

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 6, 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)

\$1,765,000* GENERAL OBLIGATION IMPROVEMENT AND ABATEMENT BONDS, SERIES 2018B

PROPOSAL OPENING: September 18, 2018, 11:00 A.M., C.T.

CONSIDERATION: September 18, 2018, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,765,000* General Obligation Improvement and Abatement Bonds, Series 2018B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429, 469, and 475, by the City of Northfield, Minnesota (the "City") for the purpose of financing public street and parking lot improvements within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: October 11, 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	\$150,000	2024	\$175,000	2028	\$190,000
2021	170,000	2025	180,000	2029	195,000
2022	170,000	2026	180,000		
2023	170,000	2027	185,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 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: \$1,743,820

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$35,300 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 & Associates, Inc.

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



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 OF NORTHFIELD CITY COUNCIL

		<u>Term Expires</u>
Rhonda Pownell	Mayor	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 \$1,765,000* General Obligation Improvement and Abatement Bonds, Series 2018B (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 September 18, 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 October 11, 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 August 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 in accordance with the requirements of DTC 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 pursuant to Minnesota Statutes, Chapters 429, 469 and 475, by the City to finance the following purposes: (i) to finance various street improvements including the reconstruction and mill overlay projects (the "Improvement Portion"); and (ii) to finance the construction of improvements to City parking lots (the "Tax Abatement Portion").

Per Minnesota Statutes, Chapter 469, in any year, the total amount of property taxes abated by a political subdivision under this section may not exceed (i) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (ii) \$200,000, whichever is greater.

ESTIMATED SOURCES AND USES*

Sources	Improvement Portion	Tax Abatement Portion	Total Bond Issue
Par Amount of Bonds	\$1,515,000	\$250,000	\$1,765,000
Prepaid Assessments	<u>158,182</u>	<u>-</u>	<u>158,182</u>
Total Sources	\$1,673,182	\$250,000	\$1,923,182
Uses			
Total Underwriter's Discount (1.200%)	\$18,180	\$3,000	\$21,180
Costs of Issuance	36,480	6,020	42,500
Deposit to Project Construction Fund	1,615,920	239,689	1,855,609
Rounding Amount	<u>2,601</u>	<u>1,292</u>	<u>3,893</u>
Total Uses	\$1,673,182	\$250,000	\$1,923,182

*Preliminary, subject to change

Breakdown of Principal Payments:

Payment Date	Improvement Portion	Tax Abatement Portion	Total Bond Issue
2/01/2020	\$130,000	\$20,000	\$150,000
2/01/2021	145,000	25,000	170,000
2/01/2022	145,000	25,000	170,000
2/01/2023	145,000	25,000	170,000
2/01/2024	150,000	25,000	175,000
2/01/2025	155,000	25,000	180,000
2/01/2026	155,000	25,000	180,000
2/01/2027	160,000	25,000	185,000
2/01/2028	165,000	25,000	190,000
2/01/2029	<u>165,000</u>	<u>30,000</u>	<u>195,000</u>
Total	\$1,515,000	\$250,000	\$1,765,000

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount.

The City anticipates that the debt service on the Improvement Portion will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

The City anticipates that the debt service on the Tax Abatement Portion will be paid from abating the City's portion of taxes from specific parcels which will benefit from the development of the Project. Receipt of tax abatement revenues will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law. Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

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

RATING

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

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

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

In the interest of full disclosure, the City notes 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.

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.

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 the applicable percentage 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, 2017 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 should other revenue (special assessments and tax abatement revenue) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

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

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

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

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States 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.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

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

2017/18 Economic Market Value

\$1,523,614,715¹

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	<u>11,114,100</u>	<u>403,500</u>	<u>11,517,600</u>
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	<u>221,435</u>	<u>7,320</u>	<u>228,755</u>
Net Tax Capacity	\$13,827,958	\$ 1,256,579	\$15,084,537
Less: Captured Tax Increment Tax Capacity ²	<u>(323,723)</u>	<u>0</u>	<u>(323,723)</u>
Taxable Net Tax Capacity	<u>\$13,504,235</u>	<u>\$ 1,256,579</u>	<u>\$14,760,814</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Northfield is about 90.73% of the actual selling prices of property most recently sold in the portion of the City in Rice County, and about 91.91% 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 \$1,523,614,715.

² 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	\$ 3,485,000
Total g.o. debt being paid from tax increment revenues	461,000
Total g.o. debt being paid from taxes	4,195,000
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 (includes the Bonds)*	<u>3,890,000</u>
Total General Obligation Debt*	<u><u>\$20,096,000</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>\$ 29,442,382</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 10/11/2018)

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						
2019			1,135,000	88,438			1,135,000	88,438	1,223,438	2,350,000	32.57%	2019
2020			1,160,000	62,900			1,160,000	62,900	1,222,900	1,190,000	65.85%	2020
2021			1,190,000	33,320			1,190,000	33,320	1,223,320	0	100.00%	2021
			3,485,000	184,658			3,485,000	184,658	3,669,658			

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 10/11/2018)

		Tax Increment Series 2002		Taxable Tax Increment Refunding 1) Series 2017B						
Dated Amount	8/01/02 \$140,000			9/07/17 \$460,000						
Maturity	7/31			2/01						
Fiscal Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2019	6,500	3,170	55,000	8,571	61,500	11,741	73,241	399,500	13.34%	2019
2020	7,000	2,842	55,000	7,568	62,000	10,409	72,409	337,500	26.79%	2020
2021	7,000	2,485	55,000	6,413	62,000	8,897	70,897	275,500	40.24%	2021
2022	7,000	2,124	55,000	5,258	62,000	7,382	69,382	213,500	53.69%	2022
2023	7,000	1,764	60,000	3,900	67,000	5,664	72,664	146,500	68.22%	2023
2024	7,000	1,400	60,000	2,340	67,000	3,740	70,740	79,500	82.75%	2024
2025	7,000	1,036	60,000	780	67,000	1,816	68,816	12,500	97.29%	2025
2026	7,000	668			7,000	668	7,668	5,500	98.81%	2026
2027	5,500	297			5,500	297	5,797	0	100.00%	2027
	61,000	15,783	400,000	34,829	461,000	50,612	511,612			

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 10/11/2018)

**Capital Improvement
Series 2018A**

Fiscal Year Ending	Dated Amount	Maturity	6/7/18 \$4,195,000 2/1		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest						
2019			0	150,687	0	150,687	150,687	4,195,000	0.00%	2019
2020			155,000	128,708	155,000	128,708	283,708	4,040,000	3.69%	2020
2021			160,000	123,983	160,000	123,983	283,983	3,880,000	7.51%	2021
2022			165,000	119,108	165,000	119,108	284,108	3,715,000	11.44%	2022
2023			170,000	114,083	170,000	114,083	284,083	3,545,000	15.49%	2023
2024			175,000	108,908	175,000	108,908	283,908	3,370,000	19.67%	2024
2025			180,000	103,583	180,000	103,583	283,583	3,190,000	23.96%	2025
2026			185,000	98,108	185,000	98,108	283,108	3,005,000	28.37%	2026
2027			190,000	92,483	190,000	92,483	282,483	2,815,000	32.90%	2027
2028			195,000	86,708	195,000	86,708	281,708	2,620,000	37.54%	2028
2029			205,000	80,708	205,000	80,708	285,708	2,415,000	42.43%	2029
2030			210,000	74,483	210,000	74,483	284,483	2,205,000	47.44%	2030
2031			215,000	68,108	215,000	68,108	283,108	1,990,000	52.56%	2031
2032			220,000	61,445	220,000	61,445	281,445	1,770,000	57.81%	2032
2033			230,000	54,414	230,000	54,414	284,414	1,540,000	63.29%	2033
2034			235,000	46,943	235,000	46,943	281,943	1,305,000	68.89%	2034
2035			245,000	39,023	245,000	39,023	284,023	1,060,000	74.73%	2035
2036			250,000	30,855	250,000	30,855	280,855	810,000	80.69%	2036
2037			260,000	22,440	260,000	22,440	282,440	550,000	86.89%	2037
2038			270,000	13,695	270,000	13,695	283,695	280,000	93.33%	2038
2039			280,000	4,620	280,000	4,620	284,620	0	100.00%	2039
			4,195,000	1,623,086	4,195,000	1,623,086	5,818,086			

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues and Taxes
(As of 10/11/2018)

G.O. Bonds 1)
Series 2012C

Fiscal Year Ending	Dated Amount	Maturity	12/27/12 \$1,640,000		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest						
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	9,450	415,000	9,450	424,450			

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. This portion of this issue is payable entirely from revenues (\$315,000 water and sewer refunding portion outstanding).

