprietary fund financial statements as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information in Relation to the Financial Statements as a Whole

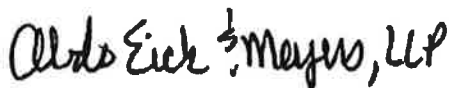
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



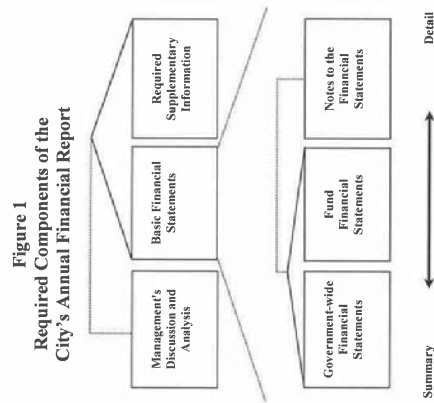
ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 12, 2017

People
+ Process
Going
Beyond the
Numbers

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 explain 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, 2016. 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 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 \$81,058,219 (*net position*). Of this amount, \$17,211,659 (*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 \$4,601,637 as compared to \$4,128,870 in the previous year. In the governmental activities, capital grants and contributions increased by \$935,763 in addition to unrestricted grants and contributions increasing by \$377,945.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,990,574, a decrease of \$1,981,689 in comparison with the prior year. A key factor in this decrease was the increase in public safety expenditures and the increase in housing and economic development expenditures of \$1,130,421 and \$953,616 respectively. Of this total amount, \$6,893,090, 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	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances 	<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	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

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

The government-wide financial statements can be found starting on page 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 52 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 predominately benefit governmental rather than *business-type functions*, they have been included within the *governmental activities* in the government-wide financial statements.

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

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

Required supplementary information. The required supplementary information can be found starting on page 121 if 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 \$81,058,219 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (73.1 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Current and other assets	\$ 21,413,396	\$ 23,193,252	\$ (1,779,856)	\$ 13,390,279	\$ 12,246,503	\$ 1,143,776
Capital assets	52,653,772	48,765,897	3,887,875	32,873,649	32,254,427	619,222
Total assets	74,067,168	71,959,149	2,108,019	46,263,928	44,500,930	1,762,998
Deferred outflows of resources	6,353,159	831,909	5,521,250	457,671	95,973	361,698
Long-term liabilities						
outstanding	31,651,160	25,841,144	5,810,016	11,047,791	11,863,372	(815,581)
Other liabilities	1,140,454	1,506,702	(366,248)	782,756	352,879	429,877
Total liabilities	32,791,614	27,347,846	5,443,768	11,830,547	12,216,251	(385,704)
Deferred inflows of resources	1,303,714	1,213,091	90,623	157,832	154,191	3,641
Net investment in capital assets	35,941,654	31,622,817	4,318,837	23,301,761	21,436,632	1,865,129
Restricted	4,603,145	5,167,449	(564,304)	-	-	-
Unrestricted	5,780,200	7,439,855	(1,659,655)	11,431,459	10,789,829	641,630
Total net position	\$ 46,324,999	\$ 44,230,121	\$ 2,094,878	\$ 34,733,220	\$ 32,226,461	\$ 2,506,759

An additional portion of the City's net position (5.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (21.2 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The City's net position increased by \$4,601,637 during the current fiscal year.

Governmental activities. Governmental activities increased the City's net position by \$2,094,878, accounting for 45.5 percent of the total change in net position. Key elements of these changes are as follows:

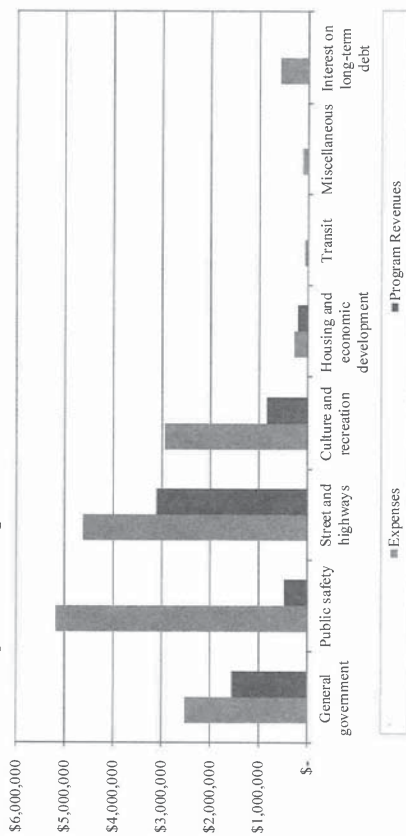
- Operating grants and contributions increased \$177,113.
- Capital grants and contributions increased \$935,763.
- Property taxes/tax increment revenues increased \$367,078.
- Grants and contributions not restricted to specific programs increased \$377,945.
- Streets and highways expenses increased \$154,194.
- Public safety expenses increased \$1,130,421.

City of Northfield's Changes in Net Position

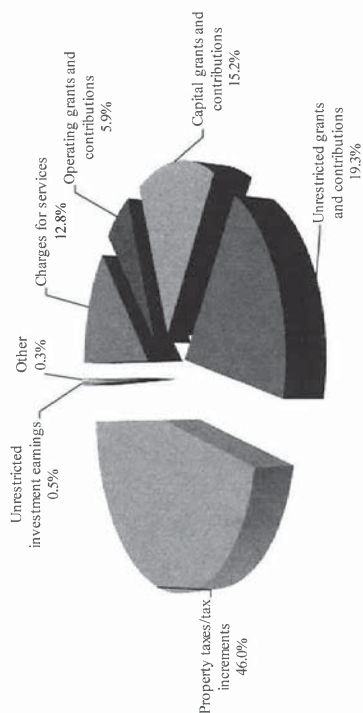
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 2,335,761	\$ 2,357,126	\$ (21,365)	\$ 11,240,932	\$ 11,119,658	\$ 121,274
Operating grants and contributions	1,085,300	908,187	177,113	7,500	16,011	(8,511)
Capital grants and contributions	2,790,632	1,854,869	935,763	527,156	-	527,156
General revenues						
Property taxes/ tax increments	8,404,605	8,037,527	367,078	-	-	-
Grants and contributions not restricted to specific programs	3,539,565	3,161,620	377,945	-	-	-
Unrestricted investment earnings	100,699	87,676	13,023	104,139	50,587	53,552
Other	58,147	49,407	8,740	-	-	-
Total revenues	18,314,709	16,456,412	1,858,297	11,879,727	11,186,256	693,471
Expenses						
General government	2,542,003	2,452,348	89,655	-	-	-
Public safety	5,195,075	4,064,654	1,130,421	-	-	-
Streets and highways	4,642,307	4,488,113	154,194	-	-	-
Culture and recreation	2,934,423	2,842,634	91,789	-	-	-
Housing and economic development	282,094	151,088	131,006	-	-	-
Transit	53,658	25,938	27,720	-	-	-
Miscellaneous	112,509	150,623	(38,114)	-	-	-
Interest on long-term debt	582,762	709,863	(127,101)	-	-	-
Water	-	-	-	1,544,092	1,457,422	86,670
Wastewater	-	-	-	3,120,760	3,091,885	28,875
Garbage	-	-	-	715,898	692,840	23,058
Storm water	-	-	-	404,546	442,311	(37,765)
Liquor store	-	-	-	2,935,516	2,944,079	(8,563)
Total expenses	16,344,831	14,885,261	1,459,570	8,720,812	8,628,537	92,275
increase in net position before transfers	1,969,878	1,571,151	398,727	3,158,915	2,557,719	601,196
Transfers	125,000	125,000	-	(125,000)	(125,000)	-
Change in net position	2,094,878	1,696,151	398,727	2,506,759	2,432,719	74,040
Net position - January 1	44,230,121	42,533,970	1,696,151	32,226,461	29,793,742	2,432,719
Net position - December 31	\$ 46,324,999	\$ 44,230,121	\$ 2,094,878	\$ 34,733,220	\$ 32,226,461	\$ 2,506,759

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

Expenses and Program Revenues - Governmental Activities



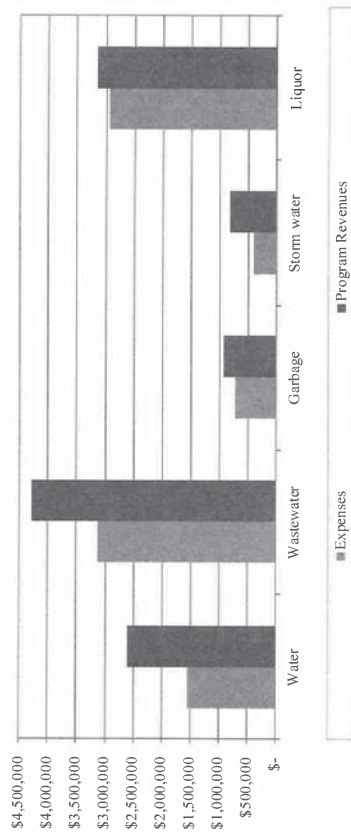
Revenues by Source - Governmental Activities



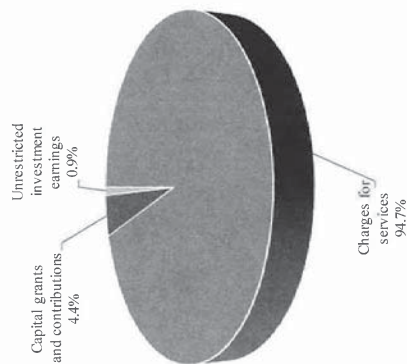
Business-type activities. Business-type activities increased the City's net position by \$2,506,759, accounting for 54.5 percent of the total increase. Key elements of this increase are as follows:

- Charges for services increased \$121,274.
- Investment earnings increased \$53,552.
- Storm water expenses decreased \$37,765.

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 \$15,990,574, a decrease of \$1,981,689 in comparison with the prior year. A key factor in this decrease was the increase in public safety expenditures and the increase in housing and economic development expenditures of \$1,130,421 and \$953,616 respectively. Of this total amount, \$6,893,090 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 (\$118,817), restricted (\$6,273,376), committed (\$960,166), or assigned (\$1,745,125).

The *General fund* is the chief operating fund of the City. At the end of the current year total fund balance of the General fund was \$7,315,431, 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 64.9 percent of total General fund expenditures.

The fund balance of the City's General fund increased more than the budgeted increase due to revenues coming in over budget by \$126,652 and expenditures coming in under budget by \$51,244.

The *Debt Service fund* has a total fund balance of \$3,657,230, all of which is restricted for the payment of debt service. The increase in fund balance during the current year in the Debt Service fund was \$309,104.

The *2016 Capital Project fund* has a total fund balance of \$1,86,917, all of which is restricted for capital projects. The increase in fund balance during the current year related to the issuance of debt in the amount of \$795,000 and intergovernmental revenue of \$2,203,379 offset by capital costs of \$2,605,416.

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 \$11,419,205. The total growth in net position for these funds totaled was \$2,480,161.

General Fund Budgetary Highlights

The original adopted budget asked for no change in fund balance. An amendment was made during the year which increased budgeted transfers in by \$419,922 and increased budgeted transfers out by \$350,000. Revenues were over budget by \$126,652, expenditures were under budget by \$51,244, and the other financing sources (uses) were under budget by \$167,017 causing fund balance to increase in 2016.

- The major variances in the budget for the General fund were:
- Licenses and permits were over budget by \$77,844.
 - Intergovernmental revenues were over budget by \$75,597.
 - Tax revenues were over budget by \$68,816.
 - Total general government expenditures were under budget by \$61,335.
 - Total culture and recreation expenditures were over budget by \$76,261.
 - Transfers out were under budget by \$148,860.

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, 2016 amounts to \$85,527,421 (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 5.6 percent.

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

- Completion of ROMP Musical Park for a total cost of \$61,111.
- Completion of the 2nd Street Reconstruction for a total cost of \$1,936,660.
- Purchase of a Truck and Snowplow for a purchase price of \$178,671.
- Completion of the TH3 & 3rd for a total cost of \$750,205.
- Completion of 303/305 Water Street Flood Mitigation for a total cost of \$113,525.

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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 1,465,130	\$ 1,465,130	\$ -	\$ 918,554	\$ 918,554	\$ -
Buildings and Improvements	11,827,720	12,466,048	(638,328)	13,352,954	14,675,779	(1,322,825)
Infrastructure	32,769,578	29,113,201	3,656,377	17,243,403	15,922,463	1,320,940
Machinery and equipment	2,320,721	2,279,286	41,435	401,780	440,632	(38,852)
Construction in progress	4,270,623	3,442,232	828,391	956,958	296,999	659,959
Total	\$ 32,653,772	\$ 48,765,897	\$ 3,887,875	\$ 32,873,649	\$ 32,254,427	\$ 619,222

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$20,334,000. Of this amount, \$1,125,000 comprises debt backed by the full faith and credit of the City, \$7,612,984 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, and \$284,000 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 \$11,012,016.

City of Northfield's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
General obligation bonds	\$ 1,125,000	\$ 805,000	\$ 320,000	\$ -	\$ -	\$ -
General obligation improvement bonds	7,612,984	7,714,348	(101,364)	-	-	-
General obligation tax increment bonds	584,000	665,000	(81,000)	-	-	-
General obligation revenue bonds	1,660,000	1,845,000	(185,000)	9,352,016	10,575,652	(1,223,636)
Certificates of participation	5,565,000	5,835,000	(270,000)	-	-	-
Capital leases	1,592,705	1,787,723	(195,018)	176,922	198,592	(21,670)
Notes	1,380,677	1,487,176	(106,499)	-	-	-
Total	\$ 19,520,366	\$ 20,139,247	\$ (618,881)	\$ 9,528,938	\$ 10,774,244	\$ (1,245,306)

The City's total debt decreased by \$1,864,187 (6.0 percent) during the current fiscal year. The key factors in this decrease were the issuance of debt totaled \$2,610,000 and the retirement of debt totaled \$4,474,187. The City's bond rating was 'AA' from Standard & Poor's for their 2016 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 \$36,917,013, 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 2016 unemployment rate for Rice County, where the City is located, was 3.7 percent, which was a slight increase from a year ago of 3.5 percent. This is favorable to the State's average unemployment rate of 4.1 percent and compares favorably to the national average rate of 4.5 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 2017 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$7,121,262. This unassigned fund balance is designated for cash flow purposes and revenue stabilization.

The City's tax levy was increased by 2.0 percent for 2017.

For 2016, water rates remained the same. Wastewater rates were set to increase approximately 3.00 percent. Storm water rates were set to increase 6.01 percent.

For 2017, 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 16,867,189	\$ 11,542,967	\$ 28,410,156
Restricted cash and investments	572,536	-	572,536
Receivables			
Interest	41,405	56,701	98,106
Delinquent taxes	74,645	-	74,645
Accounts, net of allowances	364,530	1,456,904	1,821,434
Notes, mortgages and leases, net of allowances	103,835	-	103,835
Special assessments	1,691,954	15,305	1,707,259
Intergovernmental	521,806	-	521,806
Internal balances	(12,254)	12,254	-
Due from primary government	-	-	-
Inventories	547	287,987	288,534
Prepaid items	137,922	18,161	156,083
Land held for resale	180,983	-	180,983
Capital assets			
Nondepreciable	5,735,753	1,875,512	7,611,265
Depreciable	46,918,019	30,998,137	77,916,156
Investment in joint venture	868,298	-	868,298
TOTAL ASSETS	74,067,168	46,263,928	120,331,096
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	-	-	-
Deferred pension resources	6,353,159	457,671	6,810,830
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,353,159	457,671	6,810,830
LIABILITIES			
Accounts payable	488,928	604,228	1,093,156
Contracts payable	12,229	1,548	13,777
Escrows payable	69,311	-	69,311
Deposits payable	-	200	200
Due to component unit	14,000	-	14,000
Due to other governments	68,316	39,238	107,554
Accrued interest payable	197,141	80,591	277,732
Accrued wages payable	290,529	56,951	347,480
Noncurrent liabilities			
Due within one year	2,550,884	1,851,917	4,402,801
Due in more than one year	29,100,276	9,195,874	38,296,150
TOTAL LIABILITIES	32,791,614	11,830,547	44,622,161
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	1,303,714	157,832	1,461,546
NET POSITION			
Net investment in capital assets	35,941,654	23,301,761	59,243,415
Restricted for			
Police forfeitures	6,491	-	6,491
Debt service	3,302,406	-	3,302,406
Library	330,636	-	330,636
Public safety activities	13,524	-	13,524
Arts and Culture	14,200	-	14,200
Redevelopment and housing	580,981	-	580,981
Recreational activities	344,401	-	344,401
Rescue squad	10,506	-	10,506
Unrestricted	5,780,200	11,431,459	17,211,659
TOTAL NET POSITION	\$ 46,324,999	\$ 34,733,220	\$ 81,058,219

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

Component Units		
Economic Development Authority	Housing Redevelopment Authority	Municipal Hospital
\$ 1,483,893	\$ 1,031,149	\$ 5,244,466
-	-	55,591,532
738	1,881	-
2,117	2,141	-
-	-	13,017,007
360,633	-	-
-	-	-
1,859	1,888	-
-	-	-
-	14,000	-
-	-	2,004,920
725	705	965,938
-	414,479	-
-	56,994	4,033,112
-	284,118	40,352,126
-	-	-
1,849,965	1,807,355	121,209,101
-	-	588,604
10,711	34,541	21,197,841
10,711	34,541	21,786,445
3,259	5,394	3,280,946
-	-	613,197
-	-	-
-	1,700	-
-	-	-
-	-	-
-	-	91,902
2,364	3,191	8,848,162
-	-	1,866,527
29,812	96,136	83,166,940
35,435	106,421	97,867,674
3,694	11,912	4,267,255
-	341,112	11,884,963
-	-	-
-	-	1,127,275
-	-	-
-	-	-
-	-	-
-	-	-
1,821,547	1,382,451	27,848,379
\$ 1,821,547	\$ 1,723,563	\$ 40,860,617

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,542,003	\$ 1,559,831	\$ -	\$ -
Public safety	5,195,075	110,302	369,763	-
Streets and highways	4,642,307	199,106	223,741	2,693,632
Culture and recreation	2,934,423	466,522	276,410	97,000
Housing and economic development	282,094	-	214,986	-
Transit	53,658	-	-	-
Miscellaneous	112,509	-	400	-
Interest on long-term debt	582,762	-	-	-
Total governmental activities	16,344,831	2,335,761	1,085,300	2,790,632
Business-type activities				
Water	1,544,092	2,069,419	-	527,156
Wastewater	3,120,760	4,276,262	7,500	-
Garbage	715,898	921,187	-	-
Storm water	404,546	825,849	-	-
Liquor	2,935,516	3,148,215	-	-
Total business-type activities	8,720,812	11,240,932	7,500	527,156
Total primary government	\$ 25,065,643	\$ 13,576,693	\$ 1,092,800	\$ 3,317,788
Component units				
Economic Development Authority	\$ 125,451	\$ -	\$ -	\$ -
Housing Redevelopment Authority	\$ 285,992	\$ 46,331	\$ -	\$ -
Municipal Hospital	\$ 102,410,473	\$ 102,497,654	\$ 115,636	\$ 109,327
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				
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
\$ (982,172)	\$ -	\$ (982,172)	\$ -	\$ -	\$ -
(4,715,010)	-	(4,715,010)	-	-	-
(1,525,828)	-	(1,525,828)	-	-	-
(2,094,491)	-	(2,094,491)	-	-	-
(67,108)	-	(67,108)	-	-	-
(53,658)	-	(53,658)	-	-	-
(112,109)	-	(112,109)	-	-	-
(582,762)	-	(582,762)	-	-	-
(10,133,138)	-	(10,133,138)	-	-	-
-	1,052,483	1,052,483	-	-	-
-	1,163,002	1,163,002	-	-	-
-	205,289	205,289	-	-	-
-	421,303	421,303	-	-	-
-	212,699	212,699	-	-	-
-	3,054,776	3,054,776	-	-	-
(10,133,138)	3,054,776	(7,078,362)	-	-	-
			(125,451)	-	-
			-	(239,661)	-
			-	-	312,144
6,040,867	-	6,040,867	-	-	-
1,717,309	-	1,717,309	-	-	-
322,589	-	322,589	-	-	-
206,945	-	206,945	-	-	-
116,895	-	116,895	-	-	-
-	-	-	-	224,277	-
3,539,565	-	3,539,565	-	-	-
100,699	104,139	204,838	5,665	6,797	761,580
32,810	-	32,810	10,096	374	-
25,337	-	25,337	-	-	-
125,000	(125,000)	-	-	-	-
12,228,016	(548,017)	11,679,999	235,555	231,448	761,580
2,094,878	2,506,759	4,601,637	110,104	(8,213)	1,073,724
44,230,121	32,226,461	76,456,582	1,711,443	1,731,776	39,786,893
<u>\$ 46,324,999</u>	<u>\$ 34,733,220</u>	<u>\$ 81,058,219</u>	<u>\$ 1,821,547</u>	<u>\$ 1,723,563</u>	<u>\$ 40,860,617</u>

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

CITY OF NORTHFIELD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Debt Service	2016 Capital Project Fund	Other Governmental Funds	Totals
ASSETS					
Cash and temporary investments	\$ 7,062,231	\$ 3,887,136	\$ 238,476	\$ 4,140,188	\$ 15,328,031
Cash held with fiscal agent	-	-	-	572,536	572,536
Receivables					
Interest	18,466	8,352	-	9,621	36,439
Delinquent taxes	69,726	2,553	-	2,366	74,645
Accounts	299,983	-	-	64,547	364,530
Notes, net of allowances	-	-	-	103,835	103,835
Special assessments	-	1,514,733	-	177,221	1,691,954
Intergovernmental	68,294	10,223	-	440,956	519,473
Due from other funds	313,996	-	-	-	313,996
Advance to other funds	-	-	-	121,000	121,000
Inventories	547	-	-	-	547
Prepaid items	115,389	-	-	2,881	118,270
Land held for resale	-	-	-	180,983	180,983
TOTAL ASSETS	\$ 7,948,632	\$ 5,422,997	\$ 238,476	\$ 5,816,134	\$ 19,426,239
LIABILITIES					
Accounts payable	\$ 331,945	\$ 31,444	\$ 51,559	\$ 10,059	\$ 425,007
Contracts payable	-	-	-	12,229	12,229
Escrows payable	9,673	-	-	59,638	69,311
Accrued wages payable	221,857	-	-	6,218	228,075
Due to other funds	-	87,006	-	226,990	313,996
Due to component unit	-	14,000	-	-	14,000
Advance from other funds	-	121,000	-	-	121,000
Due to other governments	-	-	-	50,832	50,832
TOTAL LIABILITIES	563,475	253,450	51,559	365,966	1,234,450
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	69,726	2,553	-	2,366	74,645
Unavailable revenue - special assessments	-	1,509,764	-	175,850	1,685,614
Unavailable revenue - intergovernmental	-	-	-	440,956	440,956
TOTAL DEFERRED INFLOWS OF RESOURCES	69,726	1,512,317	-	619,172	2,201,215
FUND BALANCES					
Nonspendable					
Inventories	547	-	-	-	547
Prepaid items	115,389	-	-	2,881	118,270
Restricted					
Police forfeitures	6,491	-	-	-	6,491
Debt service	-	3,657,230	-	-	3,657,230
Library	-	-	-	330,636	330,636
Public safety activities	-	-	-	13,524	13,524
Arts and culture	-	-	-	14,200	14,200
Redevelopment and housing	-	-	-	580,981	580,981
Recreational activities	-	-	-	344,401	344,401
Rescue squad	-	-	-	10,506	10,506
Capital projects	-	-	186,917	1,128,490	1,315,407
Committed					
Capital projects	71,742	-	-	-	71,742
Community resource center operations	-	-	-	216,627	216,627
Motor vehicle operations	-	-	-	157,142	157,142
Communications	-	-	-	514,655	514,655
Assigned					
Capital projects	-	-	-	1,745,125	1,745,125
Unassigned	7,121,262	-	-	(228,172)	6,893,090
TOTAL FUND BALANCES	7,315,431	3,657,230	186,917	4,830,996	15,990,574
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,948,632	\$ 5,422,997	\$ 238,476	\$ 5,816,134	\$ 19,426,239