The remaining portion of this issue is subject to the legal debt limit (Equipment Certificate Portion currently outstanding in the principal amount of \$100,000).

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments and Taxes
(As of 10/11/2018)

Fiscal Year Ending	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
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity						
2019									390,000	53,051	443,051	2,040,000	16.05%	2019
2020									400,000	44,243	444,243	1,640,000	32.51%	2020
2021									400,000	34,833	434,833	1,240,000	48.97%	2021
2022									405,000	24,966	429,966	835,000	65.64%	2022
2023									275,000	16,409	291,409	560,000	76.95%	2023
2024									180,000	10,513	190,513	380,000	84.36%	2024
2025									95,000	7,125	102,125	285,000	88.27%	2025
2026									95,000	5,225	100,225	190,000	92.18%	2026
2027									95,000	3,206	98,206	95,000	96.09%	2027
2028									95,000	1,069	96,069	0	100.00%	2028
									2,430,000	200,639	2,630,639			

CITY OF NORTHFIELD, MINNESOTA

**Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues, Special Assessments and Taxes
(As of 10/1/2018)**

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	12/28/09 \$4,300,000	12/28/10 \$2,305,000	11/3/15 \$2,535,000	9/15/16 \$2,610,000	2/01	2/01					
2019			Principal 115,000	Principal 220,000	Principal 415,000	Principal 320,000	Principal 41,383	1,070,000	103,483	1,173,483	4,150,000	20.50%	2019
2020			Interest 1,725	Interest 20,380	Interest 30,605	Interest 34,933	Interest 34,933	990,000	80,193	1,070,193	3,160,000	39.46%	2020
2021				225,000	23,155	28,283	28,283	725,000	60,353	785,353	2,435,000	53.35%	2021
2022				55,000	18,255	21,483	21,483	555,000	45,988	600,988	1,880,000	63.98%	2022
2023				55,000	15,055	16,183	16,183	405,000	35,508	440,508	1,475,000	71.74%	2023
2024				60,000	11,855	190,000	12,383	415,000	26,388	441,388	1,060,000	79.69%	2024
2025				60,000	8,605	200,000	8,483	425,000	17,028	442,028	635,000	87.84%	2025
2026				60,000	5,305	205,000	4,933	430,000	7,840	437,840	205,000	96.07%	2026
2027					1,828	205,000	1,691	205,000	1,691	206,691	0	100.00%	2027
			230,000	955,000	1,725,000	2,310,000	169,751	5,220,000	378,469	5,598,469			

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).

Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments, Tax Abatement Revenues & Taxes
(As of 10/11/2018)

*Preliminary, subject to change

- Prepared by Ehlers

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Annual Appropriations
(As of 10/11/2018)

Cert. of Participation
Series 2012B

Fiscal Year Ending	Dated Amount	Maturity	9/18/12 \$6,280,000		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest						
2019		4/01	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	1,214,661	5,020,000	1,214,661	6,234,661			

CITY OF NORTHFIELD, MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Hospital Revenues 1)
(As of 10/11/2018)

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	12/31	8/05/16 \$22,375,000	8/05/16 \$2,625,000	Monthly Final Maturity 8/01	8/05/16 \$2,625,000	Monthly Final Maturity 8/01					
									Principal				
2018		485,000	216,125	215,990	83,580	25,345	9,805	726,335	309,510	1,035,845	28,716,047	2.47%	2018
2019		495,000	201,523	1,315,453	481,967	154,359	56,541	1,964,811	740,031	2,704,843	26,751,236	9.14%	2019
2020		510,000	186,548	1,349,526	447,894	158,357	52,543	2,017,883	686,985	2,704,868	24,733,352	15.99%	2020
2021		525,000	171,127	1,384,482	412,938	162,459	48,441	2,071,941	632,505	2,704,447	22,661,411	23.03%	2021
2022		540,000	155,258	1,420,344	377,076	166,667	44,233	2,127,011	576,567	2,703,578	20,534,400	30.26%	2022
2023		560,000	138,868	1,457,135	340,285	170,984	39,916	2,188,118	519,070	2,707,188	18,346,282	37.69%	2023
2024		575,000	121,957	1,494,878	302,542	175,413	34,487	2,245,291	458,986	2,704,276	16,100,991	45.31%	2024
2025		3,805,000	56,695	1,533,599	263,821	179,956	30,944	5,518,556	351,459	5,870,015	10,582,436	64.06%	2025
2026				1,573,323	224,097	184,618	26,282	1,757,941	250,379	2,008,320	8,824,495	70.03%	2026
2027				1,614,076	183,344	189,400	21,500	1,803,476	204,844	2,008,320	7,021,019	76.15%	2027
2028				1,655,885	141,535	194,306	16,594	1,850,191	158,129	2,008,320	5,170,828	82.44%	2028
2029				1,698,776	98,644	199,339	11,561	1,898,115	110,205	2,008,320	3,272,713	88.88%	2029
2030				1,742,779	54,641	204,502	6,398	1,947,281	61,039	2,008,320	1,325,432	95.50%	2030
2031				1,186,718	11,420	138,714	1,331	1,325,432	12,751	1,338,183	0	100.00%	2031
		7,495,000	1,248,099	19,642,966	3,423,782	2,304,416	400,578	29,442,382	5,072,459	34,514,841			

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 (includes the Improvement Portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience (includes the Tax Abatement Portion of the Bonds); (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%	0.03
Statutory Debt Limit	<u>\$ 41,615,289</u>
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	(4,805,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(5,020,000)</u>
Unused Debt Limit*	<u><u>\$ 31,790,289</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%	\$18,905,000	\$ 4,162,900
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><u>\$19,135,761</u></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 (\$1,523,614,715)	Debt/ Current Population Estimate (20,398)
Direct G.O. Debt Being Paid From:			
Revenues	\$ 3,485,000		
Tax Increment Revenues	461,000		
Taxes	4,195,000		
Revenues & Taxes	415,000		
Special Assessments & Taxes	2,430,000		
Revenues, Special Assessments & Taxes	5,220,000		
Special Assessments, Tax Abatement Revenues & Taxes*	<u>3,890,000</u>		
Total General Obligation Debt (includes the Bonds)*	\$ 20,096,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(5,575,000)</u>		
Tax Supported General Obligation Debt*	\$ 14,521,000	0.95%	\$711.88
City's Share of Total Overlapping Debt	<u>\$ 19,135,761</u>	<u>1.26%</u>	<u>\$938.12</u>
Total*	<u><u>\$ 33,656,761</u></u>	<u><u>2.21%</u></u>	<u><u>\$1,650.00</u></u>

*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 \$2,000,000 General Obligation Bonds for 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 July 31, 2018)

Fund	Total Cash and Investments
General	\$ 7,918,123
Special Revenue	2,190,350
Debt Service	2,727,073
Capital Projects	6,136,340
Enterprise Funds	14,073,821
Internal Service Funds	1,540,064
Component Units (w/o hospital)	2,032,822
Total Funds on Hand	<u>\$36,618,593</u>

ENTERPRISE FUNDS

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

	2015	2016	2017
Water			
Total Operating Revenues	\$ 2,097,055	\$ 2,050,412	\$ 2,086,422
Less: Operating Expenses	<u>(1,457,073)</u>	<u>(1,542,944)</u>	<u>(1,653,756)</u>
Operating Income	\$ 639,982	\$ 507,468	\$ 432,666
Plus: Depreciation	<u>347,017</u>	<u>331,735</u>	<u>355,075</u>
Revenues Available for Debt Service	<u><u>\$ 986,999</u></u>	<u><u>\$ 839,203</u></u>	<u><u>\$ 787,741</u></u>
Wastewater			
Total Operating Revenues	\$ 4,260,147	\$ 4,274,724	\$ 4,378,370
Less: Operating Expenses	<u>(2,887,740)</u>	<u>(2,930,452)</u>	<u>(3,080,598)</u>
Operating Income	\$ 1,372,407	\$ 1,344,272	\$ 1,297,772
Plus: Depreciation	<u>1,136,606</u>	<u>1,145,277</u>	<u>1,184,116</u>
Revenues Available for Debt Service	<u><u>\$ 2,509,013</u></u>	<u><u>\$ 2,489,549</u></u>	<u><u>\$ 2,481,888</u></u>
Garbage			
Total Operating Revenues	\$ 908,842	\$ 921,143	\$ 919,707
Less: Operating Expenses	<u>(694,090)</u>	<u>(716,985)</u>	<u>(742,581)</u>
Operating Income	\$ 214,752	\$ 204,158	\$ 177,126
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$ 214,752</u></u>	<u><u>\$ 204,158</u></u>	<u><u>\$ 177,126</u></u>
Stormwater			
Total Operating Revenues	\$ 764,429	\$ 825,735	\$ 860,795
Less: Operating Expenses	<u>(410,367)</u>	<u>(383,407)</u>	<u>(445,405)</u>
Operating Income	\$ 354,062	\$ 442,328	\$ 415,390
Plus: Depreciation	<u>220,075</u>	<u>225,125</u>	<u>232,126</u>
Revenues Available for Debt Service	<u><u>\$ 574,137</u></u>	<u><u>\$ 667,453</u></u>	<u><u>\$ 647,516</u></u>
Municipal Liquor			
Total Operating Revenues	\$ 739,750	\$ 839,687	\$ 782,083
Less: Operating Expenses	<u>(616,433)</u>	<u>(637,221)</u>	<u>(662,514)</u>
Operating Income	\$ 123,317	\$ 202,466	\$ 119,569
Plus: Depreciation	<u>1,923</u>	<u>4,860</u>	<u>4,860</u>
Revenues Available for Debt Service	<u><u>\$ 125,240</u></u>	<u><u>\$ 207,326</u></u>	<u><u>\$ 124,429</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 2017 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				2018 Adopted Budget ¹
	2014 Audited	2015 Audited	2016 Audited	2017 Audited	
Revenues					
Property taxes	\$ 5,259,744	\$ 5,235,618	\$ 5,454,266	\$ 5,624,778	\$ 6,245,318
Licenses and permits	396,898	428,765	679,474	859,249	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	1,219,595	1,489,661
Fines and forfeitures	114,273	113,521	82,032	98,171	124,000
Investment earnings	143,748	30,372	45,623	16,127	85,000
Other miscellaneous revenues	313,698	315,096	308,421	287,191	270,625
Total Revenues	\$ 11,199,352	\$ 11,250,042	\$ 11,580,028	\$ 11,764,118	\$ 12,398,937
Expenditures					
Current:					
General government	\$ 1,860,762	\$ 2,053,218	\$ 2,095,141	\$ 2,106,224	\$ 2,431,075
Public safety	3,459,404	3,849,981	4,045,397	4,159,937	4,528,419
Public works	2,338,145	2,231,624	2,381,026	2,489,659	2,586,454
Culture and recreation	1,797,972	1,959,915	2,084,284	2,180,036	2,346,768
Miscellaneous	221,322	150,623	109,809	130,676	364,799
Capital outlay:	56,465	76,102	43,555	24,650	31,000
Debt service:	205,584	205,461	205,460	205,459	205,461
Total Expenditures	\$ 9,939,654	\$ 10,526,924	\$ 10,964,672	\$ 11,296,641	\$ 12,493,977
Excess of revenues over (under) expenditures	\$ 1,259,698	\$ 723,118	\$ 615,356	\$ 467,477	\$ (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	150,000	95,040
Operating transfers out	(1,751,442)	(936,236)	(794,600)	(302,192)	0
Total Other Financing Sources (Uses)	\$ (1,409,660)	\$ (713,013)	\$ (200,521)	\$ (134,728)	\$ 95,040
Net Changes in Fund Balances	\$ (149,962)	\$ 10,105	\$ 414,835	\$ 332,749	\$ 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	\$ 7,648,180	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$ 93,337	\$ 99,115	\$ 115,936	\$ 103,591	
Restricted	6,604	6,491	6,491	6,733	
Committed	0	0	71,742	71,742	
Unassigned	6,790,550	6,794,900	7,121,262	7,466,114	
Total	\$ 6,890,491	\$ 6,900,506	\$ 7,315,431	\$ 7,648,180	

¹ 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 20,398, 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	25
Valuation	\$6,447,000	\$7,643,730	\$5,988,500	\$7,627,499	\$6,916,808
<u>New Commercial/Industrial</u>					
No. of building permits	0	5	2	35	32
Valuation	\$0	\$1,192,000	\$1,293,441	\$71,874,149	\$28,036,507
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	731	931	828	673	476
Valuation	\$25,088,302	\$27,824,305	\$71,319,059	\$102,549,565	\$50,862,289

Source: The City.

¹ As of August 10, 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
2017 State Demographer's Estimate	20,398
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.

	<u>Average Employment</u>	<u>Average Unemployment</u>	
Year	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, July	36,287	2.8%	2.7%

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, 2017**

PREPARED BY:

FINANCE DEPARTMENT

Brenda Angelstad

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Northfield, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Northfield, Minnesota, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Report on Summarized Comparative Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

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

Abdo Eick & Meyers, LLP

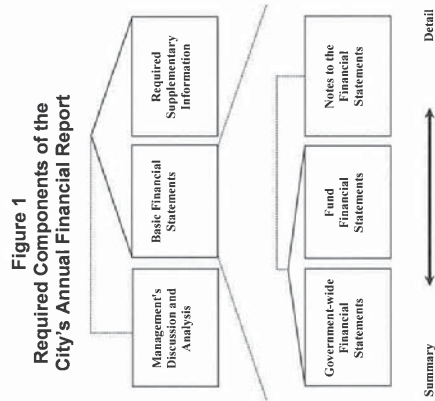
ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 12, 2018

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



Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,986,368 (*net position*). Of this amount, \$20,562,854 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,073,922 as compared to \$4,601,637 in the previous year. Charges for services increased by \$151,697 while public safety expenditures decreased by \$1,344,469.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,107,570, an increase of \$116,986 in comparison with the prior year. A key factor in this increase was the decrease in public safety expenditures. Of this total amount, \$7,193,619, is available for spending at the City's discretion (*unassigned fund balance*).

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
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 Statement of Net Position Revenues, Expenses and Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Required supplementary information. The required supplementary information can be found starting on page 121 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 127 of this report.

Government-wide Financial Analysis

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

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

City of Northfield's Summary of Net Position

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

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

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

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

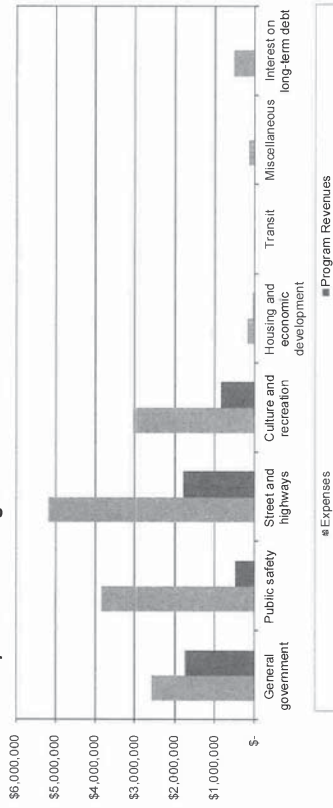
- Capital grants and contributions decreased \$1,173,458. Largely due to no longer receiving state and federal grants for the Woodley Street project.
- Property taxes/fax increment revenues increased \$123,889. Due to a tax levy increase that occurred in 2017.
- Grants and contributions not restricted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