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, 2016

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total fund balances - governmental funds	\$ 15,990,574
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	52,653,772
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	(742,952)
Bonds payable	(10,981,984)
Capital lease payable	(7,157,705)
Notes payable	(1,380,677)
Other postemployment benefit payable	(220,844)
Pension liability	(10,713,865)
Bond discounts, net of accumulated amortization	31,400
Bond premium, net of accumulated amortization	(208,559)
Investment in joint ventures are not financial resources, and therefore, are not reported in the funds	868,298
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	74,645
Special assessments receivable	1,685,614
Intergovernmental receivable	440,956
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	6,254,002
Deferred inflows of pension resources	(1,269,519)
Governmental funds do not report a liability for accrued interest until due and payable.	(197,141)
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>1,198,984</u>
Total net position - governmental activities	<u>\$ 46,324,999</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, 2016

	General	Debt Service	2016 Capital Project Fund	Other Governmental Funds	Totals
REVENUES					
Taxes	\$ 5,454,266	\$ 2,051,151	\$ -	\$ 899,766	\$ 8,405,183
Special assessments	-	579,120	68,056	21,524	668,700
Licenses and permits	679,474	-	-	-	679,474
Intergovernmental	3,674,908	-	2,203,379	580,383	6,458,670
Charges for services	1,335,304	-	-	225,817	1,561,121
Fines and forfeits	82,032	-	-	-	82,032
Investment earnings	45,623	15,497	-	39,579	100,699
Miscellaneous	308,421	-	-	241,344	549,765
TOTAL REVENUES	11,580,028	2,645,768	2,271,435	2,008,413	18,505,644
EXPENDITURES					
Current					
General government	2,095,141	-	-	313,721	2,408,862
Public safety	4,045,397	-	-	25,353	4,070,750
Public works	2,381,026	-	-	-	2,381,026
Culture and recreation	2,084,284	-	-	197,555	2,281,839
Housing and economic development	-	51,866	-	230,228	282,094
Miscellaneous	109,809	-	-	2,700	112,509
Capital outlay					
General government	11,594	-	-	10,412	22,006
Public safety	-	-	-	765,063	765,063
Public works	23,859	-	2,605,416	1,628,656	4,257,931
Culture and recreation	8,102	-	-	2,845,779	2,853,881
Transit	-	-	-	27,720	27,720
Debt service					
Principal	152,897	1,848,863	-	42,121	2,043,881
Interest and other charges	52,563	505,025	-	14,480	572,068
Issuance fees	-	-	15,952	12,642	28,594
TOTAL EXPENDITURES	10,964,672	2,405,754	2,621,368	6,116,430	22,108,224
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	615,356	240,014	(349,933)	(4,108,017)	(3,602,580)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	25,337	-	-	-	25,337
Transfers in	568,742	102,856	-	828,366	1,499,964
Debt issued	-	-	795,000	630,000	1,425,000
Bond premiums	-	-	24,032	21,522	45,554
Transfers out	(794,600)	(33,766)	-	(546,598)	(1,374,964)
TOTAL OTHER FINANCING SOURCES (USES)	(200,521)	69,090	819,032	933,290	1,620,891
NET CHANGE IN FUND BALANCES	414,835	309,104	469,099	(3,174,727)	(1,981,689)
FUND BALANCES, JANUARY 1	6,900,596	3,348,126	(282,182)	8,005,723	17,972,263
FUND BALANCES, DECEMBER 31	\$ 7,315,431	\$ 3,657,230	\$ 186,917	\$ 4,830,996	\$ 15,990,574

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

CITY OF NORTHFIELD, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ (1,981,689)
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	7,235,912
Depreciation expense	(3,348,037)
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.	603,078
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.	
Principal repayments	2,043,881
Debt issued or incurred	(1,425,000)
Premium on bonds issued, net of amortization expense	(29,046)
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.	1,392
Long-term pension activity is not reported in governmental funds.	
Pension expense	(950,770)
Direct aid contributions	30,044
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	(32,544)
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	(204,655)
Federal and State grants	4,390
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	(8,705)
Compensated absences	(17,811)
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	174,438
Change in net position - governmental activities	<u>\$ 2,094,878</u>

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 5,385,450	\$ 5,385,450	\$ 5,454,266	\$ 68,816
Licenses and permits	391,630	601,630	679,474	77,844
Intergovernmental	3,599,311	3,599,311	3,674,908	75,597
Charges for services	1,552,066	1,342,066	1,335,304	(6,762)
Fines and forfeits	147,000	147,000	82,032	(64,968)
Investment earnings	107,525	107,525	45,623	(61,902)
Miscellaneous	270,394	270,394	308,421	38,027
TOTAL REVENUES	11,453,376	11,453,376	11,580,028	126,652
EXPENDITURES				
Current				
General government	2,156,476	2,156,476	2,095,141	61,335
Public safety	4,053,943	4,053,943	4,045,397	8,546
Public works	2,320,458	2,388,958	2,381,026	7,932
Culture and recreation	2,043,723	2,008,023	2,084,284	(76,261)
Miscellaneous	191,300	158,500	109,809	48,691
Capital outlay				
General government	15,500	15,500	11,594	3,906
Public works	17,600	17,600	23,859	(6,259)
Culture and recreation	11,200	11,200	8,102	3,098
Debt service				
Principal	141,706	141,706	152,897	(11,191)
Interest and other	64,010	64,010	52,563	11,447
TOTAL EXPENDITURES	11,015,916	11,015,916	10,964,672	51,244
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	437,460	437,460	615,356	177,896
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	25,337	25,337
Transfers in	156,000	575,922	568,742	(7,180)
Transfers out	(593,460)	(943,460)	(794,600)	148,860
TOTAL OTHER FINANCING SOURCES (USES)	(437,460)	(367,538)	(200,521)	167,017
NET CHANGE IN FUND BALANCES	-	69,922	414,835	344,913
FUND BALANCES, JANUARY 1	6,900,596	6,900,596	6,900,596	-
FUND BALANCES, DECEMBER 31	\$ 6,900,596	\$ 6,970,518	\$ 7,315,431	\$ 344,913

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 6,260,950	\$ 5,770,756	\$ 3,012,971	\$ 2,904,251
Receivables				
Interest	10,061	21,884	26,029	10,203
Accounts	376,592	390,595	822,452	766,598
Intergovernmental	-	-	-	-
Due from other funds	-	123,456	-	-
Inventories	19,611	19,270	-	-
Prepaid items	7,644	4,237	5,219	5,099
TOTAL CURRENT ASSETS	6,674,858	6,330,198	3,866,671	3,686,151
NONCURRENT ASSETS				
Special assessments receivable - noncurrent	-	-	15,305	15,305
Capital assets				
Land	110,290	110,290	5,250	5,250
Buildings	1,563,528	1,563,528	23,794,485	23,794,485
Infrastructure	8,461,086	7,856,542	10,794,017	10,012,216
Machinery, equipment and vehicles	394,089	384,037	936,621	907,233
Construction in progress	616,766	226,540	321,937	64,188
Less accumulated depreciation	(4,894,172)	(4,562,437)	(14,128,970)	(12,983,693)
TOTAL CAPITAL ASSETS	6,251,587	5,578,500	21,723,340	21,799,679
TOTAL NONCURRENT ASSETS	6,251,587	5,578,500	21,738,645	21,814,984
TOTAL ASSETS	12,926,445	11,908,698	25,605,316	25,501,135
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	160,869	28,370	142,065	34,954

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		
2016	2015	2016	2015	2016	2015	2016	2015	
\$ 884,571	\$ 670,504	\$ 167,872	\$ 31,364	\$ 1,216,603	\$ 1,148,964	\$ 11,542,967	\$ 10,525,839	\$ 1,539,158
5,969	2,568	12,756	-	1,886	4,579	56,701	39,234	4,966
141,030	143,236	85,610	72,477	31,220	5,423	1,456,904	1,378,329	-
-	-	-	-	-	-	-	-	2,333
-	-	-	-	-	-	-	123,456	-
-	-	-	-	268,376	268,690	287,987	287,960	-
23	-	263	114	5,012	4,730	18,161	14,180	19,652
1,031,593	816,308	266,501	103,955	1,523,097	1,432,386	13,362,720	12,368,998	1,566,109
-	-	-	-	-	-	15,305	15,305	-
-	-	803,014	803,014	-	-	918,554	918,554	-
-	-	-	-	193,804	193,804	25,551,817	25,551,817	-
-	-	6,592,704	6,352,229	56,835	56,835	25,904,642	24,277,822	-
75,641	75,641	13,011	13,011	80,392	80,392	1,499,754	1,460,314	87,080
-	-	18,255	6,271	-	-	956,958	296,999	-
(75,641)	(75,641)	(2,566,448)	(2,341,323)	(292,845)	(287,985)	(21,958,076)	(20,251,079)	(87,080)
-	-	4,860,536	4,833,202	38,186	43,046	32,873,649	32,254,427	-
-	-	4,860,536	4,833,202	38,186	43,046	32,888,954	32,269,732	-
1,031,593	816,308	5,127,037	4,937,157	1,561,283	1,475,432	46,251,674	44,638,730	1,566,109
4,074	689	9,148	1,419	141,515	30,541	457,671	95,973	99,157

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2016	2015	2016	2015
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 137,129	\$ 9,334	\$ 384,458	\$ 65,177
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	1,105	1,789	1,162	9,701
Accrued interest payable	4,352	6,936	67,737	77,970
Accrued wages payable	20,771	12,279	20,832	16,032
Compensated absences payable - current portion	8,006	27,694	18,663	13,388
Deposits payable	-	-	-	-
Capital leases - current portion	2,251	2,167	20,265	19,502
Bonds payable - current portion	182,500	222,500	1,382,500	1,932,500
TOTAL CURRENT LIABILITIES	356,114	282,699	1,895,617	2,134,270
NONCURRENT LIABILITIES				
Compensated absences payable, net of current portion	17,542	41,448	65,670	64,948
Other postemployment benefits payable	14,365	12,990	55,791	25,262
Pension liability	443,781	248,038	395,399	305,612
Capital leases payable, net of current portion	15,441	17,693	138,965	159,230
Bonds payable, net of current portion	260,851	445,520	6,705,000	7,012,500
TOTAL NONCURRENT LIABILITIES	751,980	765,689	7,360,825	7,567,552
TOTAL LIABILITIES	1,108,094	1,048,388	9,256,442	9,701,822
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	54,987	45,578	48,993	56,158
NET POSITION				
Net investment in capital assets	5,790,544	4,890,620	13,476,610	12,675,947
Unrestricted	6,133,689	5,952,482	2,965,336	3,102,162
TOTAL NET POSITION	\$ 11,924,233	\$ 10,843,102	\$ 16,441,946	\$ 15,778,109

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		
2016	2015	2016	2015	2016	2015	2016	2015	
\$ 13,520	\$ 13,907	\$ 15,062	\$ 394	\$ 54,059	\$ 79,949	\$ 604,228	\$ 168,761	\$ 63,921
-	-	1,548	1,548	-	-	1,548	1,548	-
-	-	-	123,456	-	-	-	123,456	-
7,032	6,956	-	-	29,939	27,257	39,238	45,703	17,484
-	-	8,502	11,118	-	-	80,591	96,024	-
6	-	712	375	14,630	11,957	56,951	40,643	62,454
-	-	-	-	8,670	9,680	35,339	50,762	-
-	-	-	-	200	200	200	200	-
-	-	-	-	-	-	22,516	21,669	-
-	-	229,062	253,636	-	-	1,794,062	2,408,636	-
20,558	20,863	254,886	390,527	107,498	129,043	2,634,673	2,957,402	143,859
-	-	-	-	19,183	17,412	102,395	123,808	-
-	-	-	-	9,985	9,412	80,141	47,664	-
11,339	6,025	29,409	12,409	393,869	267,028	1,273,797	839,112	275,974
-	-	-	-	-	-	154,406	176,923	-
-	-	619,284	736,778	-	-	7,585,135	8,194,798	-
11,339	6,025	648,693	749,187	423,037	293,852	9,195,874	9,382,305	275,974
31,897	26,888	903,579	1,139,714	530,535	422,895	11,830,547	12,339,707	419,833
1,405	1,107	3,644	2,280	48,803	49,068	157,832	154,191	34,195
-	-	4,012,190	3,842,788	22,417	27,277	23,301,761	21,436,632	-
1,002,365	789,002	216,772	(46,206)	1,101,043	1,006,733	11,419,205	10,804,173	1,211,238
\$ 1,002,365	\$ 789,002	\$ 4,228,962	\$ 3,796,582	\$ 1,123,460	\$ 1,034,010	34,720,966	32,240,805	\$ 1,211,238
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.						12,254	(14,344)	
Net position of business-type activities						\$ 34,733,220	\$ 32,226,461	

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2016	2015	2016	2015
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
GROSS PROFIT	-	-	-	-
Charges for services	2,040,480	2,086,742	4,253,179	4,239,914
Penalties	9,932	10,313	21,545	20,233
TOTAL OPERATING REVENUES	2,050,412	2,097,055	4,274,724	4,260,147
OPERATING EXPENSES				
Personal services	522,925	405,202	466,781	499,222
Pension expense	75,799	21,218	(22,951)	(25,233)
Supplies	178,436	266,835	533,713	504,274
Other services and charges	301,916	284,357	408,992	372,904
Insurance	19,800	19,800	27,167	27,167
Utilities	112,333	112,644	371,473	372,800
Depreciation	331,735	347,017	1,145,277	1,136,606
TOTAL OPERATING EXPENSES	1,542,944	1,457,073	2,930,452	2,887,740
OPERATING INCOME	507,468	639,982	1,344,272	1,372,407
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	1,367	6,320	7,500	-
Property taxes	-	-	-	-
Investment income	37,584	30,442	39,244	11,435
Other income (expense)	3,035	(3,118)	1,538	-
Rents	15,972	15,851	-	-
Interest expense	(11,451)	(16,802)	(201,561)	(216,278)
TOTAL NONOPERATING REVENUES (EXPENSES)	46,507	32,693	(153,279)	(204,843)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	553,975	672,675	1,190,993	1,167,564
CAPITAL CONTRIBUTIONS TO (FROM) OTHER FUNDS	527,156	-	(527,156)	-
TRANSFERS OUT	-	-	-	-
CHANGE IN NET POSITION	1,081,131	672,675	663,837	1,167,564
NET POSITION, JANUARY 1	10,843,102	10,170,427	15,778,109	14,610,545
NET POSITION, DECEMBER 31	\$ 11,924,233	\$ 10,843,102	\$ 16,441,946	\$ 15,778,109

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		
2016	2015	2016	2015	2016	2015	2016	2015	
\$ -	\$ -	\$ -	\$ -	\$ 3,142,917	\$ 3,072,255	\$ 3,142,917	\$ 3,072,255	\$ -
-	-	-	-	(2,303,230)	(2,332,505)	(2,303,230)	(2,332,505)	-
-	-	-	-	839,687	739,750	839,687	739,750	-
912,645	899,932	822,415	761,149	-	-	8,028,719	7,987,737	1,134,415
8,498	8,910	3,320	3,280	-	-	43,295	42,736	-
921,143	908,842	825,735	764,429	839,687	739,750	8,911,701	8,770,223	1,134,415
19,072	17,118	31,947	19,280	427,297	405,078	1,468,022	1,345,900	490,566
2,271	(3,175)	9,330	9,937	17,135	(5,376)	81,584	(2,629)	23,056
1,758	4,800	14,458	20,594	16,313	18,368	744,678	814,871	36,719
689,355	670,799	101,327	139,261	148,288	172,418	1,649,878	1,639,739	404,775
4,239	4,239	1,220	1,220	4,873	4,873	57,299	57,299	-
290	309	-	-	18,455	19,149	502,551	504,902	-
-	-	225,125	220,075	4,860	1,923	1,706,997	1,705,621	-
716,985	694,090	383,407	410,367	637,221	616,433	6,211,009	6,065,703	955,116
204,158	214,752	442,328	354,062	202,466	123,317	2,700,692	2,704,520	179,299
-	-	-	-	-	-	8,867	6,320	-
-	-	-	-	-	-	-	-	2,333
9,161	2,982	11,464	-	6,686	5,728	104,139	50,587	14,498
44	16,011	34	(557)	5,298	4,197	9,949	16,533	4,906
-	-	-	-	-	-	15,972	15,851	-
-	-	(21,446)	(31,867)	-	-	(234,458)	(264,947)	-
9,205	18,993	(9,948)	(32,424)	11,984	9,925	(95,531)	(175,656)	21,737
213,363	233,745	432,380	321,638	214,450	133,242	2,605,161	2,528,864	201,036
-	-	-	-	-	-	-	-	-
-	-	-	-	(125,000)	(125,000)	(125,000)	(125,000)	-
213,363	233,745	432,380	321,638	89,450	8,242	2,480,161	2,403,864	201,036
789,002	555,257	3,796,582	3,474,944	1,034,010	1,025,768	32,240,805	29,836,941	1,010,202
\$ 1,002,365	\$ 789,002	\$ 4,228,962	\$ 3,796,582	\$ 1,123,460	\$ 1,034,010	\$ 34,720,966	\$ 32,240,805	\$ 1,211,238
Change in net position as shown above						\$ 2,480,161	\$ 2,403,864	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						26,598	28,855	
Change in net position of business-type activities						\$ 2,506,759	\$ 2,432,719	

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,064,415	\$ 2,157,058	\$ 4,218,870	\$ 4,294,942
Payments to suppliers and vendors	(658,689)	(722,418)	(1,250,519)	(1,267,945)
Payments to and on behalf of employees	(483,999)	(377,941)	(480,473)	(530,965)
Other receipts	19,007	12,733	1,538	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>940,734</u>	<u>1,069,432</u>	<u>2,489,416</u>	<u>2,496,032</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes received	-	-	-	-
Intergovernmental revenue	1,367	6,320	7,500	-
Transfers to other funds	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,367</u>	<u>6,320</u>	<u>7,500</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	123,456	(5,795)	-	-
Increase (decrease) in due to other funds	-	-	-	-
Acquisition of capital assets	(383,898)	(565,376)	(1,353,347)	(285,449)
Proceeds from bond issue, net of discounts/premiums issued	-	-	1,107,397	574,054
Principal paid on revenue bonds payable	(222,498)	(297,500)	(1,932,500)	(1,347,500)
Principal paid on capital lease payable	(2,168)	(13,062)	(19,502)	(11,755)
Interest paid on revenue bonds payable	(16,206)	(11,111)	(213,662)	(216,949)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(501,314)</u>	<u>(892,844)</u>	<u>(2,411,614)</u>	<u>(1,287,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in interest received and market value on cash and investments	<u>49,407</u>	<u>27,516</u>	<u>23,418</u>	<u>6,565</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>490,194</u>	<u>210,424</u>	<u>108,720</u>	<u>1,214,998</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>5,770,756</u>	<u>5,560,332</u>	<u>2,904,251</u>	<u>1,689,253</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 6,260,950</u></u>	<u><u>\$ 5,770,756</u></u>	<u><u>\$ 3,012,971</u></u>	<u><u>\$ 2,904,251</u></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		
2016	2015	2016	2015	2016	2015	2016	2015	
\$ 923,349	\$ 919,431	\$ 812,602	\$ 766,449	\$ 3,117,120	\$ 3,081,086	\$ 11,136,356	\$ 11,218,966	\$ 1,134,415
(698,247)	(708,895)	(111,782)	(202,691)	(2,531,470)	(2,578,467)	(5,250,707)	(5,480,416)	(519,866)
(16,839)	(20,293)	(20,975)	(8,968)	(407,688)	(413,023)	(1,409,974)	(1,351,190)	(457,649)
44	16,011	-	-	5,298	4,197	25,887	32,941	4,906
208,307	206,254	679,845	554,790	183,260	93,793	4,501,562	4,420,301	161,806
-	-	-	-	-	-	-	-	1,730
-	-	-	-	-	-	8,867	6,320	-
-	-	-	-	(125,000)	(125,000)	(125,000)	(125,000)	-
-	-	-	-	(125,000)	(125,000)	(116,133)	(118,680)	1,730
-	-	-	-	-	-	123,456	(5,795)	-
-	-	(123,456)	5,795	-	-	(123,456)	5,795	-
-	-	(252,459)	(89,333)	-	(14,684)	(1,989,704)	(954,842)	-
-	-	113,823	51,244	-	-	1,221,220	625,298	-
-	-	(253,638)	(438,636)	-	-	(2,408,636)	(2,083,636)	-
-	-	-	-	-	-	(21,670)	(24,817)	-
-	-	(26,315)	(52,496)	-	-	(256,183)	(280,556)	-
-	-	(542,045)	(523,426)	-	(14,684)	(3,454,973)	(2,718,553)	-
5,760	1,979	(1,292)	-	9,379	5,170	86,672	41,230	14,577
214,067	208,233	136,508	31,364	67,639	(40,721)	1,017,128	1,624,298	178,113
670,504	462,271	31,364	-	1,148,964	1,189,685	10,525,839	8,901,541	1,361,045
\$ 884,571	\$ 670,504	\$ 167,872	\$ 31,364	\$ 1,216,603	\$ 1,148,964	\$ 11,542,967	\$ 10,525,839	\$ 1,539,158

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

CITY OF NORTHFIELD, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Wastewater	
	2016	2015	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 507,468	\$ 639,982	\$ 1,344,272	\$ 1,372,407
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Other income (expense) related to operations	19,007	12,733	1,538	-
Depreciation	331,735	347,017	1,145,277	1,136,606
(Increase) decrease in assets				
Accounts receivable	14,003	55,666	(55,854)	27,187
Due from other governments	-	4,337	-	7,608
Inventories	(341)	1,956	-	-
Prepaid items	(3,407)	(1,808)	(120)	(221)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(132,499)	7,150	(107,111)	16,290
Increase (decrease) in liabilities				
Accounts payable	34,027	(21,779)	76,534	(24,673)
Due to other governments	(684)	4,067	(8,539)	8,861
Accrued wages payable	8,492	1,237	4,800	(1,813)
Other postemployment benefits payable	1,375	557	802	1,003
Compensated absences payable	(43,594)	4,249	5,195	(5,700)
Pension liability	195,743	27,956	89,787	(11,892)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	9,409	(13,888)	(7,165)	(29,631)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 940,734</u>	<u>\$ 1,069,432</u>	<u>\$ 2,489,416</u>	<u>\$ 2,496,032</u>
SCHEDULE OF NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES				
Capital assets acquired on account	\$ 93,768	\$ -	\$ 242,747	\$ -
Capital assets contributed by (to) other funds	\$ 527,156	\$ -	\$ (527,156)	\$ -
Amortization of bond (premium) discount, net	\$ 2,171	\$ 2,171	\$ 1,868	\$ 1,868
Premium on bonds issued	\$ -	\$ -	\$ 32,397	\$ 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					
Garbage		Storm Water		Municipal Liquor Store		Total			
2016	2015	2016	2015	2016	2015	2016	2015		
\$ 204,158	\$ 214,752	\$ 442,328	\$ 354,062	\$ 202,466	\$ 123,317	\$ 2,700,692	\$ 2,704,520	\$ 179,299	
44	16,011	34	(557)	5,298	4,197	25,921	32,384	4,906	
-	-	225,125	220,075	4,860	1,923	1,706,997	1,705,621	-	
2,206	6,697	(13,133)	(522)	(25,797)	8,831	(78,575)	97,859	-	
-	3,892	-	2,542	-	-	-	18,379	-	
-	-	-	-	314	35,835	(27)	37,791	-	
(23)	39	(149)	(114)	(282)	108	(3,981)	(1,996)	67	
(3,385)	711	(7,729)	(934)	(110,974)	11,805	(361,698)	35,022	(78,938)	
(387)	(32,027)	14,668	(31,008)	(25,890)	(73,293)	98,952	(182,780)	(69,117)	
76	65	-	-	2,682	820	(6,465)	13,813	13,734	
6	-	337	375	2,673	(3,819)	16,308	(4,020)	10,935	
-	-	-	-	573	557	2,750	2,117	-	
-	-	-	-	761	693	(37,638)	(758)	-	
5,314	(2,649)	17,000	9,403	126,841	4,646	434,685	27,464	99,207	
298	(1,237)	1,364	1,468	(265)	(21,827)	3,641	(65,115)	1,713	
\$ 208,307	\$ 206,254	\$ 679,845	\$ 554,790	\$ 183,260	\$ 93,793	\$ 4,501,562	\$ 4,420,301	\$ 161,806	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,515	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ 2,253	\$ 2,251	\$ -	\$ -	\$ 6,292	\$ 6,290	\$ -	
\$ -	\$ -	\$ 3,823	\$ 1,244	\$ -	\$ -	\$ 36,220	\$ 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 and non-transport 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 *2016 Capital Project fund* accounts for project costs and funding for the 2016 Street project.

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, deferred outflows of resources liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City has the following recurring fair value measurements as of December 31, 2016:

- Federal agency securities and US government securities of \$16,916,792 are valued using quoted market prices (Level 1 inputs)
- Commercial paper and Municipal securities of \$3,111,164 are valued using a matrix pricing model (Level 2 inputs)

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 regulatory rules of the SEC. The reported value of the pool is the same as the fair value of the pool share. 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.

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, 2016 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration Risk* - The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Property taxes

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

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2016. 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 acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2016, 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 accumulating sick leave benefits that is vested as severance pay. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 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 net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualifies for reporting in this category. One is the loss on refunding reported in the government-wide statement of net position. A loss on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from 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. Cloherly Endowed Book fund, Arts and Culture fund, Transit Grants fund, TZD Enforcement 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 a net increase in transfers of \$69,992 due to the closing of several funds.

B. Excess of expenditures over appropriations

For the year ended December 31, 2016, expenditures exceeded appropriations in the following funds:

Fund	Budget		Actual		Over	
	Special revenue	Community Resource Center			Excess of Expenditures	Appropriations
			\$	66,603	\$	214,262
					\$	147,659

These over expenditures were funded by transfers out being under budget and available fund balance.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2016:

Fund	Amount
Nonmajor	
Special Revenue	
Community Development Block Grant	\$ 2,655
Transit Grants	19,197
Capital Projects	
2017 Capital Project	8,938
Library Capital Project	197,382

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.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

At year end, the City's carrying amount of deposits was \$1,658,646 and the bank balance was \$1,994,450. The bank balance was covered by federal depository insurance totaling \$500,000. Of the remaining balance, \$1,494,450 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Investments

As of December 31, 2016, the City had the following investments that are insured or registered, or securities held by the city or it's agent in the City's name:

Types of Investments	Credit Quality/Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at amortized costs					
Broker Money Market Accounts	N/A	less than 6 months	\$ 576,843		
4-M Fund	N/A	less than 6 months	9,231,539		
Non-pooled investments at fair value					
Commercial paper	N/A	less than 6 months	399,368	\$ -	\$ 399,368
Commercial paper	N/A	less than 1 year	397,158	-	397,158
Municipal securities	AA+/AA1	less than 6 months	801,592	-	801,592
Municipal securities	AAA/AA1	1 to 3 years	856,257	-	856,257
Municipal securities	AAA/AA1	more than 3 years	656,789	-	656,789
Federal Agency Securities	AA+/AAA	less than 6 months	1,832,151	1,832,151	-
Federal Agency Securities	AA+/AAA	less than 1 year	2,217,228	2,217,228	-
Federal Agency Securities	AA+/AAA	1 to 3 years	8,344,447	8,344,447	-
Federal Agency Securities	AA+/AAA	more than 3 years	473,454	473,454	-
U.S. Government securities	AA+/AAA	less than 6 months	185,094	185,094	-
U.S. Government securities	AA+/AAA	less than 1 year	274,355	274,355	-
U.S. Government securities	AA+/AAA	1 to 3 years	2,398,876	2,398,876	-
U.S. Government securities	AA+/AAA	more than 3 years	1,191,187	1,191,187	-
Total investments			\$ 29,836,338	\$ 16,916,792	\$ 3,111,164

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

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

N/A Indicates not applicable or available.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash on hand

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

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

Deposits - city pooled account	\$ 1,658,646
Investments - city pooled account	29,836,338
Cash on hand	2,750
Total	\$ 31,497,734
Cash and investments - Primary Government	\$ 28,410,156
Restricted cash and investments - Primary Government	572,536
Cash and investments - Component unit - EDA	1,483,893
Cash and investments - Component unit - HRA	1,031,149
Total	\$ 31,497,734

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, 2016 were a carrying value of \$9,478,823 and were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The Hospital had the following investments at December 31, 2016;

	Amount	Fair Value Measurement Using	
		Level 1	Level 2
Federal Home Loan Bank	\$ 10,485,252	\$ -	\$ 10,485,252
Federal National Mortgage Association	4,367,055	-	4,367,055
Federal Home Loan Mortgage Corp	12,145,898	-	12,145,898
Federal Agricultural Mortgage Corp	1,071,837	-	1,071,837
Federal Farm Credit Bank	11,325,925	-	11,325,925
U.S. Treasury Notes	4,033,866	-	4,033,866
Certificate of Deposit	7,927,342	7,927,342	-
Total	\$ 51,357,175	\$ 7,927,342	\$ 43,429,833
<ul style="list-style-type: none"> Federal Home Loan Bank: Consists of discount notes and notes with interest rates of 0.75 percent to 5.375 percent maturing from 2018 to 2026 and have AA+ to AAA ratings by Standard & Poor's. Federal National Mortgage Association: Consists of discount notes and notes with interest rates of 0.875 percent to 2.0 percent maturing from 2018 to 2020 and have AA+ to AAA ratings by Standard & Poor's. Federal Home Loan Mortgage Corp: Consists of discount notes with interest rates of .875 percent to 4.875 percent maturing from 2018 to 2031 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 0.625 percent to 2.125 percent maturing in 2017 to 2021 and have AA+ ratings by Standard & Poor's. Federal Farm Credit Bank: Consists of discount notes with interest rates ranging from 1.36 percent to 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 0.95 percent to 1.95 percent maturing in 2017 to 2021. 			

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, 2016, 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, 2016 the Hospital did not have any such arrangements.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and investments summary

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

Deposits	\$ 9,478,823
Investments	51,357,175
Total	<u>\$ 60,835,998</u>
Cash and investments	\$ 5,244,466
Restricted assets	55,591,532
Total	<u>\$ 60,835,998</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, 2016, the allowance for uncollectible accounts was \$4,375,000.

Patient receivables

Patient receivables reported as current assets by the Hospital at December 31, 2016 consist of the following:

Receivable from patients and their insurance carriers	\$ 13,926,046
Receivable from Medicare	2,271,427
Receivables from Medicaid	1,062,986
Total patient receivable	17,260,459
Less: Allowance for doubtful accounts	<u>(4,375,000)</u>
Patient receivable, net	<u>\$ 12,885,459</u>

There are other accounts receivable in the amount of \$131,548 for 2016.

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, 2016 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, 2016 is \$431,671. There is an allowance for uncollectible accounts for \$71,038 on these loans.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for primary government for the year ended December 31, 2016 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,465,130	\$ -	\$ -	\$ 1,465,130
Construction in progress	3,442,232	6,731,708	(5,903,317)	4,270,623
Total capital assets not being depreciated	4,907,362	6,731,708	(5,903,317)	5,735,753
Capital assets being depreciated				
Buildings and improvements	22,579,807	11,594	-	22,591,401
Infrastructure	67,730,464	5,970,856	-	73,701,320
Machinery, equipment and vehicles	7,394,090	425,071	(515,386)	7,303,775
Total capital assets being depreciated	97,704,361	6,407,521	(515,386)	103,596,496
Less accumulated depreciation for Buildings and improvements	(10,113,759)	(649,922)	-	(10,763,681)
Infrastructure	(38,617,263)	(2,314,479)	-	(40,931,742)
Machinery, equipment and vehicles	(5,114,804)	(383,636)	515,386	(4,983,054)
Total accumulated depreciation	(53,845,826)	(3,348,037)	515,386	(56,678,477)
Total capital assets being depreciated, net	43,858,535	3,059,484	-	46,918,019
Governmental activities capital assets, net	\$ 48,765,897	\$ 9,791,192	\$ (5,903,317)	\$ 52,653,772

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	296,999	886,460	(226,501)	956,958
Total capital assets	1,215,553	886,460	(226,501)	1,875,512
Capital assets being depreciated				
Buildings and improvements	25,551,817	-	-	25,551,817
Infrastructure	24,277,822	1,626,820	-	25,904,642
Machinery, equipment, and vehicles	1,460,314	39,440	-	1,499,754
Total capital assets	51,289,953	1,666,260	-	52,956,213
Less accumulated depreciation for				
Buildings and improvements	(10,876,038)	(1,322,825)	-	(12,198,863)
Infrastructure	(8,355,359)	(305,880)	-	(8,661,239)
Machinery, equipment, and vehicles	(1,019,682)	(78,292)	-	(1,097,974)
Total accumulated depreciation	(20,251,079)	(1,706,997)	-	(21,958,076)
Total capital assets	31,038,874	(40,737)	-	30,998,137
Business-type activities				
capital assets, net	\$ 32,254,427	\$ 845,723	\$ (226,501)	\$ 32,873,649
Depreciation expense was charged to functions/programs of the primary government as follows:				
Governmental activities				
General government				\$ 137,905
Public safety				348,878
Streets and highways, including depreciation of general infrastructure assets				2,233,974
Culture and recreation				601,342
Miscellaneous				25,938
Total depreciation expense - governmental activities				\$ 3,348,037
Business-type activities				
Water				\$ 331,735
Sewer				1,145,277
Storm Sewer				225,125
Municipal Liquor Store				4,860
Total depreciation expense - business-type activities				\$ 1,706,997

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Discretely presented component units				
Capital asset activity for the Municipal Hospital for the year ended December 31, 2016 was as follows:				
Municipal Hospital				
Capital assets not being depreciated				
Land	\$ 3,694,360	\$ -	\$ -	\$ 3,694,360
Construction in progress	1,316,873	-	(978,121)	338,752
Total capital assets	5,011,233	-	(978,121)	4,033,112
Capital assets being depreciated				
Land improvements	742,412	18,596	-	761,008
Buildings and improvements	60,906,235	147,152	(34,448)	61,018,939
Machinery, equipment and vehicles	27,955,825	4,117,538	(2,026,076)	30,047,287
Total capital assets	89,604,472	4,283,286	(2,060,524)	91,827,234
Less accumulated depreciation for				
Land improvements	(297,133)	(69,451)	-	(366,584)
Buildings and improvements	(26,140,441)	(2,898,611)	34,448	(29,004,604)
Machinery, equipment and vehicles	(21,744,674)	(2,362,567)	2,003,321	(22,103,920)
Total accumulated depreciation	(48,182,248)	(5,330,629)	2,037,769	(51,475,108)
Total capital assets	41,422,224	(1,047,343)	(22,755)	40,352,126
Municipal Hospital				
capital assets, net	\$ 46,433,457	\$ (1,047,343)	\$ (1,000,876)	\$ 44,385,238

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital asset activity for the HRA for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
HRA				
Capital assets not being depreciated				
Land	\$ 56,994	\$ -	\$ -	\$ 56,994
Capital assets being depreciated				
Buildings and structures	286,655	67,021	-	353,676
Less accumulated depreciation for				
Buildings and structures	(61,430)	(8,128)	-	(69,558)
Total capital assets	225,225	58,893	-	284,118
being depreciated, net				
HRA capital assets, net	\$ 282,219	\$ 58,893	\$ -	\$ 341,112

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

Discretely presented component units	
Municipal Hospital	\$ 5,330,629
HRA	\$ 8,128

Construction commitments

The City has active construction projects as of December 31, 2016. The projects include street construction and various public facilities. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
East Cannon River Trail	\$ 105,177	\$ 514,241
Highway 3 & 3rd Street	599,242	34,774
Well No. 6	234,750	589,750
Ultra Violet Disinfection	14,250	409,350
Total	\$ 953,419	\$ 1,548,115

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2016 is as follows:

	Receivable Fund	Payable Fund	Amount
Governmental			
General		Debt Service	\$ 87,006
		Other nonmajor	226,990
Total			\$ 313,996

Due to/from primary government and component units

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

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, 2016 was \$121,000.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

	Transfer in			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfer out				
General fund	\$ -	\$ -	\$ 794,600	\$ 794,600
Debt Service fund	-	-	33,766	33,766
Nonmajor governmental funds	443,742	102,856	-	546,598
Municipal liquor fund	125,000	-	-	125,000
Total	\$ 568,742	\$ 102,856	\$ 828,366	\$ 1,499,964

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 2016:

- From the Liquor fund (\$125,000) to the General fund to transfer profits.
- From the General fund (\$121,000) to the Master Tax Increment fund to finance capital improvement.
- From the General fund (\$100,000) to the Library Capital Project fund for the Library project.
- From the General fund (\$573,600) to the Capital Reserve fund for future capital use.
- From the Debt Service fund to the Capital Reserve fund (\$20,932) to close the fund.
- From the Debt Service fund to the 2014 Capital Project fund (\$12,834) to close the fund.
- From the Park fund (\$25,000) to the General fund for the 2014 bond.
- From the 2016 Capital Project fund (\$102,856) to the Debt Service fund to close the fund.
- From the TIGER Grant Project fund (\$418,742) to the General fund to close the fund.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 195,000
G.O. Bonds of 2012C	495,000	2.00	12/27/12	02/01/19	300,000
G.O. Bonds of 2016C	630,000	2.00	09/15/16	02/01/22	630,000
Total General Obligation Bonds					\$ 1,125,000

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

Year Ending December 31,	General Obligation Bonds		Total
	Principal	Interest	
2017	\$ 295,000	\$ 16,960	\$ 311,960
2018	220,000	14,400	234,400
2019	225,000	9,950	234,950
2020	125,000	6,450	131,450
2021	130,000	3,900	133,900
2022	130,000	1,300	131,300
Total	\$ 1,125,000	\$ 52,960	\$ 1,177,960

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 74,000
G.O. Tax Increment Bonds Refunding Bonds of 2007D	960,000	4.45 - 5.75	11/07/07	02/01/22	510,000
Total General Obligation Tax Increment Bonds					<u>\$ 584,000</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
2017	\$ 81,500	\$ 30,876
2018	81,500	26,351
2019	86,500	21,570
2020	97,000	16,354
2021	102,000	10,678
2022 - 2026	130,000	9,722
2027	5,500	297
Total	<u>\$ 584,000</u>	<u>\$ 115,848</u>

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 benefitting 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	\$ 500,000
G.O. Improvement Bonds of 2009A	2,750,000	2.00 - 3.00	12/28/09	02/01/20	465,000
G.O. Improvement Bonds of 2010A	1,417,900	0.65 - 3.60	12/28/10	02/01/21	772,984
G.O. Improvement Bonds of 2011A	1,160,000	0.50 - 2.85	07/14/11	02/01/22	730,000
G.O. Improvement Bonds of 2012A	965,000	0.50 - 2.15	07/12/12	02/01/23	665,000
G.O. Improvement Bonds of 2013A	830,000	2.00 - 3.50	08/08/13	02/01/24	670,000
G.O. Improvement Bonds of 2014A	1,205,000	2.00 - 2.50	09/03/14	02/01/25	1,090,000
G.O. Improvement Bonds of 2015A	1,595,000	2.00 - 2.15	11/03/15	02/01/26	1,925,000
G.O. Improvement Bonds of 2016C	795,000	1.55-2.00	09/15/16	02/01/27	795,000
Total G.O. Special Assessments Bonds					<u>\$ 7,612,984</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
2017	\$ 1,145,938	\$ 164,316
2018	1,240,938	137,382
2019	1,000,512	110,601
2020	1,015,511	87,000
2021	825,085	64,659
2022 - 2026	2,300,000	112,789
2027	85,000	701
Total	<u>\$ 7,612,984</u>	<u>\$ 677,448</u>

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 1,660,000
Business-type					
G.O. Utility Revenue Bonds of 2007A	1,230,000	4.00	10/24/07	02/01/18	345,000
G.O. Utility Revenue Bonds of 2009A	1,550,000	2.00 - 3.00	12/28/09	02/01/20	245,000
G.O. Utility Revenue Bonds of 2010A	887,100	0.65 - 6.30	12/28/10	02/01/26	607,016
G.O. Utility Revenue Bonds of 2011A	45,000	0.50 - 2.85	07/14/11	02/01/17	10,000
G.O. Revenue Refunding Bonds of 2012C	1,145,000	2.00	12/27/12	02/01/22	660,000
G.O. Revenue Refunding Bonds of 2013B	8,920,000	0.40 - 2.80	08/08/13	08/20/21	5,690,000
G.O. Revenue Refunding Bonds of 2015A	610,000	2.00	11/03/15	02/01/20	610,000
G.O. Utility Revenue Bonds of 2016C	1,185,000	1.55-2.00	09/15/16	02/01/27	1,185,000
Total business-type					9,352,016
Total G.O. Revenue Bonds					\$ 11,012,016

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Year Ending December 31,	G.O. Revenue Bonds			G.O. Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 190,000	\$ 36,663	\$ 226,663	\$ 1,794,062	\$ 194,348	\$ 1,988,410
2018	195,000	32,813	227,813	1,939,062	167,635	2,106,697
2019	200,000	28,613	228,613	1,679,488	130,764	1,810,252
2020	205,000	24,056	229,056	1,474,489	96,185	1,570,674
2021	205,000	19,188	224,188	1,429,915	60,446	1,490,361
2022 - 2026	665,000	25,311	690,311	915,000	63,161	978,161
2027	-	-	-	120,000	990	120,990
Total	\$ 1,660,000	\$ 166,644	\$ 1,826,644	\$ 9,352,016	\$ 713,529	\$ 10,065,545

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	\$ 2,050,412	\$ 4,274,724	\$ 2,050,412	\$ 4,274,724	\$ 825,735	\$ 825,735
Principal and interest	238,704	2,146,162	238,704	2,146,162	279,953	279,953
Percent of revenue	12%	50%	12%	50%	34%	34%

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 5,565,000

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

Year Ending December 31,	Certificates of Participation		
	Principal	Interest	Total
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	290,000	125,840	415,840
2022 - 2026	1,565,000	516,030	2,081,030
2027 - 2031	1,800,000	277,508	2,077,508
2032 - 2033	800,000	25,155	825,155
Total	\$ 5,565,000	\$ 1,504,536	\$ 7,069,536

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Notes payable

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
taxable Tax increment Note of 2006 - The Crossing	\$ 2,035,776	3.89 %	08/01/08	08/01/26	\$ 1,380,677

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

Year Ending December 31,	Notes payable		
	Principal	Interest	Total
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	144,072	30,637	174,709
2022 - 2026	712,370	65,437	777,807
Total	\$ 1,380,677	\$ 270,675	\$ 1,651,352

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 1,592,705
Business-type					
Capital lease payable - Energy Improvements	204,170	3.88	03/28/08	08/01/23	176,922
Total capital leases					<u>\$ 1,769,627</u>

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

Year Ending December 31,	Capital Leases			
	Business-type Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2017	\$ 22,516	\$ 6,649	\$ 29,165	\$ 202,222
2018	23,399	5,769	29,168	210,140
2019	24,315	4,854	29,169	218,368
2020	25,267	3,905	29,172	226,919
2021	26,256	2,918	29,174	235,804
2022 - 2023	55,169	2,717	57,886	499,252
Total	<u>\$ 176,922</u>	<u>\$ 26,812</u>	<u>\$ 203,734</u>	<u>\$ 1,592,705</u>
				<u>\$ 308,767</u>
				<u>\$ 1,901,472</u>

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 805,000	\$ 630,000	\$ (310,000)	\$ 1,125,000	\$ 295,000
General obligation special assessment bonds	7,714,348	795,000	(896,364)	7,612,984	1,145,938
General obligation tax increment bonds	665,000	-	(81,000)	584,000	81,500
General obligation revenue bonds	1,845,000	-	(185,000)	1,660,000	190,000
Plus amounts for unamortized premiums	181,475	45,554	(18,470)	208,559	-
Less amounts for unamortized discounts	(33,362)	-	1,962	(31,400)	-
Total bonds payable	11,177,461	1,470,554	(1,488,872)	11,159,143	1,712,438
Certificates of participation	5,835,000	-	(270,000)	5,565,000	270,000
Capital leases payable	1,787,723	-	(195,018)	1,592,705	202,222
Notes payable	1,487,176	-	(106,499)	1,380,677	123,641
Other post-employment benefit liability	212,139	8,705	-	220,844	-
Pension liability	2,662,182	1,549,116	(284,645)	3,926,653	-
GERF	1,954,322	5,399,377	(290,513)	7,063,186	-
PIPPF					
Compensated absences payable	725,141	501,989	(484,178)	742,952	242,583
Governmental activity long-term liabilities	<u>\$ 25,841,144</u>	<u>\$ 8,929,741</u>	<u>\$ (3,119,725)</u>	<u>\$ 31,651,160</u>	<u>\$ 2,550,884</u>