City of Northfield's Changes in Net Position

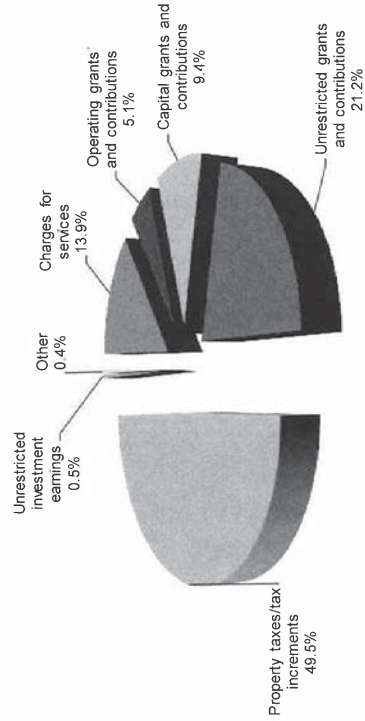
	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 2,401,812	\$ 2,335,761	\$ 66,051	\$ 11,326,578	\$ 11,240,932	\$ 85,646
Operating grants and contributions	872,076	1,086,300	(213,224)	18,079	7,500	10,579
Capital grants and contributions	1,617,174	2,790,632	(1,173,458)	-	-	-
General Revenues						
Property taxes/						
tax increments	8,528,494	8,404,605	123,889	-	-	-
Grants and contributions not restricted to specific programs	3,649,679	3,539,565	110,114	-	-	-
Unrestricted investment earnings	78,011	100,699	(22,688)	80,603	104,139	(23,536)
Other	77,029	58,147	18,882	-	-	-
Total Revenues	17,224,275	18,314,709	(1,090,434)	11,425,260	11,352,571	72,689
Expenses						
General government	2,583,745	2,542,003	41,742	-	-	-
Public safety	3,850,606	5,195,075	(1,344,469)	-	-	-
Streets and highways	5,183,024	4,642,307	540,717	-	-	-
Culture and recreation	3,050,928	2,834,423	216,505	-	-	-
Housing and economic development	188,361	282,084	(83,733)	-	-	-
Transit	25,938	53,658	(27,720)	-	-	-
Miscellaneous	132,307	112,509	19,798	-	-	-
Interest on long-term debt	521,233	582,762	(61,529)	-	-	-
Water	-	-	-	1,655,023	1,544,092	110,931
Wastewater	-	-	-	3,244,493	3,120,760	123,733
Garbage	-	-	-	742,024	715,898	26,126
Storm water	-	-	-	458,757	404,546	54,211
Liquor store	-	-	-	2,939,174	2,935,516	3,658
Total Expenses	15,536,142	16,344,831	(808,689)	9,039,471	8,720,812	318,659
Increase in Net Position Before Transfers	1,688,133	1,969,878	(281,745)	2,385,789	2,631,759	(245,970)
Transfers	35,000	125,000	(90,000)	(35,000)	(125,000)	90,000
Change in Net Position	1,723,133	2,094,878	(371,745)	2,350,789	2,506,759	(155,970)
Net Position - January 1	46,324,999	44,230,121	2,094,878	34,733,220	32,226,461	2,506,759
Prior Period Adjustment (Note 10)	854,227	-	854,227	-	-	-
Net Position - December 31	\$ 48,902,359	\$ 46,324,999	\$ 2,577,360	\$ 37,084,009	\$ 34,733,220	\$ 2,350,789

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

Expenses and Program Revenues - Governmental Activities



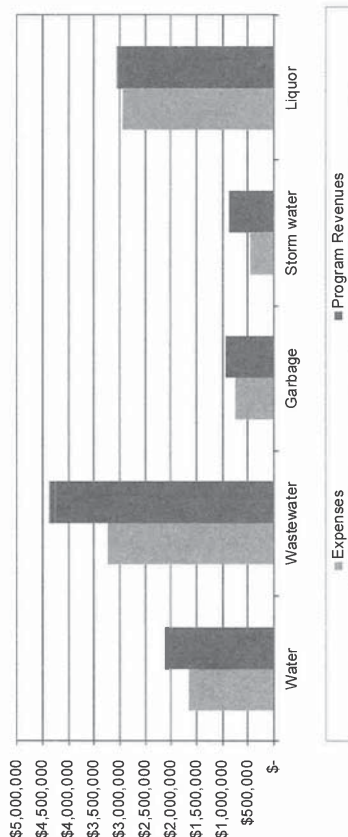
Revenues by Source - Governmental Activities



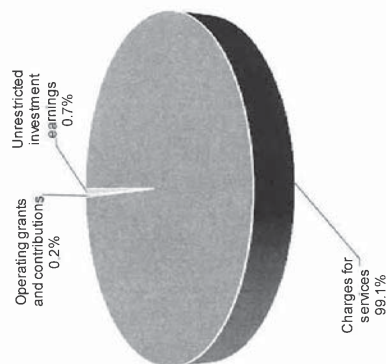
Business-type activities. Business-type activities increased the City's net position by \$2,350,789, accounting for 57.7 percent of the total increase. Key elements of this increase are as follows:

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

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

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

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

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

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

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

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

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

General Fund Budgetary Highlights

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

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

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

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$64,082,929 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 1.7 percent.

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

- East Cannon River Trail project for total cost of \$618,975.
- Woodley Street projects had additional costs of \$266,766.
- 2018 Street improvement costs of \$170,063.
- Completion of Well #6 with additional costs of \$496,175.
- Completion of the ultraviolet project with additional costs of \$249,303.
- The purchase of a Zamboni in the amount of \$111,285.
- The purchase of a 2017 Elgin Pelican sweeper in the amount of \$135,923.

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

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

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 1,465,130	\$ 1,465,130	\$ -	\$ 918,554	\$ 918,554	\$ -
Buildings and Improvements	11,190,187	11,827,720	(637,533)	12,559,487	13,362,954	(793,487)
Infrastructure	33,976,759	32,769,578	1,207,181	18,278,158	17,243,403	1,034,755
Machinery and Equipment	2,268,595	2,320,721	(52,126)	550,374	401,780	148,594
Construction in Progress	2,712,979	4,270,623	(1,557,644)	162,726	956,958	(794,232)
Total	\$ 51,613,650	\$ 52,653,772	\$ (1,040,122)	\$ 32,469,279	\$ 32,873,649	\$ (404,370)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$17,797,500. Of this amount, \$830,000 comprises debt backed by the full faith and credit of the City, \$7,412,046 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, and \$227,500 represents tax increment bonds. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) in the amount of \$9,027,954.

City of Northfield's Outstanding Debt

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

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

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

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

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

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

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

Requests for Information

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

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

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

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

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

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

General Revenues

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

Transfers

Total General Revenues and Transfers

Change in Net Position

Net position, January 1

Prior period adjustment (Note 10)

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Property Taxes

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

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

Accounts Receivable

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

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

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

Interfund Receivables and Payables

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

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

Inventories and Prepaid Items/Unearned Charges

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

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

Restricted Assets

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

Capital Assets

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Compensated Absences

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

Postemployment Benefits Other Than Pensions

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

Pensions

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

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

Long-term Obligations

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

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

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

Net patient and Resident Service Revenue

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

Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party 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. Coherly Endowed Book fund, Arts and Culture fund, Transit Grants fund, TZD Enforcement Fund, Jefferson Square TIF fund, Whittier Trust fund, Rescue Squad Trust fund and Spring Creek TIF fund which are not legally obligated to complete budgets. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

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

B. Excess of Expenditures Over Appropriations

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

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

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

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

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

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

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

Note 3: Detailed Notes on all Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

Note 3: Detailed Notes on all Funds (Continued)

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

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

Investments

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

Types of Investments	Credit Quality/Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at amortized costs					
Broker Money Market Accounts	N/A	less than 6 months	\$ 246,025		
4-M Fund	N/A	less than 6 months	10,016,480		
Non-pooled investments at fair value					
Commercial paper	N/A	less than 6 months	1,991,455	\$ -	\$ 1,991,455
Commercial paper	N/A	less than 1 year	989,975	-	989,975
Municipal securities	AAA/AA1	1 to 3 years	854,974	-	854,974
Municipal securities	AAA/AA1	more than 3 years	632,060	-	632,060
Federal Agency Securities	AA+/AAA	less than 6 months	773,583	773,583	-
Federal Agency Securities	AA+/AAA	less than 1 year	2,007,991	2,007,991	-
Federal Agency Securities	AA+/AAA	1 to 3 years	6,096,704	6,096,704	-
Federal Agency Securities	AA+/AAA	more than 3 years	-	-	-
U.S. Government securities	AA+/AAA	less than 1 year	1,867,663	1,867,663	-
U.S. Government securities	AA+/AAA	1 to 3 years	5,322,412	5,322,412	-
Total investments			\$ 30,795,322	\$ 16,068,353	\$ 4,488,464

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

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

N/A Indicates not applicable or available

Note 3: Detailed Notes on all Funds (Continued)

Cash on Hand

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

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

Deposits - City Pooled Account	\$ 1,686,992
Investments - City Pooled Account	30,799,322
Cash on Hand	2,750
Total	<u>\$ 32,489,064</u>
Cash and Investments - Primary Government	\$ 29,488,517
Restricted Cash and Investments - Primary Government	574,339
Cash and Investments - Component Unit - EDA	1,312,237
Cash and Investments - Component Unit - HRA	1,133,971
Total	<u>\$ 32,489,064</u>