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 10,575,652	\$ 1,185,000	\$ (2,408,636)	\$ 9,352,016	\$ 1,794,062
Capital leases payable	198,592	-	(21,670)	176,922	22,516
Plus amounts for unamortized premiums	53,044	36,220	(6,292)	82,972	-
Total bonds payable	10,827,288	1,221,220	(2,436,598)	9,611,910	1,816,578
Other post-employment benefit liability	45,859	2,750	-	48,609	-
Pension liability					
GERF	839,112	571,442	(136,757)	1,273,797	-
Compensated absences payable	151,113	86,318	(123,956)	113,475	35,339
Business-type activity long-term liabilities	\$ 11,863,372	\$ 1,881,730	\$ (2,697,311)	\$ 11,047,791	\$ 1,851,917

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

Conduit debt obligations

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

As of December 31, 2016, the total conduit debt issued for issues outstanding totaled \$14,348,478.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Component unit debt

Revenue bonds - Municipal Hospital

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Hospital Revenue Bonds of 2015	\$ 8,405,000	2.98 %	12/29/15	11/01/25	\$ 7,965,000
Hospital Revenue Bonds of 2016	25,000,000	2.56	08/05/16	08/01/31	24,535,275
					<u>\$ 32,500,275</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
2017	\$ 1,866,527	\$ 849,150
2018	1,917,701	798,970
2019	1,964,811	747,407
2020	2,017,883	694,584
2021	2,071,941	640,328
2022 - 2026	13,836,916	2,239,113
2027 - 2031	8,824,496	546,968
Total	\$ 32,500,275	\$ 6,516,520
		<u>\$ 39,016,795</u>

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

	Hospital
Revenue	\$ 102,497,654
Principal and interest	2,852,412
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, 2016, was as follows:

Component unit activities-				
Municipal Hospital				
	Beginning Balance	Increases	Decreases	Ending Balance
Bonds payable				Due Within One Year
Revenue bonds	\$ 33,270,000	\$ 25,000,000	\$ (25,769,725)	\$ 32,500,275
Bond premium	623,168	-	(623,168)	-
Pension liability				
GERF	30,825,624	21,707,568	-	52,533,192
Component unit				
long-term liabilities				
	\$ 64,718,792	\$ 46,707,568	\$ (26,392,893)	\$ 85,033,467
				Due Within One Year
Component unit activities -				
EDA				
Pension liability				
GERF	\$ 34,053	\$ 19,658	\$ (23,899)	\$ 29,812
				Due Within One Year
Component unit activities -				
HRA				
Pension liability				
GERF	\$ 35,409	\$ 63,758	\$ (3,031)	\$ 96,136

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's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits provided

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

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

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

GERF benefits

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

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

PEPFF benefits

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

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

C. Contributions

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. 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 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$323,249, \$304,456 and \$285,990, 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 2016. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the years ending December 31, 2016, 2015 and 2014 were \$273,813, \$265,741 and \$237,442, 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, 2016, the City reported a liability of \$57,859,590 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$755,451. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.7125 percent which was an increase of 0.0488 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$8,166,356 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$20,725 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2016, 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	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,050	\$ 407,643
Changes in actuarial assumptions	1,118,924	-
Net difference between projected and actual earnings on plan investments	566,487	-
Changes in proportion	-	236,728
Contributions to GERF subsequent to the measurement date	167,036	-
Total	\$ 1,868,497	\$ 644,371

Deferred outflows of resources totaling \$167,036 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 267,142
2018	142,414
2019	459,739
2020	187,795
2021	-
Thereafter	-

At December 31, 2016, 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		Municipal Hospital	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 92	\$ 2,338	\$ 296	\$ 7,515	\$ 155,479	\$ 4,267,255
Changes in actuarial assumptions	6,412	-	20,723	-	11,330,144	-
Net difference between projected and actual earnings on plan investments	3,249	-	10,443	-	5,864,967	-
Changes in proportion	-	1,356	-	4,397	2,258,424	-
Contributions to GERF subsequent to the measurement date	958	-	3,079	-	1,588,827	-
Total	\$ 10,711	\$ 3,694	\$ 34,541	\$ 11,912	\$ 21,197,841	\$ 4,267,255

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Deferred outflows of resources totaling \$958, \$3,079 and \$1,588,827, related to pensions resulting from the EDA, HRA and Municipal Hospital's contributions to GERS 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 GERS pensions will be recognized in pension expense as follows:

	Component Units			
	Economic Development Authority	Housing Redevelopment Authority	Municipal Hospital	
2017	\$ 1,532	\$ 4,925	\$4,421,748	
2018	817	2,625	3,222,174	
2019	2,637	8,475	5,799,958	
2020	1,073	3,525	1,897,879	
2021	-	-	-	
Thereafter	-	-	-	

PEPFF pension costs

At December 31, 2016, the City reported a liability of \$7,063,186 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.1760 percent which was an increase of 0.004 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$1,076,892 for its proportionate share of PEPFF's pension expense. The City also recognized \$15,480 for the year ended December 31, 2016, 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, 2016, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,588	\$ 817,175
Changes in actuarial assumptions	4,172,693	-
Net difference between projected and actual earnings on plan investments	574,044	-
Changes in proportion	52,443	-
Contributions to PEPFF subsequent to the measurement date	141,565	-
Total	\$ 4,942,333	\$ 817,175

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Deferred outflows of resources totaling \$141,565 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2017	\$ 746,990
2018	746,988
2019	996,150
2020	817,495
2021	675,970
Thereafter	-

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled persons were based on RP-2014 tables for the GERS and RP-2000 tables for the PEPFF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERS and PEPFF.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERS was completed in 2015. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

GERF

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

PEPFF

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

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

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

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2016 were:

	Contribution Amount		Percentage of Covered Payroll		Required Rate
	Employee	Employer	Employee	Employer	
\$	2,046	\$ 2,046	5.00%	5.00%	5.00%

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 2016, the City contributed \$59,767 for retirees receiving disability health care benefits.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

	Primary Government
Annual required contribution	\$ 78,589
Interest on net OPEB obligation	2,580
Adjustment to annual required contribution	(9,947)
Annual OPEB cost (expense)	71,222
Contributions made	(59,767)
Increase in net OPEB obligation	11,455
Net OPEB obligation - beginning of year	257,998
NET OPEB obligation - end of year	\$ 269,453

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 2016 was as follows:

Year Ending	Three Year Trend Information			Net OPEB Obligation
	Annual OPEB Cost	Annual Contributed	Percentage	
12/31/16	\$ 71,222	83.9 %		\$ 269,453
12/31/15	71,540	84.4		257,998
12/31/14	72,080	73.7		246,855

D. Funded status and funding progress

As of December 31, 2016 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.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 2020. 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, 2016, that has initial or remaining lease terms in excess of one year.

Year Ending December 31,	Amount
2017	\$ 153,549
2018	95,858
2019	55,317
2020	4,625
Total	\$ 309,349

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, 2016 was \$3,861,915 and is included with Accrued Payroll and Benefits.

Estimates of amounts incurred but not reported at December 31, 2016 and 2015 are as follows:

	2016	2015
Beginning IBNR	\$ 1,932,141	\$ 1,641,027
Claims Paid	(5,598,184)	(4,632,063)
Claims Incurred	5,032,228	4,923,177
Ending IBNR	\$ 1,366,185	\$ 1,932,141

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 2016 and 2015, 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 2016. For 2016, the payment was \$4,819.

Note 8: NET PATIENT SERVICE REVENUE

A. Medicare

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

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

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

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

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

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

B. Medicaid

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

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

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

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

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

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: NET PATIENT SERVICE REVENUE - CONTINUED

Other

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

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient and resident service revenue decreased for the year ended December 31, 2016 by approximately \$63,806 and by \$57,960 for the year ended December 31, 2015 due to changes in estimated settlement amounts.

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

	2016	2015	2014	2013
Total patient and resident revenues	\$ 221,771,655	\$ 197,986,591	\$ 184,457,734	\$ 167,383,968
Contractual adjustments				
Medicare	(48,221,909)	(40,566,304)	(37,955,709)	(32,670,590)
Medicaid	(4,183,924)	(16,073,204)	(13,153,203)	(9,685,091)
Commercial / HMO's	(59,638,621)	(44,623,528)	(41,095,947)	(38,523,851)
Provision of bad debts	(2,253,836)	(1,594,122)	(1,994,555)	(2,432,402)
Other	(6,369,747)	(5,143,774)	(4,569,104)	(4,648,145)
Total contractual adjustments	(120,668,037)	(108,000,932)	(98,768,518)	(87,960,079)
Net patient and resident revenues	\$ 101,103,618	\$ 89,985,659	\$ 85,689,216	\$ 79,423,889

Note 9: OTHER INFORMATION

A. Risk management

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

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

B. Contingent liabilities

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

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

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016.

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 \$1,125,000 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 2016 was \$2,889,833 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 \$144,422 were received in the fiscal years ending December 31, 2016. 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.

CITY OF NORTHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 9: OTHER INFORMATION - CONTINUED

H. Joint powers agreement

The cities of Northfield and Dundas, Minnesota and the townships of Bridgewater, Northfield, Webster, Forest, Watford, Sciota and Greendale, 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, 2016 was \$1,202,296. The City's portion of this is recorded as an investment in joint venture in the amount of \$68,298 at year end.

Note 10: OTHER INFORMATION - CONTINUED

As of December 31, 2016, the City has one agreement entered into by the City listed below that abates City property taxes. Below is information specific to the agreement:

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

Lost revenue as it relates to tax abatements for the year ended December 31, 2016, was as follows:

	City Tax Rate (Year of Establishment)	Captured Tax Capacity	Amount of Taxes Abated in the Fiscal Year
Tax Increment Districts (PAYGO)	96.698%	\$ 3,107	\$ 3,004
Jefferson Square TIF			

CITY OF NORTHFIELD, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Required Supplementary Information					
		State's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/e)
Fiscal Year Ending	Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	Total Payroll (a+b)	Net Position as a Percentage of the Total Pension Liability

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

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

Year Ending	Required Supplementary Information				
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	\$ 273,813	\$ 273,813	\$ -	\$ 1,690,205	16.2 %
12/31/15	265,741	265,741	-	1,640,377	16.2

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

Schedule of funding progress for other post-employment benefit plan

Actual Valuation Date	Required Supplementary Information						UAAI as a Percentage of Covered Payroll (b-a)/(c)
	Actual Value of Assets (a)	Actual Accrued Liability - Projected Unit Credit (b)	Unfunded Accrued Liability (UAAI) (b-a)	Funded Ratio (a/b)	Covered Payroll (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, 2016

ASSETS	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Cash and temporary investments	\$ 1,941,249	\$ 2,198,939	\$ 4,140,188
Restricted cash	-	572,536	572,536
Receivables			
Interest	4,810	4,811	9,621
Accounts	2,366	-	2,366
Notes	64,547	-	64,547
Special assessments	103,835	-	103,835
Intergovernmental	177,221	177,221	354,442
Advance to other funds	121,000	440,956	561,956
Prepaid items	2,881	-	2,881
Land held for resale	-	180,983	180,983
TOTAL ASSETS	\$ 2,240,688	\$ 3,575,446	\$ 5,816,134
LIABILITIES			
Accounts payable	\$ 2,653	\$ 7,406	\$ 10,059
Contracts payable	12,229	-	12,229
Escrows payable	-	59,638	59,638
Accrued wages payable	6,218	-	6,218
Due to other funds	21,853	205,137	226,990
Due to other governments	31,668	19,164	50,832
TOTAL LIABILITIES	74,621	291,345	365,966
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	2,366	-	2,366
Unavailable revenue - special assessments	-	175,850	175,850
Unavailable revenue - intergovernmental	-	440,956	440,956
TOTAL DEFERRED INFLOWS OF RESOURCES	2,366	616,806	619,172
FUND BALANCES			
Nonspendable			
Prepaid items	2,881	-	2,881
Restricted			
Library	330,636	-	330,636
Public safety activities	13,524	-	13,524
Arts and culture	14,200	-	14,200
Redevelopment and housing	580,981	-	580,981
Recreational activities	344,401	-	344,401
Rescue squad	10,506	-	10,506
Capital projects	-	1,128,490	1,128,490
Committed			
Community resource center operations	216,627	-	216,627
Motor vehicle operations	157,142	-	157,142
Communications	514,655	-	514,655
Assigned			
Capital projects	-	1,745,125	1,745,125
Unassigned	(21,852)	(206,320)	(228,172)
TOTAL FUND BALANCES	2,163,701	2,667,295	4,830,996
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,240,688	\$ 3,575,446	\$ 5,816,134

CITY OF NORTHFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

REVENUES	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Taxes	\$ 192,673	\$ 498,034	\$ 690,707
Property taxes	2,114	-	2,114
Tax increment	206,945	-	206,945
Franchise fees			
Intergovernmental	253,619	-	253,619
Federal	-	326,764	326,764
State			
Charges for services	190,483	-	190,483
General government	5,310	-	5,310
Culture and recreation	30,024	-	30,024
Communication	21,524	-	21,524
Special assessments	18,786	20,793	39,579
Investment earnings	-	-	-
Miscellaneous	-	22,035	22,035
Other	30,838	131,605	162,443
Contributions and donations	56,866	-	56,866
Refunds and reimbursements			
TOTAL REVENUES	982,348	1,026,065	2,008,413
EXPENDITURES			
Current			
General government	313,721	-	313,721
Public safety	25,109	244	25,353
Culture and recreation	189,234	8,321	197,555
Housing and economic development	230,228	-	230,228
Miscellaneous	2,700	-	2,700
Capital outlay			
General government	10,412	-	10,412
Public safety	-	765,063	765,063
Culture and recreation	822,610	806,046	1,628,656
Culture and recreation	-	2,845,779	2,845,779
Transit	-	21,720	21,720
Debt service			
Principal	42,121	-	42,121
Interest and other charges	14,480	-	14,480
Insurance fees	-	12,642	12,642
TOTAL EXPENDITURES	1,650,615	4,465,815	6,116,430
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(668,267)	(3,439,750)	(4,108,017)
OTHER FINANCING SOURCES (USES)			
Transfers in			
Debt issued	121,000	707,366	828,366
Transfers out	-	630,000	630,000
Bond premiums	-	(546,598)	(546,598)
TOTAL OTHER FINANCING SOURCES (USES)	121,000	812,290	933,290
NET CHANGE IN FUND BALANCES	(547,267)	(2,627,460)	(3,174,727)
FUND BALANCES, JANUARY 1	2,710,968	5,294,755	8,005,723
FUND BALANCES, DECEMBER 31	\$ 2,163,701	\$ 2,667,295	\$ 4,830,996

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.

Servier 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. Cloherly Endowed Book - the funds are designated for programs at the library.

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

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

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

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

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

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

Whittier Trust - accounts for monies restricted for youth activities.

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

CITY OF NORTHFIELD, MINNESOTA NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED ON THE FOLLOWING PAGES COMBINING BALANCE SHEET DECEMBER 31, 2016

	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					
Receivables					
Interest	925	616	3,082	12	4
Delinquent taxes	-	-	-	-	-
Accounts	-	344	64,203	-	-
Notes	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Prepaid items	-	2,881	-	-	-
TOTAL ASSETS	\$ 216,627	\$ 198,121	\$ 514,655	\$ 79,104	\$ 25,567
LIABILITIES					
Accounts payable	-	212	-	1,221	650
Contracts payable	-	-	-	-	-
Accrued wages payable	-	6,218	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	31,668	-	-	-
TOTAL LIABILITIES	-	38,098	-	1,221	650
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	2,881	-	-	-
Prepaid items	-	-	-	77,883	24,917
Restricted	-	-	-	-	-
Library	-	-	-	-	-
Public safety activities	-	-	-	-	-
Arts and culture	-	-	-	-	-
Redevelopment and housing	-	-	-	-	-
Recreational activities	-	-	-	-	-
Rescue Squad	-	-	-	-	-
Community resource center operations	216,627	157,142	-	-	-
Motor vehicle operations	-	-	514,655	-	-
Communications	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	216,627	160,023	514,655	77,883	24,917
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 216,627	\$ 198,121	\$ 514,655	\$ 79,104	\$ 25,567

DECEMBER 31, 2016

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

\$	140,149	\$	33,581	\$	42,039	\$	12,364	\$	14,473	\$	-	\$	1	\$	13,524	\$	11,876
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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, 2016

	Center	Vehicle Fund	Fund	Fund	Fund
REVENUES					
Taxes					
Property taxes	\$ 189,472	\$ -	\$ -	\$ -	\$ -
Gas interest	-	-	-	-	-
Transfer fees	-	-	-	-	-
Intergovernmental	-	-	206,945	-	-
Federal	-	-	-	-	-
Charges for services	-	-	-	-	-
General government	-	190,483	-	-	-
Communication	-	-	30,024	-	-
Investment earnings	1,570	946	4,792	389	224
Miscellaneous	-	-	-	-	-
Contributions and donations	-	-	-	19,083	-
Other	56,602	264	-	-	-
TOTAL REVENUES	247,644	191,693	241,761	19,472	224
EXPENDITURES					
Current					
General government	-	202,251	111,470	-	-
Public safety	-	-	-	-	-
Culture and recreation	157,661	-	-	18,734	713
Housing and economic development	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Capital outlay	-	-	-	-	-
General government	-	-	10,412	-	-
Public works	-	-	-	-	-
Debt service	42,121	-	-	-	-
Principal	14,480	-	-	-	-
Interest and other charges	-	-	-	-	-
TOTAL EXPENDITURES	214,262	202,251	121,882	18,734	713
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	33,382	(10,558)	119,879	738	(489)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
NET CHANGE IN FUND BALANCES					
	33,382	(10,558)	119,879	738	(489)
FUND BALANCES, JANUARY 1	183,245	170,581	394,776	77,145	25,406
END BALANCES, DECEMBER 31	\$ 216,627	\$ 160,023	\$ 514,655	\$ 77,883	\$ 24,917

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, 2016

	270	851	853	
	Master	Whittier	Rescue	Total
	Development	Trust	Squad Trust	Nonmajor
	TIF Fund	Fund	Fund	Special Revenue
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 192,673
Tax increment	2,114	-	-	2,114
Franchise fees	-	-	-	206,945
Intergovernmental	-	-	-	-
Federal	-	-	-	253,619
Charges for services	-	-	-	190,483
General government	-	-	-	30,024
Communication	7,715	1,636	53	18,786
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	30,838
Contributions and donations	-	-	-	56,866
Other	-	-	-	-
TOTAL REVENUES	9,829	1,636	53	982,348
EXPENDITURES				
Current				
General government	-	-	-	313,721
Public safety	-	-	-	25,109
Culture and recreation	-	3,400	-	189,234
Housing and economic development	115	-	-	230,228
Miscellaneous	-	-	-	2,700
Capital outlay	-	-	-	-
General government	-	-	-	10,412
Public works	822,610	-	-	822,610
Debt service	-	-	-	42,121
Principal	-	-	-	14,480
Interest and other charges	-	-	-	-
TOTAL EXPENDITURES	822,725	3,400	-	1,650,615
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(812,896)	(1,764)	53	(668,267)
OTHER FINANCING SOURCES (USES)				
Transfers in	121,000	-	-	121,000
NET CHANGE IN FUND BALANCES	(691,896)	(1,764)	53	(547,267)
FUND BALANCES, JANUARY 1	1,261,001	346,165	10,453	2,710,968
FUND BALANCES, DECEMBER 31	\$ 569,105	\$ 344,401	\$ 10,506	\$ 2,163,701

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, 2016
With Comparative Actual Amounts for Year Ended December 31, 2015

	2016	2015
	Final Budget	Actual Amounts
REVENUES		
Taxes		
Property taxes	\$ 189,475	\$ 189,472
Investment earnings	4,800	1,570
Miscellaneous	-	-
Other	56,603	56,602
TOTAL REVENUES	250,878	247,644
EXPENDITURES		
Current		
Culture and recreation	-	-
Other services and charges	10,000	157,661
Debt service	-	-
Principal	37,539	42,121
Interest and other charges	19,064	14,480
TOTAL EXPENDITURES	66,603	214,262
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	184,275	33,382
OTHER FINANCING SOURCES (USES)		
Transfers out	(144,000)	-
NET CHANGE IN FUND BALANCES	40,275	33,382
FUND BALANCES, JANUARY 1	183,245	183,245
FUND BALANCES, DECEMBER 31	\$ 223,520	\$ 216,627

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, 2016

With Comparative Actual Amounts for Year Ended December 31, 2015

REVENUES	2016		2015	
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Charges for services	\$ 218,000	\$ 190,483	\$ (27,517)	\$ 211,885
General government	1,200	946	(254)	908
Investment earnings	-	264	264	-
Miscellaneous	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	219,200	191,693	(27,507)	212,793
EXPENDITURES				
Current				
General government	186,754	177,001	9,753	169,614
Personal services	2,600	2,971	(371)	862
Supplies	13,492	22,279	(8,787)	17,437
Other services and charges	202,846	202,251	595	187,913
TOTAL EXPENDITURES	16,354	(10,558)	(26,912)	24,880
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,643)	-	11,643	-
OTHER FINANCING SOURCES (USES)				
Transfer out	4,711	(10,558)	(15,269)	24,880
NET CHANGE IN FUND BALANCES	170,581	170,581	-	145,701
FUND BALANCES, JANUARY 1	\$ 175,292	\$ 160,023	\$ (15,269)	\$ 170,581
FUND BALANCES, DECEMBER 31				

CITY OF NORTHFIELD, MINNESOTA

COMMUNICATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Actual Amounts for Year Ended December 31, 2015

REVENUES	2016		2015	
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Taxes	\$ 169,000	\$ 206,945	\$ 37,945	\$ 194,015
Franchise fees	30,000	30,024	24	29,597
Charges for service	15,000	4,792	(10,208)	1,684
Investment earnings	-	-	-	-
TOTAL REVENUES	214,000	241,761	27,761	225,296
EXPENDITURES				
Current				
General government	3,971	2,616	1,355	3,184
Personal services	4,500	143	4,357	-
Supplies	137,466	108,711	28,755	97,202
Other services and charges	255,937	121,882	134,055	116,907
TOTAL EXPENDITURES	(41,937)	119,879	161,816	108,389
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,579)	-	5,579	(63,223)
OTHER FINANCING SOURCES (USES)				
Transfers out	(47,516)	119,879	167,395	45,166
NET CHANGE IN FUND BALANCES	394,776	394,776	-	349,610
FUND BALANCES, JANUARY 1	\$ 347,260	\$ 514,655	\$ 167,395	\$ 394,776
FUND BALANCES, DECEMBER 31				

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, 2016

With Comparative Actual Amounts for Year Ended December 31, 2015

	2016		2015	
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 2,500	\$ 389	\$ (2,111)	\$ 418
Contributions and donations	8,000	19,083	11,083	11,315
TOTAL REVENUES	10,500	19,472	8,972	11,733
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	25,800	18,734	7,066	8,307
NET CHANGE IN FUND BALANCES	(15,300)	738	16,038	3,426
FUND BALANCES, JANUARY 1	77,145	77,145	-	73,719
FUND BALANCES, DECEMBER 31	\$ 61,845	\$ 77,883	\$ 16,038	\$ 77,145