Component Unit - Municipal Hospital

Deposits

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

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

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

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

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

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

Cash and Investments Summary

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

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

B. Receivables

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

Patient Receivables

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

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

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

Notes/Lease Receivable

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

C. Capital Assets

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 1,465,130	\$ -	\$ -	\$ 1,465,130
Construction in progress	4,270,623	1,980,053	(3,537,697)	2,712,979
Total Capital Assets not being Depreciated	5,735,753	1,980,053	(3,537,697)	4,178,109
Capital Assets being Depreciated				
Buildings and improvements	22,591,401	9,841	-	22,601,242
Infrastructure	73,701,320	3,600,961	-	77,302,281
Machinery, equipment and vehicles	7,303,775	423,450	(859,206)	6,868,019
Total Capital Assets being Depreciated	103,596,486	4,034,252	(859,206)	106,771,542
Less Accumulated Depreciation for				
Buildings and improvements	(10,763,681)	(647,374)	-	(11,411,055)
Infrastructure	(40,931,742)	(2,393,780)	-	(43,325,522)
Machinery, equipment and vehicles	(4,983,054)	(386,763)	770,393	(4,599,424)
Total Accumulated Depreciation	(56,678,477)	(3,427,917)	770,393	(59,336,001)
Total Capital Assets being Depreciated, Net	46,918,019	606,335	(88,813)	47,435,541
Governmental Activities Capital Assets, Net	\$ 52,653,772	\$ 2,586,388	\$ (3,626,510)	\$ 51,613,650

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

Note 3: Detailed Notes on all Funds (Continued)

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

Discretely Presented Component Units

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

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

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

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

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

Construction Commitments

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

D. Interfund Receivables, Payables and Transfers

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

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

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

Advances to/from Other Funds

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

Note 3: Detailed Notes on all Funds (Continued)

Interfund Transfers

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

E. Long-term Debt

General Obligation Bonds

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

Primary Government Debt

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

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

General Obligation Tax Increment Bonds

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

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

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	Total
2018	\$ 66,500	\$ 11,965	\$ 78,465
2019	61,500	11,741	73,241
2020	62,000	10,409	72,409
2021	62,000	8,897	70,897
2022	62,000	7,382	69,382
2023 - 2027	213,500	12,183	225,683
Total	\$ 527,500	\$ 62,577	\$ 590,077

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

Note 3: Detailed Notes on all Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

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

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

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	Total
2018	\$ 1,240,938	\$ 154,819	\$ 1,395,757
2019	1,090,512	129,076	1,219,588
2020	1,110,511	103,625	1,214,136
2021	920,085	79,384	999,469
2022	765,000	59,316	824,316
2023 - 2027	2,190,000	102,505	2,292,505
2028	95,000	1,069	96,069
Total	\$ 7,412,046	\$ 629,794	\$ 8,041,840

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

Note 3: Detailed Notes on all Funds (Continued)

G.O. Revenue Bonds

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

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

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

Certificates of Participation

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

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

Notes Payable

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

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

Capital Leases Payable

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

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 1,125,000	\$ -	\$ (295,000)	\$ 830,000	\$ 220,000
General obligation bonds					
General obligation special assessment bonds	7,612,984	945,000	(1,145,938)	7,412,046	1,240,938
General obligation tax increment bonds	584,000	460,000	(516,500)	527,500	86,500
General obligation revenue bonds	1,660,000	-	(190,000)	1,470,000	195,000
Plus amounts for unamortized premiums	208,559	15,078	(23,312)	200,325	-
Less amounts for unamortized discounts	(31,400)	-	1,963	(29,437)	-
Total Bonds Payable	11,159,143	1,420,078	(2,168,787)	10,410,434	1,722,438
Certificates of Participation	5,565,000	-	(270,000)	5,295,000	275,000
Capital Leases Payable	1,592,705	-	(202,222)	1,390,483	210,140
Notes Payable	1,380,677	-	(124,465)	1,256,212	128,460
Other Post-employment benefit liability	220,844	98,647	-	319,491	-
Pension liability	3,925,653	827,494	(1,457,880)	3,296,267	-
GERF	7,063,186	-	(4,781,485)	2,281,701	-
PEPFF					
Compensated Absences payable	742,952	534,605	(464,355)	813,202	296,110
Governmental Activity Long-term Liabilities	\$ 31,651,160	\$ 2,880,824	\$ (9,469,194)	\$ 25,062,790	\$ 2,632,148

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

Note 3: Detailed Notes on all Funds (Continued)

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

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

Conduit Debt Obligations

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

Component Unit Debt

Revenue Bonds - Municipal Hospital

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

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

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

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

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

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

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

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities - Municipal Hospital					
Bonds Payable	\$ 32,500,275	\$ -	\$ (1,866,527)	\$ 30,633,748	\$ 1,917,701
Revenue bonds					
Pension Liability	52,533,192	-	(9,480,789)	43,072,403	-
GERF					
Component Unit					
Long-term Liabilities	\$ 85,033,467	\$ -	\$ (11,327,316)	\$ 73,706,151	\$ 1,917,701
Component unit activities -					
EDA					
Pension liability					
GERF	\$ 29,812	\$ 59,689	\$ (10,768)	\$ 78,733	\$ -
Component Unit Activities - HRA					
Other Post-employment benefit liability	\$ -	\$ 1,249	\$ -	\$ 1,249	\$ -
Pension Liability	96,136	21,639	(34,725)	83,050	-
GERF					
Component Unit					
Long-term Liabilities	\$ 96,136	\$ 22,888	\$ (34,725)	\$ 84,299	\$ -

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

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1989, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

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

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

GERF Benefits

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

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

PEPFF Benefits

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

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

C. Contributions

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

GERF Contributions

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

PEPFF Contributions

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

D. Pension costs

GERF Pension Costs

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

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

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

At December 31, 2017, 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	\$ 143,923	\$ 273,660
Changes in Actuarial Assumptions	725,498	436,894
Net Difference Between Projected and Actual Earnings on Plan Investments	-	201,768
Changes in Proportion	229,288	138,911
Contributions to GERF Subsequent to the Measurement Date	165,009	-
Total	\$ 1,263,718	\$ 1,051,233

Deferred outflows of resources totaling \$165,009 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

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

At December 31, 2017, the City's component units reported their proportionate share of 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	\$ 2,600	\$ 4,944	\$ 2,743	\$ 5,215	\$ 1,419,537	\$ 2,770,667
Changes in Actuarial Assumptions	13,108	7,893	13,825	8,326	7,150,950	4,318,014
Net Difference Between Projected and Actual Earnings on Plan Investments	-	3,645	-	3,645	-	1,862,733
Changes in Proportion	4,142	2,510	4,369	2,647	2,759,429	-
Contributions to GERF Subsequent to the Measurement Date	2,981	-	3,145	-	1,648,040	-
Total	\$ 22,831	\$ 18,992	\$ 24,082	\$ 20,033	\$ 12,977,956	\$ 8,951,414

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

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

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

PEPFF Pension Costs

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

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

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

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

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

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

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

E. Actuarial Assumptions

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

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

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

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

The following changes in actuarial assumptions occurred in 2017:

GERP

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

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

PEPFF

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

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

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

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

F. Discount Rate

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

G. Pension Liability Sensitivity

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

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

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Contribution Plan

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

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

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

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

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

Note 6: Postemployment Benefits Other Than Pensions

A. Plan Description

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

B. Funding Policy

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

Note 6: Postemployment Benefits Other Than Pensions (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 210,811
Interest on Net OPEB Obligation	9,431
Adjustment to Annual Required Contribution	(14,401)
Annual OPEB cost (expense)	205,841
Contributions Made	(80,972)
Increase in Net OPEB Obligation	124,869
Net OPEB Obligation - Beginning of Year	289,453
Net OPEB Obligation - End of Year	\$ 394,322
Primary Government Component Unit - HRA	\$ 393,073
Total Net OPEB Obligation	1,249
	\$ 394,322

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

Year Ending	Three Year Trend Information		Percentage Annual OPEB Contributed	Net OPEB Obligation
	Annual OPEB Cost	Annual OPEB Cost		
12/31/17	\$ 205,841	\$ 205,841	39.3 %	\$ 394,322
12/31/16	71,222	71,222	83.9	289,453
12/31/15	71,540	71,540	84.4	257,998

Note 6: Postemployment Benefits Other Than Pensions (Continued)

D. Funded Status and Funding Progress

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

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

E. Actuarial Methods and Assumptions

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

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

Note 7: Commitments and Contingent Liabilities

A. Land Lease

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

B. Operating Leases

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

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

C. Self-insurance Plan

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

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

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

Note 7: Commitments and Contingent Liabilities (Continued)

D. Medical Malpractice Insurance

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

Risk Management

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

Healthcare Legislation and Regulation

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

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

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

E. Annexation Agreements

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

Note 8: Net Patient Service Revenue

A. Medicare

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

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

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

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

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

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

B. Medicaid

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

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

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

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

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

Note 8: Net Patient Service Revenue (Continued)