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, 2016

With Comparative Actual Amounts for Year Ended December 31, 2015

	2016		2015	
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 8,000	\$ 224	\$ (7,776)	\$ 38
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	4,000	713	3,287	240
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,000	(489)	(4,489)	(202)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCES	4,000	(489)	(4,489)	(202)
FUND BALANCES, JANUARY 1	25,406	25,406	-	25,608
FUND BALANCES, DECEMBER 31	\$ 29,406	\$ 24,917	\$ (4,489)	\$ 25,406

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, 2016
With Comparative Actual Amounts for Year Ended December 31, 2015

	2016		2015	
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 3,500	\$ 666	\$ (2,834)	\$ 765
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	3,500	995	2,505	2,182
NET CHANGE IN FUND BALANCES	-	(329)	(329)	(1,417)
FUND BALANCES, JANUARY 1	140,195	140,195	-	141,612
FUND BALANCES, DECEMBER 31	\$ 140,195	\$ 139,866	\$ (329)	\$ 140,195

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, 2016
With Comparative Actual Amounts for Year Ended December 31, 2015

	2016		2015	
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 2,000	\$ 162	\$ (1,838)	\$ 196
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	2,000	1,201	799	2,059
NET CHANGE IN FUND BALANCES	-	(1,039)	(1,039)	(1,863)
FUND BALANCES, JANUARY 1	34,606	34,606	-	36,469
FUND BALANCES, DECEMBER 31	\$ 34,606	\$ 33,567	\$ (1,039)	\$ 34,606

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, 2016
With Comparative Actual Amounts for Year Ended December 31, 2015

	Final Budget	2016 Actual Amounts	Variance with Final Budget	2015 Actual Amounts
REVENUES				
Investment earnings	\$ 1,200	\$ 202	\$ (998)	\$ 242
EXPENDITURES				
Current				
Miscellaneous	2,700	2,700	-	-
Other services and charges	(1,500)	(2,498)	(998)	242
NET CHANGE IN FUND BALANCES	44,537	44,537	-	44,295
FUND BALANCES, JANUARY 1	\$ 43,037	\$ 42,039	\$ (998)	\$ 44,537
FUND BALANCES, DECEMBER 31				

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, 2016
With Comparative Actual Amounts for Year Ended December 31, 2015

	Final Budget	2016 Actual Amounts	Variance with Final Budget	2015 Actual Amounts
REVENUES				
Intergovernmental	\$ 288,907	\$ 214,986	\$ (73,921)	\$ 125,266
Federal				
EXPENDITURES				
Current				
Housing and economic development	288,907	227,304	61,603	110,668
Other services and charges	-	(12,252)	(12,252)	14,598
NET CHANGE IN FUND BALANCES	9,597	9,597	-	(5,001)
FUND BALANCES, JANUARY 1	\$ 9,597	\$ (2,655)	\$ (12,252)	\$ 9,597
FUND BALANCES, DECEMBER 31				

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, 2016

With Comparative Actual Amounts for Year Ended December 31, 2015

	2016		2015	
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Tax increment	\$ -	\$ 2,114	\$ 2,114	\$ 7,633
Investment earnings	10,000	7,715	(2,285)	6,362
TOTAL REVENUES	10,000	9,829	(171)	13,995
EXPENDITURES				
Current				
Housing and economic development		115	(115)	12,104
Other services and charges				
Capital outlay	903,175	822,610	80,565	79,010
Public works				
TOTAL EXPENDITURES	903,175	822,725	80,450	91,114
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(893,175)	(812,896)	80,279	(77,119)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	121,000	121,000	-
Transfers out	-	-	-	(173,175)
TOTAL FINANCING SOURCES (USES)	-	121,000	121,000	(173,175)
NET CHANGE IN FUND BALANCES	(893,175)	(691,896)	201,279	(250,294)
FUND BALANCES, JANUARY 1	1,261,001	1,261,001	-	1,511,295
FUND BALANCES, DECEMBER 31	\$ 367,826	\$ 569,105	\$ 201,279	\$ 1,261,001

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.

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

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

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

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

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

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

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

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

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

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

DECEMBER 31, 2016

	414	415	416	418
	2013 Capital Project Fund	2014 Capital Project Fund	2015 Capital Project Fund	2017 Capital Project Fund
ASSETS				
Cash and temporary investments	\$ -	\$ -	\$ 163,735	\$ -
Restricted cash and investments	-	-	-	-
Receivables	-	-	-	-
Interest	-	-	-	-
Special assessments	-	-	-	-
Current	-	-	-	-
Delinquent	-	-	-	-
Noncurrent	-	-	-	-
Intergovernmental	-	-	-	440,956
Land held for resale	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 163,735	\$ 440,956
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,183
Eserows payable	-	-	-	-
Due to other funds	-	-	-	7,755
Due to other governments	-	-	-	-
TOTAL LIABILITIES	-	-	-	8,938
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - intergovernmental	-	-	-	440,956
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	440,956
FUND BALANCES				
Restricted for capital projects	-	-	163,735	-
Assigned for capital projects	-	-	-	(8,938)
Unassigned	-	-	-	(8,938)
TOTAL FUND BALANCE	-	-	163,735	(8,938)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ -	\$ 163,735	\$ 440,956

CITY OF NORTHFIELD, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2016

	461	462	475	Total
	TIGER Grant Project Fund	Library Capital Project Fund	Capital Reserve Fund	Nonmajor Capital Projects
ASSETS				
Cash and temporary investments	\$ -	\$ -	\$ 796,866	\$ 2,198,939
Restricted cash and investments	-	-	-	572,536
Receivables	-	-	-	-
Interest	-	-	3,585	4,811
Special assessments	-	-	-	-
Current	-	-	24,363	24,363
Delinquent	-	-	836	836
Noncurrent	-	-	152,022	152,022
Intergovernmental	-	-	-	440,956
Land held for resale	-	-	180,983	180,983
TOTAL ASSETS	\$ -	\$ -	\$ 1,158,655	\$ 3,575,446
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 5,986	\$ 7,406
Escrows payable	-	-	59,638	59,638
Due to other funds	-	197,382	-	205,137
Due to other governments	-	-	-	19,164
TOTAL LIABILITIES	-	197,382	65,624	291,345
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	-	175,850	175,850
Unavailable revenue - intergovernmental	-	-	-	440,956
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	175,850	616,806
FUND BALANCES				
Restricted for capital projects	-	-	-	1,128,490
Assigned for capital projects	-	-	917,181	1,745,125
Unassigned	-	(197,382)	-	(206,320)
TOTAL FUND BALANCE	-	(197,382)	917,181	2,667,295
TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES	\$ -	\$ -	\$ 1,158,655	\$ 3,575,446

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, 2016

	414	415	416	418
	2013 Capital Project Fund	2014 Capital Project Fund	2015 Capital Project Fund	2017 Capital Project Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	-	-	-	-
State	-	-	-	-
Charges for services	-	-	-	-
Culture and recreation	-	-	-	-
Special assessments	-	-	-	-
Investment earnings	725	-	3,790	-
Miscellaneous	-	-	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	725	-	3,790	-
EXPENDITURES				
Current	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	256,082	8,938
Culture and recreation	-	-	-	-
Transit	-	-	-	-
Debt service	-	-	-	-
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	-	-	256,082	8,938
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	725	-	(252,292)	(8,938)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	12,834	-	-
Transfers out	(102,856)	-	-	-
Bond premiums	-	-	-	-
Bonds issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(102,856)	12,834	-	-
NET CHANGE IN FUND BALANCES	(102,131)	12,834	(252,292)	(8,938)
FUND BALANCES, JANUARY 1	102,131	(12,834)	416,027	-
FUND BALANCES, DECEMBER 31	\$ -	\$ -	\$ 163,735	\$ (8,938)

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, 2016

	451	453	454	455	456	460
	Park Fund	Fire Replacement Fund	City Facilities Fund	Equipment and Vehicle Replacement	Hauberg Park	Public Safety Center Project
\$	90,000	\$	\$ 40,000	\$ 300,075	\$	\$
	326,764	-	-	-	-	-
	5,310	-	-	-	-	-
	4,485	(502)	1,181	2,838	19	2,058
	34,605	-	-	-	-	-
	-	-	-	-	1,135	-
	461,164	(502)	41,181	302,913	1,154	2,058
	-	-	-	-	-	-
	6,108	244	-	-	-	-
	-	638,360	-	126,703	2,213	-
	796,668	-	-	237,258	-	-
	-	-	-	27,720	-	-
	-	12,642	-	-	-	-
	802,776	651,246	-	391,681	2,213	-
	(341,612)	(651,748)	41,181	(88,768)	(1,059)	2,058
	(25,000)	-	-	-	-	-
	-	21,522	-	-	-	-
	-	630,000	-	-	-	-
	(25,000)	651,522	-	-	-	-
	(366,612)	(226)	41,181	(88,768)	(1,059)	2,058
	597,600	75,464	17,100	549,651	3,613	962,697
\$	230,988	\$ 75,238	\$ 58,281	\$ 460,883	\$ 2,554	\$ 964,755

	461	462	475	Total
	TIGER Grant Project Fund	Library Capital Project Fund	Capital Reserve Fund	Nonmajor Capital Projects
\$	-	\$	\$ 67,959	\$ 498,034
	-	-	-	326,764
	-	-	-	5,310
	-	-	21,524	21,524
	2,004	-	4,195	20,793
	-	97,000	-	131,605
	-	900	20,000	22,035
	2,004	97,900	113,678	1,026,065
	-	-	-	-
	-	-	-	244
	-	-	-	8,321
	-	-	-	765,063
	-	-	303,768	806,046
	-	2,049,111	-	2,845,779
	-	-	-	27,720
	-	-	-	12,642
	-	2,049,111	303,768	4,465,815
	2,004	(1,951,211)	(190,090)	(3,439,750)
	(418,742)	100,000	594,532	707,366
	-	-	-	(546,598)
	-	-	-	21,522
	-	-	-	630,000
	(418,742)	100,000	594,532	812,290
	(416,738)	(1,851,211)	404,442	(2,627,460)
	416,738	1,653,829	512,739	5,294,755
\$	-	\$ (197,382)	\$ 917,181	\$ 2,667,295

REVENUES					
Taxes					
Property taxes					
Intergovernmental					
State					
Charges for services					
Culture and recreation					
Special assessments					
Investment earnings					
Miscellaneous					
Contributions and donations					
Other					
TOTAL REVENUES					
EXPENDITURES					
Current					
Public safety					
Culture and recreation					
Capital outlay					
Public safety					
Public works					
Culture and recreation					
Transit					
Debt service					
Issuance fees					
TOTAL EXPENDITURES					
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					
Bond premiums					
Bonds issued					
TOTAL OTHER FINANCING SOURCES (USES)					
NET CHANGE IN FUND BALANCES					
FUND BALANCES, JANUARY 1					
FUND BALANCES, DECEMBER 31					

CITY OF NORTHFIELD, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and temporary investments	\$ 7,062,231	\$ 6,751,847
Receivables		
Interest	18,466	20,612
Delinquent taxes	69,726	85,702
Accounts	299,983	145,457
Intergovernmental	68,294	49,384
Inventories	547	1,069
Due from other funds	313,996	324,240
Prepaid items	115,389	98,046
TOTAL ASSETS	\$ 7,948,632	\$ 7,476,357
LIABILITIES		
Accounts payable	\$ 331,945	\$ 315,319
Escrows payable	9,673	12,975
Accrued wages payable	221,857	149,281
Due to other governments	-	12,484
TOTAL LIABILITIES	563,475	490,059
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	69,726	85,702
FUND BALANCES		
Nonspendable		
Inventories	547	1,069
Prepaid items	115,389	98,046
Restricted		
Police forfeitures	6,491	6,491
Committed		
Capital projects	71,742	-
Unassigned	7,121,262	6,794,990
TOTAL FUND BALANCES	7,315,431	6,900,596
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 7,948,632	\$ 7,476,357

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, 2016
With Comparative Actual Amounts for Year Ended December 31, 2015

	2016		2015	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 5,300,150	\$ 5,300,150	\$ 5,337,371	\$ 5,140,354
Hotel-motel tax	85,300	85,300	116,895	95,264
Total taxes	<u>5,385,450</u>	<u>5,385,450</u>	<u>5,454,266</u>	<u>5,235,618</u>
Licenses and permits				
Business	67,630	67,630	74,008	72,078
Nonbusiness	324,000	324,000	605,466	356,687
Total licenses and permits	<u>391,630</u>	<u>601,630</u>	<u>679,474</u>	<u>428,765</u>
Intergovernmental				
Federal - other grants and aids	-	-	14,370	-
State	2,889,839	2,889,839	(6)	2,871,694
Local government and				
Property tax credits	-	-	303	-
Street maintenance aid	190,235	190,235	203,741	200,325
Fire aid	142,000	142,000	151,652	151,674
Police aid	156,050	156,050	179,478	162,967
Other state aid	25,494	25,494	37,751	23,451
County	188,470	188,470	-	188,890
Library aid	7,223	7,223	9,310	9,310
Highway				
Total intergovernmental	<u>3,599,311</u>	<u>3,599,311</u>	<u>3,674,908</u>	<u>3,608,311</u>
Charges for services				
General government	647,866	647,866	638,468	640,755
Public safety	115,400	115,400	97,562	88,295
Streets and highways	295,850	295,850	183,064	327,826
Culture and recreation	492,950	492,950	416,210	461,483
Total charges for services	<u>1,552,066</u>	<u>1,552,066</u>	<u>1,335,304</u>	<u>1,518,359</u>
Fines and forfeits	147,000	147,000	82,032	113,521
Investment earnings	107,525	107,525	45,623	30,372
Miscellaneous				
Contributions and donations	260,394	260,394	283,052	266,475
Other	10,000	10,000	25,369	48,621
Total miscellaneous	<u>270,394</u>	<u>270,394</u>	<u>308,421</u>	<u>315,096</u>
TOTAL REVENUES	11,453,376	11,453,376	12,652	11,250,042

CITY OF NORTHBFIELD, MINNESOTA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Actual Amounts for Year Ended December 31, 2015

	2016			2015	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts	Actual Amounts
EXPENDITURES	Original	Final			
Current					
General government					
Mayor and Council					
Personal services	\$ 67,754	\$ 67,754	\$ 588	\$ 64,909	
Supplies	1,200	1,200	674	1,620	
Other services and charges	198,242	198,242	44,719	153,746	
Total Mayor and Council	267,196	267,196	45,981	220,275	
City clerk					
Personal services	159,771	159,771	7,355	161,971	
Supplies	1,200	1,200	804	255	
Other services and charges	24,600	24,600	34,415	33,166	
Total city clerk	185,571	185,571	(1,656)	195,392	
Administration					
Personal services	160,417	160,417	12,217	156,582	
Supplies	2,200	2,200	1,076	377	
Other services and charges	182,400	182,400	27,846	142,737	
Total administration	345,017	345,017	41,139	299,696	
Finance					
Personal services	365,324	365,324	7,862	336,822	
Supplies	2,600	2,600	3,583	10,144	
Other services and charges	52,050	52,050	70,239	81,850	
Total finance	419,974	419,974	431,284	428,816	
Elections					
Personal services	5,574	5,574	199	-	
Supplies	2,000	2,000	1,329	671	
Other services and charges	48,800	48,800	35,769	13,031	
Total elections	56,374	56,374	37,297	19,077	
Human resources					
Personal services	222,739	222,739	219,497	205,077	
Supplies	2,497	2,497	1,520	767	
Other services and charges	139,948	139,948	186,961	149,851	
Total human resources	365,184	365,184	407,435	355,695	
Community development					
Personal services	89,532	89,532	100,637	110,848	
Supplies	500	500	403	524	
Other services and charges	15,200	15,200	25,294	36,193	
Total community development	105,232	105,232	126,334	147,565	

CITY OF NORTHBFIELD, MINNESOTA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Actual Amounts for Year Ended December 31, 2015

	2016			2015	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts	Actual Amounts
EXPENDITURES - CONTINUED	Original	Final			
Current - Continued					
General government - Continued					
City Hall operations	\$ 34,800	\$ 34,800	\$ 26,695	\$ 8,105	\$ 35,549
Supplies	60,300	60,300	54,038	6,262	61,524
Other services and charges					
Total city hall operations	95,100	95,100	80,733	14,367	97,073
Planning and zoning					
Personal services	139,734	139,734	115,051	24,683	108,489
Supplies	500	500	239	261	174
Other services and charges	22,240	22,240	30,094	(7,854)	34,973
Total planning and zoning	162,474	162,474	145,384	17,090	143,636
Insurance					
	154,354	154,354	154,354	-	154,355
Total general government	2,156,476	2,156,476	2,095,141	61,335	2,053,218
Public safety					
Police protection					
Personal services	2,892,736	2,892,736	2,772,352	120,384	2,673,868
Supplies	177,500	177,500	169,509	7,991	144,017
Other services and charges	199,340	199,340	353,820	(154,480)	309,444
Total police protection	3,269,576	3,269,576	3,295,681	(26,105)	3,127,229
Fire protection					
Personal services	142,000	142,000	151,652	(9,652)	151,674
Supplies	-	-	815	(815)	240
Other services and charges	402,109	402,109	379,815	22,294	367,319
Total fire protection	544,109	544,109	532,282	11,827	519,233
Building inspection					
Personal services	212,958	212,958	185,008	27,950	172,253
Supplies	12,800	12,800	8,094	4,706	8,082
Other services and charges	14,500	14,500	24,332	(9,832)	23,184
Total building inspection	240,258	240,258	217,434	22,824	203,519
Total public safety	4,053,943	4,053,943	4,045,397	8,546	3,849,981
Public works					
Engineering					
Personal services	399,208	399,208	404,434	(5,226)	394,405
Supplies	15,182	15,182	15,575	(393)	15,403
Other services and charges	32,000	32,000	88,494	(56,494)	110,443
Total engineering	446,390	446,390	508,503	(62,113)	520,251
Streets					
Personal services	628,546	628,546	744,452	(115,906)	602,826
Supplies	198,500	198,500	140,398	58,102	144,569
Other services and charges	478,800	478,800	503,764	43,536	451,048
Total streets	1,305,846	1,374,346	1,388,614	(14,268)	1,198,443

CITY OF NORTFIELD, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
With Comparative Actual Amounts for Year Ended December 31, 2015

	2016		2015
	Budgeted Amounts	Actual Amounts	Actual Amounts
	Original	Final	
EXPENDITURES - CONTINUED			
Current - Continued			
Street lighting			
Supplies	\$ 36,000	\$ 26,307	\$ 17,587
Other services and charges	270,000	231,872	265,575
Total street lighting	306,000	258,179	282,962
Facilities			
Personal services	188,380	141,969	152,586
Supplies	8,000	3,449	3,457
Other services and charges	65,842	80,312	73,925
Total facilities	262,222	225,730	229,968
Total public works	2,320,458	2,388,958	2,231,624
Culture and recreation			
Ice arena			
Personal services	73,213	98,742	94,588
Supplies	35,350	40,948	29,245
Other services and charges	71,650	94,513	97,849
Total ice arena	180,213	234,203	221,682
Swimming pool			
Personal services	120,059	102,395	98,174
Supplies	50,000	50,339	51,245
Other services and charges	45,175	33,774	39,026
Total swimming pool	215,234	186,508	188,445
General parks			
Personal services	108,140	45,256	69,304
Supplies	78,120	83,829	63,030
Other services and charges	183,240	188,338	167,559
Total general parks	369,500	317,423	299,893
Recreation administration			
Personal services	91,157	85,472	85,570
Supplies	250	*	250
Other services and charges	115,399	120,146	115,663
Total recreation administration	206,806	205,618	201,233
Library			
Personal services	843,286	841,183	790,355
Supplies	43,250	42,196	20,257
Other services and charges	185,434	257,153	238,050
Total library	1,071,970	1,140,532	1,048,662
Total culture and recreation	2,043,723	2,084,284	1,959,915

CITY OF NORTFIELD, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016
With Comparative Actual Amounts for Year Ended December 31, 2015

	2016		2015
	Budgeted Amounts	Actual Amounts	Actual Amounts
	Original	Final	
EXPENDITURES - CONTINUED			
Current - Continued			
Miscellaneous			
Unallocated	\$ 191,300	\$ 158,500	\$ 150,623
Other services and charges	10,765,900	10,765,900	10,245,361
Total current	10,957,200	10,924,400	10,395,984
Capital outlay			
General government	15,500	15,500	15,618
Public safety	-	-	13,288
Public works	17,600	23,859	3,570
Culture and recreation	11,200	8,102	43,626
Total capital outlay	44,300	47,461	72,502
Debt service			
Principal	141,706	152,897	142,136
Interest and other charges	64,010	52,563	58,325
Total debt service	205,716	205,460	200,461
TOTAL EXPENDITURES	11,015,916	10,964,672	10,526,924
EXCESS OF REVENUES			
OVER EXPENDITURES	437,460	615,356	723,118
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	26,337	26,337
Transfers in	156,000	575,922	568,742
Transfers out	(393,460)	(794,600)	(936,246)
TOTAL OTHER FINANCING SOURCES (USES)	(237,460)	(200,521)	(713,013)
NET CHANGE IN FUND BALANCES	-	69,922	34,913
FUND BALANCES, JANUARY 1	6,900,596	6,900,596	6,890,491
FUND BALANCES, DECEMBER 31	\$ 6,900,596	\$ 7,315,431	\$ 6,900,596

CITY OF NORTFIELD, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2016

	306	307	308	309	310	311	312	313	314	315	316	317	351	352 2014A (2016A)
	2002A Bonds Fund	2009A Refunding Bonds Fund	2007A Bonds Fund	2008B Bonds Fund	2009A Bonds Fund	2010A Bonds Fund	2011A Bonds Fund	2012A Bonds Fund	2013A Bonds Fund	2014A Bonds Fund	2015A Bonds Fund	2016C Bonds Fund	Community Resource Center Bonds Fund	Public Project Revenue Refunding Bonds
ASSETS														
Cash and temporary investments	\$ 9,803	\$ -	\$ 478,717	\$ 115,983	\$ 259,476	\$ 147,978	\$ 354,909	\$ 174,307	\$ 215,978	\$ 329,495	\$ 368,909	\$ 136,749	\$ 342,057	\$ 187,483
Receivables	-	-	-	-	-	174	-	-	3,699	1,214	-	-	-	227
Interest	-	-	-	2,461	-	-	-	-	-	-	-	-	2,465	-
Delinquent taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	76,267	151,797	211,280	124,376	372,659	282,463	130,257	-	-
Current	-	-	46,310	13,650	57,219	1,778	9,771	-	280	8	304	-	-	-
Delinquent	30,457	-	44	616	2,621	-	-	-	-	-	-	-	-	-
Noncurrent	-	-	2,576	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	2,008	-
TOTAL ASSETS	\$ 40,260	\$ -	\$ 525,647	\$ 132,710	\$ 319,316	\$ 226,197	\$ 516,477	\$ 385,587	\$ 344,333	\$ 703,376	\$ 651,676	\$ 267,006	\$ 346,530	\$ 187,710
LIABILITIES														
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 327	\$ 97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to component unit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	327	97	-	-	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES														
Unavailable revenue - taxes	-	-	-	-	-	-	-	-	-	-	-	-	2,465	-
Unavailable revenue - special assessments	30,457	-	47,773	14,266	59,840	77,436	160,709	211,013	124,656	370,590	282,767	130,257	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	30,457	-	47,773	14,266	59,840	77,436	160,709	211,013	124,656	370,590	282,767	130,257	2,465	-
FUND BALANCES														
Restricted for debt service	9,803	-	477,874	118,444	259,149	148,664	355,768	174,574	219,677	332,786	368,909	136,749	344,065	187,710
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 40,260	\$ -	\$ 525,647	\$ 132,710	\$ 319,316	\$ 226,197	\$ 516,477	\$ 385,587	\$ 344,333	\$ 703,376	\$ 651,676	\$ 267,006	\$ 346,530	\$ 187,710