Other

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

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

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

	2017	2016
Total Patient and Resident Revenues		
Contractual Adjustments	\$ 237,685,719	\$ 221,771,655
Medicare	(55,483,263)	(48,221,909)
Medicaid	(4,036,823)	(4,183,924)
Commercial / HMO's	(64,379,588)	(59,638,621)
Provision of bad debts	(2,335,223)	(2,253,836)
Other	(6,582,030)	(6,369,747)
Total Contractual Adjustments	(132,796,927)	(120,668,037)
Net Patient and Resident Revenues	\$ 104,888,792	\$ 101,103,618

Note 9: Other Information

A. Risk Management

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

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

B. Contingent Liabilities

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

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

Note 9: Other Information (Continued)

C. Federal and State funds

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

D. Tax Increment Districts

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

E. Legal Debt Margin

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

F. Concentrations

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

G. Electronic Health Record Incentive Program

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

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

H. Joint Powers Agreement

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

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

Note 9: Other Information (Continued)

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

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

I. Tax Abatements

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

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

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

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

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

J. Subsequent Events

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

Note 10: Prior Period Adjustment

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

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability		City's Covered Payroll	City's Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		Proportionate Share of the Net Pension Liability	the City Associated with the City	the City		
		(a)	(b)	(c)	(a/c)	
06/30/17	0.7455 %	\$ 47,592,228	\$ 598,475	\$ 51,296,616	92.8 %	75.9 %
06/30/16	0.7125	57,859,590	755,451	48,384,386	119.6	68.9
06/30/15	0.6637	34,396,380	-	44,097,901	78.0	78.2

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

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

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

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in actuarial assumptions

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

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

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

Changes in plan provisions

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

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability		City's Covered Payroll	City's Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		Proportionate Share of the Net Pension Liability	the City Associated with the City	the City		
		(a)	(b)	(c)	(a/c)	
06/30/17	0.1890 %	\$ 2,281,701	\$ -	\$ 1,731,625	131.8 %	85.4 %
06/30/16	0.1760	7,063,186	-	1,697,313	416.1	63.9
06/30/15	0.1720	1,954,322	-	1,536,019	127.2	86.6

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

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

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

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

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

Changes in Actuarial Assumptions

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

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.5 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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

Changes in Plan Provisions

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

Schedule of Funding Progress for Other Post-Employment Benefit Plan

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

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

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

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 195,662	\$ 507,583	\$ 703,245
Tax increment	30,282	-	30,282
Franchise fees	200,007	-	200,007
Intergovernmental			
Federal	82,550	-	82,550
State	556,472	246,250	802,722
County	-	-	-
Charges for services			
General government	201,585	-	201,585
Culture and recreation	29,488	4,179	33,667
Communication	-	-	-
Special assessments	16,156	5,136	21,292
Investment earnings	-	19,940	19,940
Miscellaneous	-	-	-
Other	-	8,334	8,334
Contributions and donations	9,014	96,169	105,183
Refunds and reimbursements	99,181	-	99,181
Total Revenues	863,925	1,444,063	2,307,988
Expenditures			
Current			
General government	327,257	-	327,257
Public safety	29,524	102,432	131,956
Culture and recreation	186,921	35,318	222,239
Housing and economic development	184,533	-	184,533
Miscellaneous	362	-	362
Capital outlay			
General government	10,000	63,264	73,264
Public safety	-	193,330	193,330
Public works	-	1,482,056	1,482,056
Culture and recreation	-	761,856	761,856
Housing and economic development	21,506	-	21,506
Debt service			
Principal	43,339	-	43,339
Interest and other charges	13,270	-	13,270
Issuance fees	-	4,725	4,725
Total Expenditures	816,732	2,640,981	3,457,713
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,193	(1,196,918)	(1,149,725)
Other Financing Sources (Uses)			
Transfers in	161,899	193,652	355,551
Debt issued	-	945,000	945,000
Transfers out	-	(400,132)	(400,132)
Bond premiums	-	15,078	15,078
Total Other Financing Sources (Uses)	161,899	753,598	915,497
Net Change in Fund Balances	209,092	(443,320)	(234,228)
Fund Balances, January 1	2,168,676	2,854,212	5,022,888
Fund Balances, December 31	\$ 2,377,768	\$ 2,410,892	\$ 4,788,660

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

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

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

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

	IIF Fund	Fund	Fund	IIF Fund	Nonmajor
Assets					
Cash and temporary investments	\$ 350,085	\$ 341,255	\$ 21	\$ 35,263	\$ 2,247,088
Receivables	675	631	-	64	4,139
Interest	1,027	-	-	-	2,275
Due to other funds	-	-	-	-	57,565
Accounts	-	-	-	-	5,835
Notes	5,835	-	-	-	10,066
Intergovernmental	-	-	-	-	136,000
Advance to other funds	136,000	-	-	-	2,316
Prepaid items	-	-	-	-	-
Total Assets	\$ 493,632	\$ 341,886	21	\$ 35,327	\$ 2,465,264
Liabilities					
Accounts payable	-	-	-	\$ 27,253	\$ 35,814
Accrued wages payable	-	-	-	-	5,133
Due to other funds	-	-	-	-	9,646
Due to other governments	-	-	-	-	34,648
Total Liabilities	-	-	-	27,253	85,241
Deferred Inflows of Resources					
Unavailable revenue - taxes	1,027	-	-	-	2,275
Fund Balances					
Nonspendable	-	-	-	-	2,316
Prepaid items	-	-	-	-	324,674
Restricted	-	-	-	-	1,185
Library	-	-	-	-	9,350
Public safety activities	-	-	-	-	9,350
Arts and culture	-	-	-	-	512,154
Redevelopment and housing	-	-	-	8,074	341,886
Recreational activities	492,605	-	-	-	-
Recreation funds	-	341,886	-	-	-
Committed	-	-	21	-	21
Community resource center operations	-	-	-	-	392,309
Motor vehicle operations	-	-	-	-	169,843
Communications	-	-	-	-	603,648
Total Fund Balances	492,605	341,886	21	8,074	2,377,768
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 493,632	\$ 341,886	21	\$ 35,327	\$ 2,465,264

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

	211	215	229	240	241
	Community Resources Center	Motor Vehicle Fund	Communication Fund	Library Gift Fund	G.W. Bunday Fund
Revenues					
Taxes					
Property taxes	\$ 189,472	\$ -	\$ -	\$ -	\$ -
Tax increment	-	-	-	-	-
Franchise fees	-	-	200,007	-	-
Intergovernmental	-	-	-	-	-
Federal	-	-	-	-	-
Charges for services	-	201,585	-	-	-
General government	-	-	29,488	-	-
Communication	-	3,009	1,518	792	248
Investment earnings	1,458	-	-	-	-
Miscellaneous	-	-	-	8,194	-
Contributions and donations	56,602	2,579	-	-	-
Other	247,532	207,173	231,013	8,966	248
Total Revenues	493,104	410,761	511,511	9,760	496
Expenditures					
Current					
General government	-	195,237	132,020	-	-
Public safety	157,972	-	-	13,903	990
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Capital outlay	-	-	10,000	-	-
General government	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service	43,339	-	-	-	-
Principal	13,263	-	-	-	-
Interest and other charges	214,574	195,237	142,020	13,903	990
Total Expenditures	426,148	390,474	284,040	27,806	1,980
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,956	20,287	227,471	(18,046)	298
Other Financing Sources (Uses)					
Transfers in	142,724	-	-	-	-
Net Change in Fund Balances	209,680	20,287	227,471	(18,046)	298
Fund Balances, January 1	216,627	160,023	514,555	77,863	24,917
Fund Balances, December 31	\$ 392,309	\$ 171,959	\$ 603,648	\$ 72,966	\$ 24,175