CITY OF NORTHFIELD, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2016

	354	355	376	379	381	382	385	
	2012 COPS Debt Fund	2012 Equipment Certificates	2001B (1992) TIF Bonds Fund	2007D (1990C) Presidential Commons TIF Bonds	Hiley Neff TIF Bonds	Riverfront TIF Bonds	2015 TIF Bonds	Totals
ASSETS								
Cash and temporary investments	\$ 397,916	\$ 112,186	\$ 625	\$ 12,909	\$ -	\$ 208,461	\$ 35,195	\$ 3,887,136
Receivables	-	-	-	-	98	356	-	8,352
Interest	-	123	-	-	-	-	-	2,553
Delinquent taxes	-	-	-	88	-	-	-	-
Special assessments	-	-	-	-	-	-	-	1,466,278
Current	-	-	-	-	-	-	-	15,422
Delinquent	-	-	-	-	-	-	-	30,033
Noncurrent	-	-	-	-	-	-	-	10,223
Intergovernmental	-	-	-	1,391	-	6,824	-	-
TOTAL ASSETS	\$ 397,916	\$ 112,309	\$ 625	\$ 14,388	\$ 98	\$ 215,641	\$ 35,195	\$ 5,422,997
LIABILITIES								
Accounts payable	\$ -	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ 30,220	\$ 31,444
Due to other funds	-	-	-	-	87,006	-	-	87,006
Due to component unit	-	-	-	-	14,000	-	-	14,000
Advance from other funds	-	-	-	121,000	-	-	-	121,000
TOTAL LIABILITIES	-	800	-	121,000	101,006	-	30,220	253,450
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - taxes	-	-	-	88	-	-	-	2,553
Unavailable revenue - special assessments	-	-	-	-	-	-	-	1,509,164
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	88	-	-	-	1,511,717
FUND BALANCES								
Restricted for debt service	397,916	111,509	625	(106,700)	(100,908)	215,641	4,975	3,657,230
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 397,916	\$ 112,309	\$ 625	\$ 14,388	\$ 98	\$ 215,641	\$ 35,195	\$ 5,422,997

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, 2016

	306	307	308	309	310
	2002A	2009A	2007A	2008B	2009A
	Bonds	Refunding	Bonds	Bonds	Bonds
	Fund	Fund	Fund	Fund	Fund
REVENUES					
Taxes					
Property taxes	\$ -	\$ -	\$ 50,000	\$ 90,000	\$ 50,000
Tax increment	-	-	-	-	-
Special assessments	-	-	42,546	5,087	41,045
Investment earnings	49	-	1,778	2,603	745
TOTAL REVENUES	49	-	94,324	97,690	91,790
EXPENDITURES					
Current					
Housing and economic development	-	-	-	-	-
Debt service	-	-	230,000	-	115,000
Principal	-	-	25,293	7,156	15,362
Interest and other charges	-	-	255,293	71,156	130,362
TOTAL EXPENDITURES	-	-	(60,969)	90,534	(38,572)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	49	-	(60,969)	90,534	(38,572)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	(20,932)	-	-	-
Transfers out	-	(20,932)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(20,932)	-	-	-
NET CHANGE IN FUND BALANCES	49	(20,932)	(60,969)	90,534	(38,572)
FUND BALANCES, JANUARY 1	9,754	20,932	638,843	27,910	297,721
FUND BALANCES, DECEMBER 31	\$ 9,803	\$ -	\$ 477,874	\$ 118,444	\$ 259,149

	311	312	313	314	315	316	317	351	352
	2010A	2011A	2012A	2013A	2014A	2015A	2016C	Community	2014A
	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Resource	(2006A)
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Center	Public Project
								Bonds Fund	Revenue
									Refunding
									Bonds
	\$ 150,000	\$ 50,000	\$ 50,000	\$ 70,000	\$ 85,000	\$ 158,131	\$ -	\$ 195,172	\$ 240,000
	-	-	-	-	-	-	-	-	-
	31,537	57,522	55,872	37,627	86,070	84,795	137,019	-	-
	29	1,161	317	3,759	2,145	-	-	564	42
	181,566	108,683	106,189	111,386	173,215	242,926	137,019	195,736	240,042
	146,364	110,000	100,000	80,000	115,000	-	-	210,000	185,000
	23,289	21,038	15,626	20,843	33,110	26,722	270	12,693	42,656
	169,653	131,038	115,626	100,843	148,110	26,722	270	222,693	227,656
	11,913	(22,355)	(9,437)	10,543	25,105	216,204	136,749	(26,957)	12,386
	-	-	-	102,856	-	-	-	-	-
	-	-	-	-	(12,834)	-	-	-	-
	-	-	-	102,856	(12,834)	-	-	-	-
	11,913	(22,355)	(9,437)	113,399	12,271	216,204	136,749	(26,957)	12,386
	136,751	378,123	184,011	106,278	320,515	152,705	-	371,022	175,324
	\$ 148,664	\$ 355,768	\$ 174,574	\$ 219,677	\$ 332,786	\$ 368,909	\$ 136,749	\$ 344,065	\$ 187,710

CITY OF NORTHFIELD, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

	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	\$ 418,670	\$ 111,300	\$ -	\$ -
Tax increment	-	-	-	76,987
Special assessments	-	-	-	-
Investment earnings	1,092	56	4	(115)
TOTAL REVENUES	419,762	111,356	4	76,872
EXPENDITURES				
Current				
Housing and economic development	-	-	-	-
Debt service				
Principal	270,000	100,000	-	75,000
Interest and other	151,398	8,043	-	33,027
TOTAL EXPENDITURES	421,398	108,043	-	108,027
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,636)	3,313	4	(31,155)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,636)	3,313	4	(31,155)
FUND BALANCES, JANUARY 1	399,552	108,196	621	(75,545)
FUND BALANCES, DECEMBER 31	\$ 397,916	\$ 111,509	\$ 625	\$ (106,700)

	381	382	385
	Hiley Neft TIF Bonds	Riverfront TIF Bonds	2015 TIF Bonds
TOTALS			
\$	\$ -	\$ -	\$ -
	13,784	188,774	53,333
	-	-	-
	120	1,148	-
	13,904	189,922	53,333
			2,645,768
		3,866	48,000
	6,000	106,499	-
	4,302	63,997	200
	10,302	174,362	48,200
			2,405,754
	3,602	15,560	5,133
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	3,602	15,560	5,133
	(104,510)	200,081	(158)
	\$ (100,908)	\$ 215,641	\$ 4,975
			\$ 3,657,230

CITY OF NORTFIELD, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds				Total
	701 Information Technology	705 Insurance	2016	2015	
ASSETS					
CURRENT ASSETS					
Cash and temporary investments	\$ 602,687	\$ 512,008	\$ 936,471	\$ 849,037	\$ 1,361,045
Receivables	2,528	1,755	2,438	3,290	4,966
Interest	-	-	2,333	1,750	2,333
Intergovernmental	1,870	1,923	17,782	17,796	19,652
Prepaid items	607,085	515,686	959,024	871,853	1,387,539
TOTAL CURRENT ASSETS					
NONCURRENT ASSETS					
Capital assets					
Machinery and equipment	87,080	87,080	-	-	87,080
Less accumulated depreciation	(87,080)	(87,080)	-	-	(87,080)
TOTAL CAPITAL ASSETS					
TOTAL ASSETS					
607,085	515,686	959,024	871,853	1,387,539	
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension resources	91,704	19,132	7,453	1,087	20,219
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	62,176	107,792	1,745	25,246	63,921
Due to other governments	17,484	3,750	-	-	17,484
Accrued wages payable	9,270	92	53,184	51,427	62,456
TOTAL CURRENT LIABILITIES	88,930	111,634	54,929	76,673	143,859
NONCURRENT LIABILITIES					
Pension liability	255,230	167,266	20,744	9,501	275,974
TOTAL LIABILITIES	344,160	278,900	75,673	86,174	419,833
DEFERRED INFLOWS OF RESOURCES					
Deferred pension resources	31,625	30,736	2,570	1,746	34,195
NET POSITION					
Unrestricted	\$ 323,004	\$ 225,182	\$ 888,234	\$ 785,020	\$ 1,211,238

CITY OF NORTFIELD, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds				Total
	701 Information Technology	705 Insurance	2016	2015	
OPERATING REVENUES					
Charges for services	\$ 636,167	\$ 622,204	\$ 498,248	\$ 442,894	\$ 1,134,415
OPERATING EXPENSES					
Personal services	275,612	250,963	214,954	159,244	490,566
Pension expense	17,274	16,027	5,782	(5,584)	23,056
Supplies	36,719	20,959	-	-	36,719
Other services and charges	215,738	260,838	189,037	203,738	404,775
TOTAL OPERATING EXPENSES	545,343	548,787	409,773	357,398	955,116
OPERATING INCOME	90,824	73,417	88,475	85,496	179,299
NONOPERATING REVENUES					
Investment income	6,005	3,559	8,493	5,144	14,498
Property taxes	-	-	2,333	63,084	2,333
Other income	993	-	3,913	2,228	4,906
TOTAL NONOPERATING REVENUE	6,998	3,559	14,739	70,456	21,737
CHANGE IN NET POSITION	97,822	76,976	103,214	155,952	201,036
NET POSITION, JANUARY 1	225,182	148,206	785,020	629,068	1,010,202
NET POSITION, DECEMBER 31	\$ 323,004	\$ 225,182	\$ 888,234	\$ 785,020	\$ 1,211,238

CITY OF NORTHFIELD, MINNESOTA
INTERNAL SERVICES FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	700		705	
	Information Technology	Insurance	Insurance	Total
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 636,167	\$ 622,204	\$ 498,248	\$ 1,134,415
Payments to suppliers and vendors	(301,560)	(217,549)	(218,306)	(737,415)
Payments to and on behalf of employees	(250,153)	(234,876)	(207,496)	(692,425)
Other receipts	993	-	3,913	4,906
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 85,447	\$ 169,779	\$ 76,359	\$ 294,203
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes received	-	-	1,730	1,730
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on cash and investments	5,232	1,804	9,345	14,577
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,679	171,583	87,434	366,223
CASH AND CASH EQUIVALENTS, JANUARY 1	\$ 512,008	\$ 340,425	\$ 849,037	\$ 994,822
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 602,687	\$ 512,008	\$ 936,471	\$ 1,361,045
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 90,824	\$ 73,417	\$ 88,475	\$ 179,299
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income related to operations	993	-	3,913	4,906
(Increase) decrease in assets	-	-	-	-
Due from other governments	53	(639)	14	60,230
Prepaid items	(72,572)	4,571	(6,346)	(2,760)
(Increase) decrease in deferred outflows of resources	(48,616)	77,164	(23,501)	67
Increase (decrease) in liabilities	13,734	3,750	(15,839)	(78,938)
Accounts payable	9,178	60	-	(69,117)
Due to other governments	87,964	20,402	11,243	13,734
Accrued wages payable	889	(8,946)	824	3,750
Pension liability	-	-	-	10,935
(Increase) decrease in deferred inflows of resources	-	-	-	4
Deferred pension resources	-	-	-	99,207
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 85,447	\$ 169,779	\$ 76,359	\$ 294,203

CITY OF NORTHFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

ASSETS	
Cash and temporary investments	\$ 1,483,893
Receivables	738
Interest	2,117
Delinquent taxes	360,633
Notes, net of allowances	1,859
Intergovernmental	725
Prepaid items	-
TOTAL ASSETS	\$ 1,849,965
LIABILITIES	
Accounts payable	\$ 3,259
Accrued wages payable	2,364
TOTAL LIABILITIES	5,623
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - taxes	2,117
FUND BALANCES	
Nonspendable	725
Prepaid items	1,841,500
Unassigned	-
TOTAL FUND BALANCES	1,842,225
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,849,965
Total fund balances - governmental funds	\$ 1,842,225
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.	(29,812)
Pension liability	-
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	2,117
Delinquent property taxes receivable	-
Governmental funds to not report long-term amounts related to pensions.	10,711
Deferred outflows of resources	(3,694)
Deferred inflows of resources	-
Total net position - governmental activities	\$ 1,821,547

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, 2016

REVENUES	
Taxes	\$ 220,344
Investment earnings (loss)	5,665
Miscellaneous	
Other	9,980
TOTAL REVENUES	235,989
EXPENDITURES	
Current	
Economic development	31,497
Personal services	326
Supplies	107,133
Other services and charges	
TOTAL EXPENDITURES	138,956
NET CHANGE IN FUND BALANCES	97,033
FUND BALANCES, JANUARY 1	1,745,192
FUND BALANCES, DECEMBER 31	\$ 1,842,225
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - governmental funds	\$ 97,033
Long-term pension activity is not reported in governmental funds.	
Pension expense	13,505
Direct aid contributions	116
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Tax increments	(550)
Change in net position - governmental activities	\$ 110,104

CITY OF NORTHFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - HOUSING REDEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

ASSETS	
Cash and temporary investments	\$ 1,031,149
Receivables	
Interest	1,881
Delinquent taxes	2,141
Intergovernmental	1,888
Due from primary government	14,000
Prepaid items	705
Land held for resale	414,479
TOTAL ASSETS	\$ 1,466,243
LIABILITIES	
Accounts payable	\$ 5,394
Accrued wages payable	3,191
Deposits payable	1,700
TOTAL LIABILITIES	10,285
DEFERRED INFLOWS OF RESOURCES	2,141
Unavailable revenue - taxes	
FUND BALANCES	414,479
Nonspendable	705
Land held for resale	
Prepaid items	1,038,633
Unassigned	
TOTAL FUND BALANCES	1,453,817
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,466,243
Total fund balances - governmental funds	\$ 1,453,817
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.	341,112
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(96,136)
Pension liability	
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	2,141
Governmental funds to not report long-term amounts related to pensions.	
Deferred outflows of resources	34,541
Deferred inflows of resources	(11,912)
Total net position - governmental activities	\$ 1,723,563

CITY OF NORTHBFIELD, 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, 2016

REVENUES	
Taxes	\$ 224,826
Investment earnings	6,797
Miscellaneous	
Rents	46,331
TOTAL REVENUES	<u>277,954</u>
EXPENDITURES	
Current	
Housing and economic development	
Personal services	100,056
Supplies	128
Other services and charges	115,783
Capital outlay	
Housing and economic development	96,253
TOTAL EXPENDITURES	<u>312,220</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(34,266)</u>
OTHER FINANCING SOURCES	
Gain on sale of land trust property	3,350
NET CHANGE IN FUND BALANCES	<u>(30,916)</u>
FUND BALANCES, JANUARY 1	<u>1,484,733</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,453,817</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ (30,916)
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	67,021
Depreciation expense	(8,128)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(36,015)
Direct aid contributions	374
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	(549)
Change in net position - governmental activities	<u>\$ (8,213)</u>

CITY OF NORTHBFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - MUNICIPAL HOSPITAL
STATEMENT OF NET POSITION
DECEMBER 31, 2016 AND 2015

	Totals	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,244,466	\$ 2,479,334
Current portion of noncurrent cash and cash equivalents	1,366,185	1,932,141
Patient receivable, less allowance for uncollectible accounts		
(2016, \$4,375,000; 2015, \$3,655,000)	12,885,459	11,941,274
Accounts receivable - other	131,548	96,575
Inventories	2,004,520	1,855,737
Prepaid items	965,938	889,979
TOTAL CURRENT ASSETS	<u>22,598,516</u>	<u>19,195,040</u>
NONCURRENT CASH AND INVESTMENTS		
Internally Designated for Health Benefits	1,366,185	1,932,141
Internally Designated for Capital Improvements	53,098,072	46,658,104
Restricted by Bond Agreement	1,127,275	3,752,211
Less current portion of noncurrent cash and investments	(1,366,185)	(1,932,141)
TOTAL NONCURRENT CASH AND INVESTMENTS	<u>54,225,347</u>	<u>50,410,315</u>
CAPITAL ASSETS, NET	<u>44,385,238</u>	<u>46,433,457</u>
TOTAL ASSETS	<u>121,209,101</u>	<u>116,038,812</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension resources	21,197,841	3,748,420
Loss on refunding	588,604	920,647
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>21,786,445</u>	<u>4,669,067</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 142,995,546</u>	<u>\$ 120,707,879</u>
LIABILITIES		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 1,866,327	\$ 1,465,000
Accounts payable, trade	2,961,649	2,911,840
Construction payable	613,197	268,503
Accrued payroll and benefits	8,848,162	7,827,223
Accrued interest payable	91,902	224,007
Third party payor settlements payable	319,297	703,919
TOTAL CURRENT LIABILITIES	<u>14,700,734</u>	<u>13,400,492</u>
NONCURRENT LIABILITIES		
Long-term debt, less current maturities	30,633,748	32,428,168
Pension liability	52,533,192	30,825,624
TOTAL NONCURRENT LIABILITIES	<u>83,166,940</u>	<u>63,253,792</u>
TOTAL LIABILITIES	<u>97,867,674</u>	<u>76,654,284</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	4,267,255	4,266,702
NET POSITION		
Net investment in capital assets	11,884,963	12,540,289
Restricted by bond agreement	1,127,275	3,752,211
Unrestricted	27,848,379	23,494,393
TOTAL NET POSITION	<u>40,860,617</u>	<u>39,786,893</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 142,995,546</u>	<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 YEARS ENDED DECEMBER 31, 2016 AND 2015

OPERATING REVENUES	2016	2015
Net patient and resident service revenue, net of provision for bad debts of \$2,253,836 in 2016 and \$1,594,122 in 2015	\$ 101,031,618	\$ 89,985,659
EHR/Meaningful use incentive payment	144,422	209,185
Other revenues	1,249,614	938,744
TOTAL OPERATING REVENUES	102,497,654	91,133,588
OPERATING EXPENSES		
Salaries and wages	44,316,610	40,117,088
Employee benefits	14,691,311	10,387,741
Supplies and drugs	15,728,203	13,114,235
Purchased services	12,863,673	11,091,551
Utilities	1,172,435	1,116,379
Other	4,031,070	3,968,214
Depreciation and amortization	5,330,632	4,791,361
Interest	1,327,414	1,400,204
Taxes and surcharges	2,603,500	2,422,987
TOTAL OPERATING EXPENSES	102,064,848	88,409,760
OPERATING INCOME	432,806	2,723,828
NONOPERATING REVENUES (EXPENSES)		
Investment income	761,580	868,338
Gifts and grants	115,636	109,492
Gain (loss) on the sale of assets	(1,603)	2,618
Miscellaneous	(344,022)	(218,315)
TOTAL NONOPERATING REVENUES (EXPENSES)	531,591	762,133
EXCESS OF REVENUES OVER EXPENSES	964,397	3,485,961
CAPITAL GRANTS	109,327	30,000
CHANGE IN NET POSITION	1,073,724	3,515,961
NET POSITION, JANUARY 1	39,786,893	36,270,932
NET POSITION, DECEMBER 31	\$ 40,860,617	\$ 39,786,893

CITY OF NORTHFIELD, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - MUNICIPAL HOSPITAL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
Cash received from patients and third party payors	\$ 99,919,233	\$ 86,656,292
Cash paid to employees	(57,986,982)	(49,617,785)
Cash paid to suppliers	(31,983,471)	(31,382,238)
Other receipts and payments, net	1,214,641	1,101,447
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,163,421	6,757,716
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Unrestricted gifts and grants	115,636	109,492
Miscellaneous losses	(344,022)	(218,315)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(228,386)	(108,823)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(2,953,469)	(9,814,459)
Proceeds (loss) from sale of capital assets	14,147	2,987
Proceeds from issuance of long-term debt	-	8,405,000
Principal payments on long-term debt	(1,369,497)	(965,000)
Interest payments on long-term debt	(1,482,915)	(1,447,036)
Capital contributions	109,327	30,000
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,682,407)	(3,788,508)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in noncurrent cash and investments	(3,213,882)	(2,934,762)
Investment income	726,386	870,070
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,487,496)	(2,064,692)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,765,132	795,693
CASH AND CASH EQUIVALENTS, JANUARY 1	2,479,334	1,683,641
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 5,244,466	\$ 2,479,334
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 432,806	\$ 2,723,828
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	5,330,632	4,791,361
Provision for bad debt expense	1,327,414	1,400,204
Amortization of deferred financing costs	2,253,836	1,594,122
(Increase) decrease in assets:	332,043	58,146
Patient receivables	(3,198,021)	(4,111,886)
Inventories, prepaids and other receivables	(260,115)	(344,019)
(Increase) decrease in liabilities:	(17,449,421)	705,402
Deferred pension resources	49,809	275,356
Increase (decrease) in liabilities:	(384,622)	(1,020,788)
Accounts payable	1,020,939	887,044
Third-party payor settlements payable	21,707,568	3,039,917
Accrued expenses		
Pension liability		
Increase (decrease) in liabilities:	553	(3,240,971)
Deferred pension resources		
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 11,163,421	\$ 6,757,716
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES		
Amortization of net premium as a component of interest expense	\$ (23,390)	\$ 39,358
Construction payable	\$ 613,197	\$ 268,503
Long-term debt issued to refund bonds	\$ 25,000,000	\$ -

CITY OF NORTHFIELD, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

REVENUES	Total 2016	Total 2015	Percent Increase (Decrease)
Taxes	\$ 8,405,183	\$ 7,978,678	5.35 %
Special assessments	668,700	725,693	(7.85)
Licenses and permits	679,474	428,765	58.47
Intergovernmental	6,458,670	3,733,577	72.99
Charges for services	1,361,121	1,767,392	(11.67)
Fines and forfeits	82,032	113,521	(27.74)
Investment earnings	100,699	87,347	15.29
Miscellaneous	549,765	1,254,913	(56.19)
TOTAL REVENUES	\$ 18,505,644	\$ 16,089,886	15.01 %
Per Capita	911	792	14.97 %
EXPENDITURES			
Current			
General government	\$ 2,408,862	\$ 2,341,517	2.88 %
Public safety	4,070,750	4,017,614	1.32
Public works	4,986,442	2,231,624	123.44
Culture and recreation	2,281,839	2,238,545	1.93
Housing and economic development	282,094	125,427	124.91
Miscellaneous	112,509	150,623	(25.30)
Capital outlay			
General government	22,006	32,139	(31.53)
Public safety	765,063	107,144	614.05
Public works	1,652,515	2,182,288	(24.28)
Culture and recreation	2,853,881	1,347,464	111.80
Housing and economic development	*	79,010	(100.00)
Transit	27,720	-	N/A
Debt service			
Principal	2,043,881	2,285,015	(10.55)
Interest and other charges	572,068	749,072	(23.63)
Issuance costs	28,594	33,736	(15.24)
TOTAL EXPENDITURES	\$ 22,108,224	\$ 17,921,218	23.36 %
Per Capita	1,088	882	23.32 %
Total Long-term Indebtedness	\$ 19,520,366	\$ 20,139,247	(3.07) %
Per Capita	961	991	(3.11)
General Fund Balance - December 31	\$ 7,315,431	\$ 6,900,596	6.01 %
Per Capita	360	340	5.98