	242	243	244	245	246	250	251	252	271
	Scriver Memorial Fund	L.J. Gustafson Fund	Myrtle Houston Trust Fund	C.C. Clonerty Endowed Book Fund	Arts and Culture Fund	Community Development Block Grant Fund	Transit Grants Fund	TZD Enforcement Fund	Jefferson Square TIF Fund
Revenues									
Taxes									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,190
Tax increment	-	-	-	-	-	-	-	-	-
Franchise fees	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	55,208	-	27,342	-
Charges for services	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-
Investment earnings	1,416	339	426	117	117	9	22	-	127
Miscellaneous	-	-	-	-	620	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-	-	-
Other	1,416	339	426	317	737	55,217	22	27,342	6,317
Total Revenues	2,832	678	852	434	1,454	55,226	44	27,342	6,317
Expenditures									
Current									
General government	-	-	-	-	-	-	-	-	-
Public safety	852	1,319	-	148	5,687	52,208	-	18,998	7,072
Culture and recreation	-	-	382	-	-	-	-	-	-
Housing and economic development	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	952	1,319	382	148	5,687	52,208	-	18,998	7,072
Total Expenditures	1,804	2,638	764	296	11,374	104,416	-	18,998	7,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,028	(1,960)	86	138	(320)	(49,190)	22	8,344	(755)
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	-	-	19,175	-	-
Net Change in Fund Balances	1,028	(1,960)	86	138	(320)	(49,190)	19,197	8,344	(755)
Fund Balances, January 1	139,866	33,567	42,039	12,384	14,200	(2,655)	(19,197)	13,524	11,276
Fund Balances, December 31	\$ 140,330	\$ 32,587	\$ 42,083	\$ 12,522	\$ 9,250	\$ 354	\$ -	\$ 21,867	\$ 11,121

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

	270 Master Development TIF Fund	851 Whittier Trust Fund	853 Rescue Squad Trust Fund	385 Spring Creek TIF Fund	Total Nonmajor Special Revenue
Revenues					
Taxes					
Property taxes				\$	\$ 195,662
Tax increment				30,282	200,007
Franchise fees					
Intergovernmental					
Federal					82,550
Charges for services					
General government					201,565
Communication					29,488
Investment earnings	3,006	3,435	40	77	16,156
Miscellaneous					
Contributions and donations					9,014
Other	45,000				99,181
Total Revenues	43,006	3,435	40	30,359	863,925
Expenditures					
Current					
General government					327,257
Public safety					29,524
Culture and recreation			10,525		186,921
Housing and economic development		5,950			184,533
Miscellaneous	98,000			27,253	382
Capital outlay					
General government					10,000
Housing and economic development	21,506				21,506
Debt service					
Principal					43,339
Interest and other charges					13,270
Total Expenditures	119,506	5,950	10,525	27,260	816,732
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,500)	(2,515)	(10,485)	3,099	47,193
Other Financing Sources (Uses)					
Transfers in					161,899
Net Change in Fund Balances	(76,500)	(2,515)	(10,485)	3,099	209,992
Fund Balances, January 1	569,105	344,401	10,506	4,975	2,168,676
Fund Balances, December 31	\$ 492,605	\$ 341,886	\$ 21	\$ 8,074	\$ 2,377,768

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

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

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

City of Northfield, Minnesota

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

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

City of Northfield, Minnesota

Library Gift Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual

For the Year Ended December 31, 2017

With Comparative Actual Amounts for Year Ended December 31, 2016

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

City of Northfield, Minnesota

G.W. Bunday Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual

For the Year Ended December 31, 2017

With Comparative Actual Amounts for Year Ended December 31, 2016

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

City of Northfield, Minnesota

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

	2017		2016	
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Investment earnings	\$ 3,500	\$ 1,416	\$ (2,084)	\$ 666
Expenditures				
Current				
Culture and recreation	3,500	952	2,548	985
Other services and charges	-	464	464	(329)
Net Change in Fund Balances	139,866	139,866	-	140,195
Fund Balances, January 1	\$ 139,866	\$ 140,330	\$ 464	\$ 139,866
Fund Balances, December 31				

City of Northfield, Minnesota

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

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

City of Northfield, Minnesota

Myrtle Houston Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

For the Year Ended December 31, 2017

With Comparative Actual Amounts for Year Ended December 31, 2016

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

City of Northfield, Minnesota

Community Development Block Grant (CDBG) Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

For the Year Ended December 31, 2017

With Comparative Actual Amounts for Year Ended December 31, 2016

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

City of Northfield, Minnesota
Master Development Tax Increment Financing Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual

For the Year Ended December 31, 2017
 With Comparative Actual Amounts for Year Ended December 31, 2016

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

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

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

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

	451	453	454	455	456	460	462	463	475	Total
	Park Fund	Fire Replacement Fund	City Facilities Fund	Equipment and Vehicle Replacement	Hauberg Park	Public Safety Center Project	Library Capital Project Fund	NAFRS Building	Capital Reserve Fund	Nonmajor Capital Projects
\$	-	\$ 75,846	\$ 37,111	\$ 435,318	\$ 3,708	\$ 388,169	\$ -	\$ -	\$ 864,562	\$ 1,855,599
	-	-	-	-	-	574,339	-	-	-	574,339
	-	140	69	805	7	717	-	-	1,597	3,741
	-	-	-	-	-	-	-	-	15,251	15,251
	-	-	-	-	-	-	-	-	372	372
	394,500	-	-	-	-	-	-	-	153,998	153,998
	-	-	-	-	-	-	-	-	2,186	396,686
	-	-	-	-	-	-	-	-	49,937	49,937
\$	394,500	\$ 75,986	\$ 37,180	\$ 436,123	\$ 3,715	\$ 963,225	\$ -	\$ -	\$ 1,087,903	\$ 3,049,923
\$	-	\$ -	\$ -	\$ 39	\$ -	\$ -	\$ -	\$ 2,926	\$ 694	\$ 13,725
	35,971	-	-	-	-	-	-	-	-	35,971
	235,140	-	-	-	-	-	-	99,506	-	334,646
	-	-	-	-	-	-	-	-	86,968	86,968
	271,111	-	-	39	-	-	-	102,432	87,662	471,310
	-	-	-	-	-	-	-	-	167,721	167,721
	123,389	75,986	37,180	436,084	3,715	963,225	-	-	-	1,004,450
	-	-	-	-	-	-	-	-	832,520	1,508,874
	123,389	75,986	37,180	436,084	3,715	963,225	-	(102,432)	-	(102,432)
\$	394,500	\$ 75,986	\$ 37,180	\$ 436,123	\$ 3,715	\$ 963,225	\$ -	\$ -	\$ 1,087,903	\$ 3,049,923

Assets
Cash and temporary investments
Restricted cash and investments
Receivables
Interest
Special assessments
Current
Delinquent
Noncurrent
Intergovernmental
Land held for resale
Total Assets

Liabilities
Accounts payable
Contracts payable
Due to other funds
Deposits payable
Total Liabilities

Deferred Inflows of Resources
Unavailable revenue - special assessments

Fund Balances
Restricted for capital projects
Assigned for capital projects
Unassigned
Total Fund Balance

Total Liabilities, Deferred Inflows or Resources and Fund Balances

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

	416	417	418	451
	2015 Capital Project Fund	2016 Capital Project Fund	2017 Capital Project Fund	Park Fund
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 94,500
Intergovernmental				
State	-	42,772	-	483,700
County - Highway aid	-	246,250	-	-
Charges for services	-	-	-	4,179
Culture and recreation	-	125	-	-
Special assessments	-	455	561	6,609
Investment earnings	1,644	-	-	-
Miscellaneous	-	-	-	12,333
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total Revenues	1,644	289,602	561	581,321
Expenditures				
Current				
Public safety	-	-	-	33,318
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
General government	-	-	-	-
Public safety	-	-	905,751	-
Public works	-	286,766	-	-
Culture and recreation	-	-	-	630,602
Debt service	-	-	-	-
Bond issuance costs	-	-	4,725	-
Total Expenditures	-	286,766	910,476	663,920
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,644	22,836	(909,915)	(82,599)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(165,379)	(209,753)	-	(25,000)
Bond premiums	-	-	15,078	-
Bonds issued	-	-	945,000	-
Total Other Financing Sources (Uses)	(165,379)	(209,753)	960,078	(25,000)
Net Change in Fund Balances	(163,735)	(186,917)	50,163	(107,599)
Fund Balances, January 1	163,735	186,917	(8,938)	230,988
Fund Balances, December 31	\$ -	\$ -	\$ 41,225	\$ 123,389