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

STATISTICAL SECTION (UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

CITY OF NORTHFIELD, MINNESOTA
NET POSITION BY COMPONENT
2007 -2016
(accrual basis of accounting)

	Fiscal Year					
	2016	2015	2014	2013	2012	
Governmental activities						
Net investment in capital assets	\$ 35,941,654	\$ 31,622,817	\$ 28,034,313	\$ 28,503,588	\$ 27,190,260	
Restricted	4,603,145	5,167,449	9,688,690	8,043,606	6,364,734	
Unrestricted	5,780,200	7,459,855	11,570,050	11,028,546	12,178,898	
Total governmental activities net position	46,324,999	44,230,121	49,293,053	47,575,740	45,733,892	
Business-type activities						
Net investment in capital assets	23,301,761	21,436,632	20,687,495	20,110,058	17,944,934	
Unrestricted	11,431,459	10,789,829	10,006,206	8,758,812	9,314,970	
Total business-type activities net position	34,733,220	32,226,461	30,693,701	28,868,870	27,259,904	
Primary government						
Net investment in capital assets	59,243,415	53,059,449	48,721,808	48,613,646	45,135,194	
Restricted	4,603,145	5,167,449	9,688,690	8,043,606	6,364,734	
Unrestricted	17,211,659	18,229,684	21,576,256	19,787,358	21,493,868	
Total primary government net position	\$ 81,058,219	\$ 76,456,582	\$ 79,986,754	\$ 76,444,610	\$ 72,993,796	

Table 1

	Fiscal Year					
	2011	2010	2009	2008	2007	
	\$ 24,594,993	\$ 22,438,059	\$ 22,389,016	\$ 27,423,379	\$ 23,421,940	
	6,458,248	3,796,597	5,740,046	4,812,824	6,031,721	
	10,056,506	12,201,182	11,137,609	10,017,819	12,135,697	
	41,109,747	38,435,838	39,266,671	42,254,022	41,589,358	
	18,222,783	16,917,076	16,098,718	13,823,838	11,533,680	
	6,954,395	7,179,036	7,422,614	7,717,321	9,130,216	
	25,177,178	24,096,112	23,521,332	21,541,159	20,663,896	
	42,817,776	39,355,135	38,487,734	41,247,217	34,955,620	
	6,458,248	3,796,597	5,740,046	4,812,824	6,031,721	
	17,010,901	19,380,218	18,560,223	17,735,140	21,265,913	
	\$ 66,286,925	\$ 62,531,950	\$ 62,788,003	\$ 63,795,181	\$ 62,253,254	

CITY OF NORTHFIELD, MINNESOTA
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
2007 - 2016
(accrual basis of accounting)

Table 2

	Fiscal Year				
	2016	2015	2014	2013	2012
EXPENSES					
Governmental activities					
General government	\$ 2,542,003	\$ 2,452,348	\$ 2,329,667	\$ 2,471,488	\$ 2,532,007
Public safety	5,195,075	4,064,654	3,700,747	3,373,344	2,940,591
Public works/streets	4,642,307	4,488,113	4,482,892	4,376,670	3,909,751
Culture and recreation	2,934,423	2,842,316	3,179,054	2,795,216	2,898,557
Transit	53,658	25,938	123,541	48,029	333,134
Housing and economic development	282,094	151,088	454,921	259,475	79,429
Miscellaneous	112,509	150,623	221,322	119,087	121,764
Interest on long-term debt	582,762	709,534	770,748	668,675	694,881
Total governmental activities expenses	16,344,831	14,884,932	15,262,892	14,111,984	13,500,114
Business-type activities					
Water	1,544,092	1,457,422	1,400,876	1,224,605	1,185,334
Wastewater	3,120,760	3,091,885	3,202,623	3,355,031	3,069,492
Garbage	715,898	692,840	672,044	668,627	828,181
Storm water drainage	404,546	442,311	689,699	444,145	429,193
Liquor store	2,935,516	2,944,079	2,973,798	2,860,049	2,694,832
Total business-type activities expenses	8,720,812	8,628,537	8,940,040	8,452,457	8,207,032
Total primary government activities expenses	\$ 25,065,643	\$ 23,513,469	\$ 24,202,932	\$ 22,564,441	\$ 21,707,146
PROGRAM REVENUES					
Governmental activities					
Charges for services	\$ 679,474	\$ 428,765	\$ 396,898	\$ 464,599	\$ 420,768
Licenses and permits	199,106	338,914	299,695	263,374	292,863
Other public works	466,522	555,673	543,223	782,784	823,926
Parks and recreation	990,659	1,033,774	1,050,865	1,030,637	1,049,087
Other activities	1,085,300	908,187	825,775	815,995	690,287
Operating grants and contributions	2,790,632	1,854,869	1,743,405	1,081,129	2,331,344
Capital grants and contributions					
Total governmental activities program revenues	6,211,693	5,120,182	4,859,891	4,438,518	5,608,275
Business-type activities					
Charges for services					
Water	2,069,419	2,109,788	2,174,773	2,254,872	2,244,788
Wastewater	4,276,262	4,260,147	3,840,957	3,781,043	3,602,649
Liquor store	3,148,215	3,076,452	3,160,387	3,080,768	2,918,912
Other activities	1,747,036	1,673,271	1,602,410	1,565,371	1,436,992
Operating grants and contributions	527,156	-	-	-	79,561
Capital grants and contributions	7,500	16,011	6,839	8,805	-
Total business-type activities program revenues	11,775,588	11,135,669	10,785,566	10,690,859	10,282,902
Total primary government program revenues	\$ 17,987,281	\$ 16,255,851	\$ 15,645,457	\$ 15,129,377	\$ 15,891,177

	Fiscal Year				
	2011	2010	2009	2008	2007
\$ 2,654,908	\$ 2,588,720	\$ 2,380,301	\$ 3,072,077	\$ 2,862,032	\$ 2,862,032
3,650,668	3,672,421	3,796,557	3,751,857	3,929,169	3,929,169
3,721,097	3,668,669	6,262,791	4,277,593	2,513,940	2,513,940
2,651,180	2,736,334	3,142,420	2,369,056	2,767,583	2,767,583
439,607	392,843	351,763	379,959	350,400	350,400
95,154	389,584	275,022	766,993	333,017	333,017
181,674	164,856	357,443	388,410	-	-
605,540	665,911	1,112,174	880,279	960,668	960,668
13,979,838	14,279,338	17,678,471	15,886,224	13,716,809	13,716,809
1,458,694	1,775,806	1,408,659	1,411,186	1,335,869	1,335,869
3,200,268	3,192,739	3,123,978	3,377,011	3,063,287	3,063,287
829,103	767,273	767,648	733,098	693,248	693,248
393,413	506,573	400,623	295,084	371,702	371,702
2,650,392	2,656,796	2,634,984	2,519,314	2,440,643	2,440,643
8,531,870	8,899,487	8,335,892	8,335,693	7,904,749	7,904,749
\$ 22,511,698	\$ 23,178,825	\$ 26,014,363	\$ 24,221,917	\$ 21,621,558	\$ 21,621,558
\$ 340,454	\$ 613,423	\$ 326,449	\$ 521,006	\$ 767,520	\$ 767,520
302,442	302,384	257,467	443,574	714,973	714,973
739,915	737,501	649,448	314,230	149,508	149,508
1,095,697	1,009,453	985,121	1,301,796	633,305	633,305
986,487	984,475	872,820	344,748	1,339,191	1,339,191
1,111,799	1,451,645	3,907,877	936,400	1,204,647	1,204,647
4,576,794	5,099,081	6,999,182	3,861,754	4,809,144	4,809,144
2,141,679	1,926,224	1,886,692	2,040,646	2,003,128	2,003,128
3,471,535	3,254,851	3,011,113	3,212,024	2,949,489	2,949,489
2,853,534	2,856,599	2,793,405	2,635,677	2,624,640	2,624,640
1,320,196	1,350,240	1,257,395	1,068,294	1,004,375	1,004,375
53,361	138,150	6,294	130,619	396,506	396,506
-	-	-	-	-	-
9,792,280	9,506,424	8,954,899	9,107,260	8,978,138	8,978,138
\$ 14,369,074	\$ 14,605,505	\$ 15,954,081	\$ 12,969,014	\$ 13,787,282	\$ 13,787,282

(accrual basis of accounting)

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CITY OF NORTHFIELD, MINNESOTA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
2007 - 2016
(accrual basis of accounting)

Table 3

Fiscal Year	General Property Taxes		Tax Increment Taxes		Hotel-Motel Tax		Franchise Tax		Total
2016	\$ 7,758,176	\$ 322,589	\$ 116,895	\$ 206,945					\$ 8,404,605
2015	7,488,485	259,763	95,264	194,015					8,037,527
2014	7,619,913	276,852	92,993	195,174					8,184,932
2013	7,668,451	829,220	82,123	187,314					8,767,108
2012	6,797,332	870,578	89,505	174,403					7,931,818
2011	6,178,349	838,778	99,466	169,174					7,285,767
2010	6,162,878	840,672	82,014	166,668					7,252,232
2009	6,033,061	965,344	73,846	161,350					7,233,601
2008	5,586,520	1,003,611	82,822	150,878					6,823,831
2007	5,078,459	714,868	98,861	198,371					6,090,559

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

	Fiscal Year				
	2016	2015	2014	2013	2012
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	115,936	99,115	93,337	98,503	77,534
Nonspendable	6,491	6,491	6,604	5,054	4,651
Restricted	71,742	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	252,397
Unassigned	7,121,262	6,790,550	6,790,550	6,936,896	6,368,330
Total General fund	\$ 7,315,431	\$ 6,896,156	\$ 6,890,491	\$ 7,040,453	\$ 6,702,912
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	2,881	2,731	3,005	3,194	678
Restricted	6,266,885	6,803,989	10,844,573	11,747,582	14,797,894
Committed	888,424	46,056	89,816	89,816	87,023
Assigned	1,745,125	4,533,124	4,231,212	3,707,962	4,343,051
Unassigned	(228,172)	(314,233)	(64,163)	(188,835)	(713,593)
Total all other governmental funds	\$ 8,675,143	\$ 11,071,667	\$ 15,104,443	\$ 15,359,719	\$ 18,515,053

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	2010	2009	2007
\$	\$ 6,211,039	\$ 5,666,059	\$ 5,117,464	\$ 5,290,366
\$	-	\$ 4,072,829	\$ 6,426,347	\$ 6,504,762
\$	-	\$ 3,794,157	\$ 3,481,490	\$ 3,423,870
\$	-	\$ 2,607,173	\$ 2,489,621	\$ 2,494,825
\$	-	-	-	-
\$	6,678,023	-	-	-
\$	87,023	-	-	-
\$	4,095,069	-	-	-
\$	(747,617)	-	-	-
\$	\$ 10,112,498	\$ 10,474,159	\$ 12,397,458	\$ 12,423,457
\$	\$ 10,112,498	\$ 10,474,159	\$ 12,397,458	\$ 14,828,153

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

	Fiscal Year			
	2016	2015	2014	2013
REVENUES				
Taxes	\$ 8,405,183	\$ 7,978,678	\$ 8,164,634	\$ 8,727,871
Licenses, fees and permits	679,474	428,765	396,898	464,599
Fines and forfeits	82,032	113,521	114,273	117,177
Charges for services	1,561,121	1,767,392	1,701,689	1,695,092
Special assessments	668,700	725,693	777,420	601,262
Intergovernmental	6,458,670	3,733,577	4,309,972	3,638,115
Investment earnings	100,699	87,347	381,593	227,060
Miscellaneous	549,765	1,254,913	628,366	659,955
TOTAL REVENUES	18,505,644	16,089,886	16,474,845	15,645,673
EXPENDITURES				
CURRENT:				
General government	2,408,862	2,341,517	2,138,242	2,440,340
Public safety	4,070,750	4,017,614	3,459,404	3,335,072
Public works	4,986,442	2,231,624	2,338,145	2,329,237
Culture and recreation	2,281,839	2,238,545	2,216,064	2,244,441
Transit	-	-	91,916	55,832
Housing and economic development	282,094	125,427	447,826	259,733
Nondepartmental	112,509	150,623	221,322	119,087
CAPITAL OUTLAY:				
General government	22,006	32,139	109,919	842,984
Public safety	765,063	107,144	2,758,586	3,420,227
Public works	1,652,515	2,182,288	3,363,651	1,630,427
Culture and recreation	2,853,881	1,347,464	416,770	105,920
Transit	27,720	-	5,687	1,508
Housing and economic development	-	79,010	172,139	55,365
DEBT SERVICE:				
Principal	2,043,881	2,285,015	2,138,563	2,089,482
Interest and other	572,068	749,072	738,364	719,926
Insurance fees	28,594	33,736	28,815	31,149
TOTAL EXPENDITURES	22,108,224	17,921,218	20,645,413	19,680,730
Revenues over (under) expenditures	(3,602,580)	(1,831,332)	(4,170,568)	(4,035,057)
OTHER FINANCING SOURCES (USES):				
Bonds issued	1,425,000	1,925,000	3,210,000	830,000
Bond premium/(discount)	45,554	35,574	-	-
Transfers in	1,499,964	1,422,634	3,550,128	2,032,902
Transfers out	(1,374,964)	(1,297,634)	(3,730,110)	(1,689,063)
Payment to refunded bond escrow agent	-	(2,560,000)	108,626	27,116
Sale of capital assets	25,337	-	57,747	16,309
Discontinuance of services	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,620,891	(474,426)	3,196,391	1,217,264
NET CHANGE IN FUND BALANCES	\$ (1,981,689)	\$ (2,305,758)	\$ (974,177)	\$ (2,817,793)
Debt service as a percentage of noncapital expenditures	17.6%	21.3%	20.7%	20.2%
				19.7%

Table 5

	Fiscal Year			
	2011	2010	2009	2008
\$ 7,190,519	\$ 7,102,351	\$ 7,021,332	\$ 6,726,779	\$ 6,015,063
340,454	613,423	326,449	510,506	767,520
175,450	139,091	116,937	118,814	108,508
1,695,131	1,589,147	1,532,846	1,870,502	1,340,429
1,055,710	870,870	1,014,688	832,639	977,880
3,594,665	3,978,493	6,396,026	5,328,406	4,811,854
526,787	351,807	204,891	639,736	867,031
690,599	818,783	1,320,727	683,315	1,001,750
15,269,315	15,463,965	17,933,896	16,710,697	15,890,035
2,320,974	2,433,016	2,445,232	2,711,539	2,463,827
3,532,039	3,459,798	3,617,033	3,471,145	3,833,814
2,013,997	1,941,362	1,847,685	1,731,366	1,731,366
2,092,893	2,149,931	2,130,925	2,734,626	2,533,441
359,227	346,134	310,134	353,825	324,509
176,089	48,053	331,943	724,551	46,041
181,674	171,400	193,198	400,038	248,781
632,115	85,427	5,477	371,063	5,158
-	12,040	13,547	77,409	28,838
2,242,869	2,071,359	4,676,691	3,843,405	3,142,036
206,555	129,888	116,579	2,075,374	561,106
71,050	-	31,061	61,979	-
8,345	368,284	137,587	288,093	-
2,079,899	2,242,739	2,974,646	1,835,995	2,193,913
672,349	732,019	1,105,455	952,084	1,006,793
-	-	-	-	-
16,610,075	16,191,050	20,194,969	21,750,811	18,118,623
(1,340,760)	(727,085)	(2,261,073)	(5,040,114)	(2,228,588)
1,555,810	1,466,400	2,938,580	3,878,275	4,814,463
-	-	67,976	-	46,125
1,882,014	1,710,382	714,882	1,286,980	-
(1,940,955)	(1,812,518)	(1,281,961)	(1,122,580)	(555,937)
-	(1,885,000)	-	(1,815,000)	-
27,210	4,163	26,435	4,003	173,186
-	-	-	-	-
1,524,079	(\$16,573)	2,465,912	2,231,678	4,477,837
\$ 183,319	\$ (1,243,658)	\$ 204,839	\$ (2,808,456)	\$ 2,249,249
20.0%	21.4%	23.5%	18.0%	18.9%

CITY OF NORTFIELD, 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	
	\$		\$		\$		\$		\$		\$			
2016	9,673,963		3,485,445		200,569		13,359,977		58		1,230,567,100		1.09%	
2015	9,364,921		3,461,187		192,895		13,019,003		56,750		1,202,202,700		1.08%	
2014	8,648,275		3,294,362		186,430		12,129,067		59,785		1,134,820,400		1.07%	
2013	9,705,601		4,919,269		287,213		14,912,083		61,901		1,393,512,713		1.07%	
2012	9,227,358		4,127,738		214,631		13,569,727		50,947		1,139,637,251		1.19%	
2011	10,436,580		3,698,901		210,615		14,346,096		43,890		1,157,743,200		1.24%	
2010	12,182,880		4,512,181		225,544		16,920,605		40,369		1,373,149,700		1.23%	
2009	12,113,353		4,387,040		193,079		16,693,472		38,405		1,437,011,100		1.16%	
2008	11,899,873		4,266,574		190,680		16,357,127		36,648		1,409,744,400		1.16%	
2007	11,135,711		2,822,579		274,007		14,232,297		35,691		1,334,826,400		1.07%	

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	Operating	Debt Service	Total County
2016	45.97	11.67	57.64	35.80	5.08	40.88			
2015	45.37	11.38	56.75	33.27	5.59	38.86			
2014	47.80	11.99	59.79	32.78	5.62	38.40			
2013	54.28	7.62	61.90	32.95	5.31	38.26			
2012	45.18	6.07	51.25	29.44	4.93	34.37			
2011	37.82	6.07	43.89	27.16	3.26	30.42			
2010	34.96	5.41	40.37	24.91	3.52	28.43			
2009	33.96	4.45	38.41	24.73	2.40	27.13			
2008	32.64	4.01	36.65	24.26	2.17	26.43			
2007	32.86	2.83	35.69	25.31	2.16	27.47			

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
	Other Districts				
	School Districts	Special Districts			
	Total School				
	32.90	3.66	57.64	77.44	135.08
	34.06	3.65	56.75	76.57	133.32
	36.41	4.07	59.79	78.88	138.67
	38.44	4.21	61.90	80.91	142.81
	33.58	4.10	51.25	72.05	123.31
	31.03	3.67	43.89	65.12	109.01
	28.38	3.57	40.37	60.37	100.74
	29.58	2.78	38.41	59.49	97.90
	31.33	2.83	36.65	60.59	97.24
	32.16	1.31	35.69	60.95	96.64

CITY OF NORTHFIELD, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2016

Table 8

Taxpayer	2016			2007		
	Taxable Tax Capacity	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Malt-O-Meal	\$ 746,476	1	5.59 %	\$ 488,204	1	3.43 %
Xcel Energy	539,416	2	4.04	181,266	3	1.27
McLane Minnesota, Inc.	373,336	3	2.79	210,358	2	1.48
Dayton Hudson Corp	228,682	4	1.71	141,484	4	0.99
Community Resource Bank	203,946	5	1.53	111,134	5	0.78
Hayzin LLC	201,390	6	1.51	106,268	6	0.75
Cardinal CG Company	182,616	7	1.37	82,963	8	0.58
Allina Health Systems	177,384	8	1.33			
Carleton College	155,876	9	1.17	67,970	10	0.48
Hidden Valley Apartments Ltd.	154,626	10	1.16	105,088	7	0.74
Heritage Square LLC				73,736	9	0.52
Total	\$ 2,963,748		22.18 %	\$ 1,568,471		11.02 %

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	%	Amount	Percentage of Levy
2016	\$ 7,655,738	\$ 7,608,047	99.40	\$ 67,144	\$	\$ 7,675,191	100.30
2015	7,411,661	7,356,097	99.30	50,949		7,407,046	99.90
2014	7,345,288	7,293,692	99.30	25,975		7,319,667	99.70
2013	7,345,288	7,263,683	98.90	64,201		7,327,884	99.80
2012	6,770,991	6,617,593	97.70	138,780		6,756,373	99.80
2011	6,099,661 a	5,951,540	97.60	140,220		6,091,760	99.90
2010	6,022,007 a	5,866,663	97.40	147,426		6,014,089	99.90
2009	6,179,781	6,051,405	97.90	124,302		6,175,707	99.90
2008	5,816,276	5,709,529	98.20	104,272		5,813,801	100.00
2007	5,033,926	4,944,441	98.20	87,314		\$ 5,031,755	100.00

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

CITY OF NORTHFIELD, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities									
	General Obligation Bonds		Tax Incremental Bonds		General Obligation Revenue Bonds		Certificates of Participation		Capital Lease Payable	
2016	\$ 1,144,582	\$ 7,714,476	\$ 584,000	\$ 1,720,402	\$ 5,565,000	\$ 1,559,342	\$ 1,380,677	\$ 1,380,677	\$ 1,559,342	\$ 1,380,677
2015	829,477	7,782,377	665,000	1,921,113	5,835,000	1,752,398	1,487,176	1,487,176	1,752,398	1,487,176
2014	1,124,477	7,469,341	741,000	4,222,113	6,100,000	1,939,668	1,587,157	1,587,157	1,939,668	1,587,157
2013	1,319,477	7,344,192	957,000	2,295,000	6,280,000	2,110,367	1,695,694	1,695,694	2,110,367	1,695,694
2012	1,504,477	7,779,657	1,163,000	-	6,280,000	2,281,898	1,794,319	1,794,319	2,281,898	1,794,319
2011	1,165,000	7,932,900	1,419,000	-	-	5,058,215	1,907,203	1,907,203	5,058,215	1,907,203
2010	1,340,000	8,017,900	1,670,000	-	-	4,963,436	2,015,072	2,015,072	4,963,436	2,015,072
2009	1,505,000	9,910,000	1,925,000	-	-	5,252,834	2,076,860	2,076,860	5,252,834	2,076,860
2008	1,650,000	8,605,000	5,086,860	-	-	5,344,139	2,131,621	2,131,621	5,344,139	2,131,621
2007	3,465,000	9,155,000	4,766,724	-	-	3,040,000	2,089,480	2,089,480	3,040,000	2,089,480

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

* Information not available at the time of the audit

Table 10

Fiscal Year	Business-Type Activities									
	Sewer/Storm and Water Bonds		Capital Lease Payable		Business-Type Activities		Total Primary Government		Percentage of Personal Income	
2016	\$ 9,405,059	\$ 176,922	\$ 176,922	\$ 9,581,981	\$ 29,250,460	\$ 29,250,460	\$ 29,250,460	\$ 29,250,460	8.32 %	1,439
2015	10,619,687	198,592	198,592	10,818,279	31,082,420	31,082,420	31,082,420	31,082,420	6.85	1,531
2014	12,093,323	219,444	219,444	12,312,767	35,496,523	35,496,523	35,496,523	35,496,523	6.18	1,762
2013	14,083,250	226,387	226,387	14,319,637	36,321,367	36,321,367	36,321,367	36,321,367	5.96	1,783
2012	16,878,177	255,697	255,697	17,133,874	37,937,225	37,937,225	37,937,225	37,937,225	5.47	1,851
2011	17,315,100	274,261	274,261	17,589,361	35,071,679	35,071,679	35,071,679	35,071,679	4.87	1,715
2010	18,771,100	249,653	249,653	19,020,753	37,027,161	37,027,161	37,027,161	37,027,161	4.59	1,851
2009	20,178,000	268,295	268,295	20,446,295	41,115,989	41,115,989	41,115,989	41,115,989	4.59	2,078
2008	20,641,000	204,173	204,173	20,845,173	43,662,793	43,662,793	43,662,793	43,662,793	4.18	2,201
2007	23,194,000	-	-	23,194,000	45,710,204	45,710,204	45,710,204	45,710,204		2,309

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	Percentage of Estimated Actual Taxable		Total	Per Capita
			Value of	Property		
2016	\$ 1,144,582	454,243	\$	0.06 %	\$ 690,339	34
2015	829,477	475,708		0.03	353,769	17
2014	1,124,477	449,986		0.06	674,491	33
2013	1,319,477	333,779		0.07	985,698	48
2012	1,504,477	318,796		0.10	1,185,681	58
2011	1,165,000	303,514		0.07	861,486	42
2010	1,340,000	305,946		0.08	1,034,054	52
2009	1,505,000	318,308		0.08	1,186,692	60
2008	1,650,000	324,191		0.09	1,325,809	67
2007	3,465,000	2,016,231		0.11	1,448,769	73

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, 2016

Table 12

Governmental Unit Debt repaid with property taxes	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
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	40,355,000	0.28	111,380
Subtotal - overlapping debt			\$ 26,189,975
City direct debt			19,668,479
Total direct and overlapping debt			<u>\$ 45,858,454</u>

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

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

CITY OF NORTHFIELD, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012
Debt limit	\$ 36,917,013	\$ 36,066,081	\$ 34,044,612	\$ 41,805,381	\$ 34,189,118
Total net debt applicable to limit	12,176,500	11,771,000	8,710,000	9,870,000	10,195,000
Legal debt margin	\$ 24,740,513	\$ 24,295,081	\$ 25,334,612	\$ 31,935,381	\$ 23,994,118

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

	2011	2010	2009	2008	2007
	\$ 36,534,430	\$ 40,938,930	\$ 41,985,952	\$ 40,598,200	\$ 25,890,048
	1,165,000	1,340,000	1,505,000	1,650,000	1,109,422
	\$ 35,369,430	\$ 39,598,930	\$ 40,480,952	\$ 38,948,200	\$ 24,780,626

Legal Debt Margin Calculation for Fiscal Year 2016

Total estimated market value	\$ 1,230,567,100
Debt limit (3% of total assessed value)	36,917,013
Debt applicable to limit:	
General obligation bonds	12,176,500
Legal debt margin	\$ 24,740,513

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

Year	Utility Revenue Bonds				
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Coverage
2016	\$ 8,132,625	\$ 3,787,027	\$ 4,345,598	\$ 2,408,636	\$ 212,826 1.66
2015	7,958,662	3,665,992	4,292,670	2,018,636	258,250 1.89
2014	7,721,254	3,872,724	3,848,530	2,003,023	302,909 1.67
2013	7,518,539	3,379,949	4,138,590	1,923,636	592,809 1.64
2012	7,451,758	3,081,683	4,370,075	1,638,540	1,068,520 1.61
2011	6,884,517	5,292,202	1,592,315	1,501,000	599,761 0.76
2010	6,488,589	5,610,510	878,079	2,161,900	640,850 0.31
2009	6,136,955	5,492,426	644,529	2,013,000	653,771 0.24
2008	6,306,947	5,602,089	706,858	2,693,000	746,416 0.21
2007	5,883,461	4,779,170	1,104,291	1,105,000	697,739 0.61

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

Table 14

	Improvement Bonds				Tax	
	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage	Increment Collections	Coverage
	\$ 579,120	\$ 896,364	\$ 164,586	0.55	\$ 334,785	\$ 96,734 1.18
	479,986	1,201,364	148,689	0.36	281,750	175,981 1.00
	370,432	1,266,364	175,941	0.26	276,852	182,091 0.97
	433,146	1,286,364	257,825	0.28	829,220	304,625 1.74
	497,084	1,124,460	202,619	0.37	867,919	368,884 1.71
	974,870	1,875,000	209,365	0.47	839,861	358,869 1.64
	870,870	3,310,000	254,984	0.24	840,672	363,340 1.49
	1,014,688	1,445,000	292,967	0.58	955,270	1,050,000 0.81
	832,639	1,320,000	308,287	0.51	564,255	374,000 1.07
	977,880	1,395,000	294,869	0.58	714,868	269,000 1.33

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
2016	20,320	3,428	*	*	2.70 %
2015	20,303	6,414	\$ 2,585,391	\$ 39,532	3.30
2014	20,146	6,341	2,431,411	37,320	4.70
2013	20,373	6,308	2,245,742	34,524	4.30
2012	20,501	6,298	2,261,892	34,877	6.10
2011	20,454	6,283	2,101,746	32,631	6.30
2010	20,007	5,858	2,024,596	31,509	7.50
2009	19,786	6,105	2,003,226	31,938	8.30
2008	19,839	6,073	2,003,736	32,017	7.40
2007	19,799	6,011	1,910,673	30,825	5.50

*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	2016			2007			Percentage of Total City Employment
	Employees	Rank	Employment (a)	Employees	Rank	Employment	
St Olaf College	860	1	1.67%	860	1	2.60%	
Malt-O-Meal	650	2	1.26%	650	2	1.96%	
Carlton College	650	3	1.26%	650	3	1.96%	
Northfield Hospital	481	5	0.94%	340	7	1.03%	
ISD 659	600	4	1.17%	500	4	1.51%	
McLane Minnesota Inc.	480	6	0.93%	400	6	1.21%	
Multitek Flexible Circuits	450	7	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%	
Cub Foods	160	10	0.31%				
City of Northfield				257	8	0.78%	
Allina Medical Center				198	9	0.60%	
Total	4,941		9.61%	4,485		13.56%	

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					
	2016	2015	2014	2013	2012	
General government						
Management services	3.0	3.0	3.0	3.5	3.3	
Finance	4.0	4.0	4.0	4.0	4.0	
Human resources (a)	2.6	3.0	3.0	2.5	2.1	
Community development	1.1	1.1	1.5	1.5	1.5	
Planning	1.6	1.3	1.3	1.3	0.3	
Building inspections	2.6	2.5	2.5	2.5	2.0	
Information technology	3.2	3.2	3.2	2.2	2.2	
Police						
Officers	22.0	22.0	22.0	22.0	21.0	
Civilians	5.0	5.0	5.0	5.0	5.0	
Fire						
Firefighters and officers (b)	-	-	-	-	-	
Public works						
Engineering	4.3	4.5	4.5	4.5	4.5	
Streets and park maintenance	8.6	9.0	9.0	8.3	8.3	
Economic development	1.7	0.8	0.5	0.5	0.5	
Housing	0.5	0.7	0.7	0.7	0.7	
Buildings and recreation facilities	3.4	3.0	3.0	3.0	2.5	
Library	11.5	12.2	12.0	11.5	11.0	
Motor vehicle	2.6	2.6	2.6	2.6	2.1	
Community/wellness center	0.0	0.0	0.0	0.2	0.2	
Water	4.9	4.5	5.0	4.0	4.0	
Wastewater	7.5	7.5	5.0	6.0	6.0	
Refuse	0	-	-	-	-	
Storm water	1.4	0.5	0.5	0.5	0.5	
Transit	0.0	0.0	0.0	0.0	0.0	
Liquor operations	7.0	7.0	7.5	7.3	7.3	
Total	98.9	97.4	95.8	93.6	89.0	

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	2010	2009	2008	2007	
	2.6	3.0	4.0	4.0	4.0	
	4.0	4.0	4.3	4.5	5.0	
	1.4	2.6	2.6	3.0	3.0	
	0.5	1.4	1.1	2.0	2.0	
	0.3	0.3	1.7	1.0	1.0	
	2.0	2.0	2.2	3.2	3.0	
	2.2	2.0	2.0	2.0	2.1	
	21.0	21.0	22.0	22.0	19.0	
	5.0	5.0	4.0	5.0	5.0	
	-	-	-	-	-	
	4.5	4.5	4.5	4.8	5.0	
	8.3	8.3	8.3	9.0	11.0	
	0.5	0.6	1.0	0.5	1.0	
	0.7	1.0	1.1	1.1	1.0	
	2.5	2.5	2.5	2.4	5.5	
	11.0	11.5	11.9	12.8	12.3	
	2.1	2.1	2.1	2.0	2.0	
	0.2	0.2	0.2	1.0	1.0	
	4.0	4.0	4.1	4.1	4.0	
	6.0	6.0	6.1	7.1	7.0	
	-	0.0	0.2	0.5	0.0	
	0.5	1.0	0.7	0.1	-	
	4.4	4.4	4.3	4.9	4.3	
	7.3	7.3	7.3	8.2	8.2	
Total	91.0	94.5	98.1	105.2	106.4	

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

Function/Program	Fiscal Year				
	2016	2015	2014	2013	2012
Police					
Traffic violations	569	3,367	2,227	2,362	3,395
Part I Crimes	234	243	288	289	412
Part II Crimes	415	494	439	472	576
Building inspection					
Permits issued	690	975	731	438	295
Total value	68,569,787	27,934,305	25,088,302	37,905,058	20,018,472
Single-family home permits issued	30	31	26	25	15
Single-family home value	5,988,500	7,673,730	6,447,000	6,508,390	3,155,350
Library					
Population served	26,851	26,563	26,563	26,758	26,606
Circulation	285,737	244,264	346,702	365,870	372,926
Hours open	2,976	2,763	3,022	2,990	2,904
Cardholders	17,153	16,480	17,970	20,578	19,991
Visits	143,093	116,066	205,271	207,246	206,492
Water					
Connections	5,823	5,767	5,709	5,696	5,582
Total water pumped (millions of gallons)	724.6	744.7	793.5	798.5	814.6
Average daily consumption (millions of gallons)	2.0	2.0	2.1	2.1	2.2
Peak daily consumption (millions of gallons)	3.3	4.9	4.1	4.0	4.2
Wastewater					
Treatment capacity (millions of gallons)	5.2	3.2	3.2	3.2	3.2
Average daily volume treated (millions of gallons)	2.2	2.0	2.3	2.3	2.2
Transit					
Total route miles	-	-	-	-	30,668
Passengers	-	-	-	-	12,901

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	2010	2009	2008	2007
	3,209	2,072	3,864	1,121	3,152
	326	416	428	419	649
	663	724	754	831	1,555
	283	282	686	574	1,547
	16,657,366	59,439,518	18,278,494	51,437,368	101,726,142
	15	11	12	13	37
	3,348,710	2,603,150	2,388,002	3,079,805	10,125,861
	26,674	26,674	31,745	31,747	30,970
	370,832	382,185	403,578	395,266	372,109
	2,624	2,986	3,112	3,242	3,227
	19,954	19,953	20,663	19,974	19,457
	226,668	205,396	205,468	214,292	187,330
	5,545	5,611	6,079	5,397	5,444
	778	752.6	729.7	824.3	841.7
	2.1	2.1	2.1	2.3	2.3
	3.6	3.4	4.6	4.1	4.6
	3.2	3.2	3.2	3.2	3.2
	2.4	2.1	1.8	2.0	2.0
	67,753	72,785	75,541	78,829	83,477
	27,948	35,072	35,849	41,286	44,750

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

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of street, local, county and state highways	104.08	93.00	93.00	93.00	93.00	93.00	93.00	93.00	93.00	81.00
Parks and recreation										
Number of parks	45	45	45	45	44	44	44	44	44	44
Acreage	441	425	425	425	425	425	425	425	425	425
Playgrounds	20	19	19	18	18	18	18	18	18	18
Baseball/softball diamonds	12	8	8	7	7	7	7	7	7	7
Soccer/football fields	10	10	10	8	8	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	1	1	1
Indoor ice arena	1	1	1	1	1	1	1	1	1	1
Outdoor pool	1	1	1	1	1	1	1	1	1	1
Storage capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Wastewater										
Treatment capacity (millions of gallons)	3.5	3.5	3.5	3.5	3.5	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

Function/Program	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of street, local, county and state highways	93.00	93.00	93.00	93.00	81.00	81.00	81.00	81.00	81.00	81.00
Parks and recreation										
Number of parks	44	44	44	44	44	44	44	44	44	44
Acreage	425	425	425	425	425	425	425	425	425	425
Playgrounds	18	18	18	18	18	18	18	18	18	18
Baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Soccer/football fields	8	8	8	8	8	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	1	1	1
Indoor ice arena	1	1	1	1	1	1	1	1	1	1
Outdoor pool	1	1	1	1	1	1	1	1	1	1
Storage capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000	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	3.2	3.2	3.2	3.2	3.2
Transit-buses	5	5	5	5	5	5	5	5	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, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2017.

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
ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 12, 2017

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 / Fax 507.388.9139



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, 2016, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 12, 2017. We did not audit the financial statements of the Northfield Municipal Hospital discretely presented component unit. Those financial statements were audited by other auditors, whose report dated April 18, 2017, expressed an unmodified opinion on those statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-002 to be a significant deficiency.

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 / Fax 507.388.9139

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, the Uniform Guidance or Minnesota statutes which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-403.

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, Responses and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 12, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
City of Northfield, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Northfield's, Northfield, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2121 / Fax 507.388.9139



Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-003. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Olaf Eick Mayrho, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 12, 2017

People
+ Process
Going
Beyond the
Numbers

CITY OF NORTHFIELD, MINNESOTA
SCHEDULE OF EXPENDITURE OF FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205	066-628-008	\$ 807,222
U.S. Department of Transportation	Minnesota Department of Public Safety	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRCI6-2016-NORTHFPD-1459	38,633
U.S. Department of Homeland Security	Minnesota Department of Public Safety	Disaster Grants - Public Assistance	97.036	DR-1941	14,370
Total Federal Expenditures					\$ 860,225

CITY OF NORTHFIELD, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1: Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Northfield, Minnesota, (the City) for the year ended December 31, 2016. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance. Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of significant accounting policies for expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through entity identifying numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect cost rate

During the year ended December 31, 2016, the City did not elect to use the 10% de minimis indirect cost rate.

CITY OF NORTHFIELD, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	No
Material weaknesses identified?	None reported
Significant deficiencies identified not considered to be material weaknesses?	
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a) of the Uniform Guidance.	Yes

Identification of Major Programs/Projects

U.S. Department of Transportation Highway Planning and Construction	CFDA No.	20.205
Dollar threshold used to distinguish between Type A and Type B Programs	\$	750,000
Auditee qualified as low-risk auditee?		No

Section II - Financial Statement Findings

One significant deficiency (finding 2016-002) and one material weakness (finding 2016-001) relating to the audit of the financial statements are reported in the Report on Internal Control and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies or material weaknesses that required to be reported in accordance with the Uniform Guidance. There are no instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance. Finding 2016-003 is reported but does not qualify as an instance of material noncompliance.

Section IV - Corrective Action Plans

Corrective Action Plans are attached as required to be reported under the Federal Single Audit Act.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

CITY OF NORTHFIELD, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Finding</u>	<u>Description</u>
2016-001	<p>Material audit adjustments</p> <p><i>Condition:</i> During our audit, adjustments were needed to record a number of accounting and audit adjustments, including the following material entries:</p> <ul style="list-style-type: none"> • To record additional capital assets. • To adjust due from other governments. • To record additional interfund transfers. • To adjust special assessment revenue. <p><i>Criteria:</i> The financial statements are the responsibility of the City's management.</p> <p><i>Cause:</i> City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.</p> <p><i>Effect:</i> This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.</p> <p><i>Recommendation:</i> We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.</p> <p><i>Management response:</i> Management has made improvements in recording year-end adjustments. Management will review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.</p>

CITY OF NORTHFIELD, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Finding</u>	<u>Description</u>
2016-002	<p>Preparation of financial statements</p> <p><i>Condition:</i> As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.</p> <p><i>Criteria:</i> Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.</p> <p><i>Cause:</i> From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.</p> <p><i>Effect:</i> The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.</p> <p><i>Recommendation:</i> Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting software financial information to the amount reported in the financial statements.</p> <p><i>Management response:</i> For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.</p>

CITY OF NORTHFIELD, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding **Description**

2015-001 **Material audit adjustments**

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.

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

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

Cause: 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.

Effect: 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.

Recommendation:

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.

CITY OF NORTHFIELD, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

2016-003 **Uniform Guidance written policies and procedures**

During our audit, we discovered the City did not develop written procedures as required by the Uniform Guidance for the following:

- Determination of Allowable of Costs - §200.302(b)(7)
- Time and Effort - §200.430(a)
- Cash Management of Federal Funds - §200.302(b)(6)
- Conflict of Interest - §200.318(c)(1-2)

The City must also ensure that existing written procedures are in compliance with:

- General Procurement Standards - §200.318-.326
- Equipment Management Requirements - §200.313

Criteria: The City "must" establish and maintain effective internal control over Federal awards that provides reasonable assurance that the City is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Cause: The City did not have these written policies and procedures in place sufficient to comply with the Uniform Guidance requirements.

Effect: The City was out of compliance with this requirement.

Recommendation: The City should implement written policies and procedures to adhere to the above mentioned Uniform Guidance requirements.

Management response:

The City will establish written policies and procedures to ensure future compliance with the Uniform Guidance requirements.

CITY OF NORTHFIELD, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding **Description**

2015-002 Preparation of financial statements

Condition:

As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria:

Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

Cause:

From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

Effect:

The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation:

Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting software financial information to the amount reported in the financial statements.

Management response:

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.



2016-001 Material audit adjustments

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

Management will review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits

3. Official Responsible for Ensuring CAP:

Ben Martig, City Administrator, is the official responsible for ensuring corrective action of the compliance finding.

4. Planned Completion Date for CAP:

Continuous.

5. Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

Sincerely,

Ben Martig
City Administrator



2016-002 Preparation of financial statements

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The City will continue to rely on the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

3. Official Responsible for Ensuring CAP:

Ben Martig, City Administrator, is the official responsible for ensuring corrective action of the compliance finding.

4. Planned Completion Date for CAP:

Continuous.

5. Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

Sincerely,

Ben Martig
City Administrator



2016-003 Uniform Guidance policies and procedures

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The City will work on establishing policies and procedures to ensure future compliance with the Uniform Guidance.

3. Official Responsible for Ensuring CAP:

Ben Martig, City Administrator, is the official responsible for ensuring corrective action of the compliance finding.

4. Planned Completion Date for CAP:

The planned completion date is December 31, 2017.

5. Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

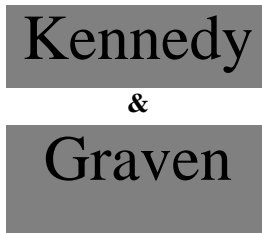
Sincerely,

Ben Martig
City Administrator

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

	Offices in	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis MN 55402
	Saint Paul	(612) 337-9300 telephone (612) 337-9310 fax http://www.kennedy-graven.com
	St. Cloud	Affirmative Action Equal Opportunity Employer

CHARTERED

\$4,215,000
General Obligation Capital Improvement Plan Bonds
Series 2018A
City of Northfield
Dakota and Rice Counties, Minnesota

We have acted as bond counsel to the City of Northfield, Dakota and Rice Counties, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Capital Improvement Plan Bonds, Series 2018A (the “Bonds”), originally dated the date hereof, and issued in the original aggregate principal amount of \$4,215,000. In such capacity and for the purpose of rendering this opinion we have examined such 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 against the Issuer in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from ad valorem taxes levied by the Issuer, 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 (although interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018), or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest 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 _____, 2018 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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

\$4,215,000
General Obligation Capital Improvement Plan Bonds, Series 2018A
City of Northfield
Dakota and Rice Counties, Minnesota

CONTINUING DISCLOSURE CERTIFICATE

_____, 2018

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 Capital Improvement Plan Bonds, Series 2018A, (the “Bonds”) in the original aggregate principal amount of \$4,215,000. 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) (as 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 annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation Capital Improvement Plan Bonds, Series 2018A, issued by the Issuer in the original aggregate principal amount of \$4,215,000.

“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 _____, 2018, 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.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

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

“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 _____, in _____, _____.

“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, and any successor thereto.

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

- (a) The Issuer shall provide to the Repository not later than 12 months after the end of the Fiscal Year commencing with the year that ends December 31, 2017 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.
- (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 and Collections
4. U.S. Census Data/Population Trend
5. Employment/Unemployment Data

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; and
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (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 redemption in full of all Bonds or payment in full of all 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 requiring continuing disclosure pursuant to the Rule 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 impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule 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 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 the 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

APPENDIX E

TERMS OF PROPOSAL

\$4,215,000* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2018A CITY OF NORTHFIELD, MINNESOTA

Proposals for the purchase of \$4,215,000* General Obligation Capital Improvement Plan Bonds, Series 2018A (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 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on May 15, 2018, 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 6:00 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 by the City, pursuant to Minnesota Statutes, Section 475.521 and Chapter 475, for the purpose of financing renovations and capital improvements to the City's fire facility. The Bonds are general obligations of the City, for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated June 7, 2018, 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>
2020	\$165,000	2027	\$190,000	2034	\$235,000
2021	170,000	2028	195,000	2035	240,000
2022	170,000	2029	200,000	2036	250,000
2023	175,000	2030	210,000	2037	260,000
2024	180,000	2031	215,000	2038	265,000
2025	185,000	2032	220,000	2039	275,000
2026	185,000	2033	230,000		

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 February 1, 2019, 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 2020 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.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 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 June 7, 2018, 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 \$4,172,850 plus accrued interest on the principal sum of \$4,215,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 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 good faith deposit ("Deposit") in the amount of \$84,300 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 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 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.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the

"competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City shall promptly advise the winning bidder, at or before the time of the award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. proposals will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their proposals on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

(d) By submitting a proposal, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity

have been sold.

(f) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(g) By submitting a proposal, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the

corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

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 Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. 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

May 15, 2018

RE: \$4,215,000* General Obligation Capital Improvement Plan Bonds, Series 2018A
DATED: June 7, 2018

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 \$4,172,850) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2020	_____ % due 2027	_____ % due 2034
_____ % due 2021	_____ % due 2028	_____ % due 2035
_____ % due 2022	_____ % due 2029	_____ % due 2036
_____ % due 2023	_____ % due 2030	_____ % due 2037
_____ % due 2024	_____ % due 2031	_____ % due 2038
_____ % due 2025	_____ % due 2032	_____ % due 2039
_____ % due 2026	_____ % due 2033	

* 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 2020 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 Deposit in the amount of \$84,300, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such 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 Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the 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 June 7, 2018.

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.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

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 June 7, 2018 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 May 15, 2018.

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