	453	454	455	456	460
	Fire Replacement Fund	City Facilities Fund	Equipment and Vehicle Replacement	Hauberg Park	Public Safety Center Project
Revenues					
Taxes					
Property taxes	\$ -	\$ 42,000	\$ 315,079	\$ -	\$ -
Intergovernmental					
State	-	-	50,000	-	-
County - Highway aid	-	-	-	-	-
Charges for services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Special assessments	-	163	1,145	26	5,668
Investment earnings	748	-	-	-	-
Miscellaneous	-	-	-	-	-
Contributions and donations	-	-	70,336	-	-
Other	-	-	-	1,135	7,199
Total Revenues	748	42,163	436,560	1,161	12,867
Expenditures					
Current					
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	63,264	-	-	-
General government	-	-	-	-	-
Public safety	-	-	178,933	-	14,397
Public works	-	-	160,307	-	-
Culture and recreation	-	-	122,119	-	-
Debt service	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	-	63,264	461,359	-	14,397
Excess (Deficiency) of Revenues Over (Under) Expenditures	748	(21,101)	(24,799)	1,161	(1,530)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Bond premiums	-	-	-	-	-
Bonds issued	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	748	(21,101)	(24,799)	1,161	(1,530)
Fund Balances, January 1	75,238	58,281	460,883	2,554	964,755
Fund Balances, December 31	\$ 75,986	\$ 37,180	\$ 436,084	\$ 3,715	\$ 963,225

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

	462	463	475	Total
	Library Capital Project Fund	NAFRS Building	Capital Reserve Fund	Nonmajor Capital Projects
Revenues				
Taxes				
Property taxes		\$ -	\$ 56,004	\$ 507,593
Intergovernmental				
State				556,472
County - Highway aid				246,250
Charges for services				
Culture and recreation				4,179
Special assessments			5,011	5,136
Investment earnings			2,921	19,940
Miscellaneous				
Contributions and donations	13,500			96,169
Other				8,334
Total Revenues	13,500	-	63,936	1,444,063
Expenditures				
Current				
Public safety		102,432		102,432
Culture and recreation				33,318
Capital outlay				
General government				63,264
Public safety				193,330
Public works			149,232	1,482,056
Culture and recreation	9,135			761,856
Debt service				
Issuance fees				4,725
Total Expenditures	9,135	102,432	149,232	2,640,981
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,365	(102,432)	(85,296)	(1,196,918)
Other Financing Sources (Uses)				
Transfers in	193,017		635	193,652
Transfers out				(400,132)
Bond premiums				15,078
Bonds issued				945,000
Total Other Financing Sources (Uses)	193,017	-	635	753,598
Net Change in Fund Balances	197,382	(102,432)	(84,661)	(443,320)
Fund Balances, January 1	(197,382)	-	917,181	2,854,212
Fund Balances, December 31	\$ -	\$ (102,432)	\$ 832,520	\$ 2,410,892

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

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

City of Northfield, Minnesota
General Fund

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

	2017			2016		
	Budgeted Amounts	Final	Actual	Budgeted Amounts	Final	Actual
Revenues						
Taxes						
Property taxes	\$ 5,512,070	\$ 5,512,070	\$ 5,508,033	\$ (4,037)	\$ 5,337,371	\$ 5,337,371
Hotel-motel tax	85,300	85,300	116,745	31,445	116,895	116,895
Total Taxes	5,597,370	5,597,370	5,624,778	27,408	5,454,266	5,454,266
Licenses and permits						
Business	67,630	67,630	75,889	8,259	74,008	74,008
Nonbusiness	345,000	345,000	783,360	438,360	605,466	605,466
Total Licenses and Permits	412,630	412,630	859,249	446,619	679,474	679,474
Intergovernmental						
Federal - other grants and aids	-	-	-	-	-	14,370
State						
Local government aid	2,898,829	2,898,829	2,898,810	(19)	2,899,833	2,899,833
Property tax credits	-	-	170	170	303	303
Street maintenance aid	190,235	190,235	202,163	11,928	203,741	203,741
Fire aid	151,000	151,000	147,770	(3,230)	151,652	151,652
Police aid	156,050	156,050	180,920	24,870	179,478	179,478
Other state aid	25,494	25,494	26,807	1,313	37,751	37,751
County						
Library aid	188,470	188,470	193,057	4,587	188,470	188,470
Highway	7,223	7,223	9,310	2,087	9,310	9,310
Total Intergovernmental	3,617,301	3,617,301	3,659,007	41,706	3,674,908	3,674,908
Charges for services						
General government	651,058	651,058	624,115	(26,943)	638,468	638,468
Public safety	119,800	119,800	85,274	(34,526)	97,562	97,562
Streets and highways	295,850	295,850	95,890	(199,960)	183,064	183,064
Culture and recreation	477,600	477,600	414,316	(90,584)	416,210	416,210
Total Charges For Services	1,544,308	1,544,308	1,219,595	(352,013)	1,335,304	1,335,304
Fines and forfeits	147,000	147,000	98,171	(48,829)	82,032	82,032
Investment earnings	75,000	75,000	16,127	(58,873)	45,623	45,623
Miscellaneous						
Contributions and donations	266,000	266,000	272,950	6,950	283,052	283,052
Other	10,000	10,000	14,241	4,241	25,369	25,369
Total Miscellaneous	276,000	276,000	287,191	11,191	308,421	308,421
Total Revenues	11,669,609	11,669,609	11,764,118	67,209	11,580,028	11,580,028

City of Northfield, Minnesota
General Fund

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

	2017			2016		
	Budgeted Amounts	Final	Actual	Budgeted Amounts	Final	Actual
Expenditures						
Current						
General government						
Mayor and Council	\$ 69,815	\$ 69,815	\$ 68,002	\$ 1,813	\$ 67,186	\$ 67,186
Personal services	1,600	1,600	1,103	487	526	526
Supplies	195,153	195,153	130,624	64,529	153,523	153,523
Other services and charges	266,568	266,568	199,729	66,839	221,215	221,215
Total Mayor and Council	532,136	532,136	399,458	132,869	342,430	342,430
City clerk						
Personal services	153,972	153,972	159,339	(5,367)	152,416	152,416
Supplies	1,300	1,300	277	1,023	396	396
Other services and charges	32,981	32,981	17,381	15,600	34,415	34,415
Total City Clerk	188,253	188,253	176,997	11,256	187,227	187,227
Administration						
Personal services	176,742	176,742	175,601	1,141	148,200	148,200
Supplies	2,200	2,200	839	1,361	1,124	1,124
Other services and charges	227,101	227,101	188,097	39,004	154,554	154,554
Total Administration	406,043	406,043	364,537	41,506	303,878	303,878
Finance						
Personal services	374,492	374,492	371,612	2,880	357,462	357,462
Supplies	3,000	3,000	2,493	507	3,583	3,583
Other services and charges	74,818	74,818	89,445	(14,627)	70,239	70,239
Total Finance	452,310	452,310	463,550	(11,240)	431,284	431,284
Elections						
Personal services	-	-	2,654	(2,654)	199	199
Supplies	24,600	24,600	386	(386)	1,329	1,329
Other services and charges	24,600	24,600	19,268	5,332	35,769	35,769
Total Elections	24,600	24,600	22,308	2,292	37,297	37,297
Human resources						
Personal services	240,794	240,794	232,610	8,184	219,497	219,497
Supplies	2,497	2,497	1,993	504	977	977
Other services and charges	157,314	157,314	123,322	33,992	186,961	186,961
Total Human Resources	400,605	400,605	357,925	42,680	407,435	407,435
Community development						
Personal services	95,252	95,252	115,186	(19,934)	100,637	100,637
Supplies	500	500	791	(291)	403	403
Other services and charges	30,121	30,121	20,833	9,288	25,294	25,294
Total Community Development	125,873	125,873	136,810	(10,937)	126,334	126,334

City of Northfield, Minnesota

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

	2017			2016	
	Budgeted Amounts	Actual	Variance with	Actual	
	Original	Final	Final Budget	Amounts	Amounts
Expenditures (Continued)					
Current (Continued)					
General Government (Continued)					
City Hall operations					
Supplies	\$ 35,500	\$ 35,500	\$ 27,988	\$ 26,695	
Other services and charges	69,587	51,510	18,077	54,038	
Total City Hall Operations	105,087	79,498	25,589	80,733	
Planning and zoning					
Personal services	125,227	120,759	4,468	115,051	
Supplies	500	90	410	239	
Other services and charges	38,620	29,687	8,933	30,094	
Total Planning and Zoning	164,347	150,516	13,831	145,384	
Insurance	154,354	154,354	-	154,354	
Total General Government	2,288,040	2,106,224	181,816	2,095,141	
Public safety					
Police protection					
Personal services	2,895,237	2,869,817	25,420	2,772,352	
Supplies	190,000	179,674	10,326	169,509	
Other services and charges	396,093	325,293	70,800	353,820	
Total Police Protection	3,481,330	3,374,784	106,546	3,295,681	
Fire protection					
Personal services	151,000	147,770	3,230	151,652	
Supplies	-	1,230	(1,230)	815	
Other services and charges	380,000	379,961	39	379,815	
Total Fire Protection	531,000	528,961	2,039	532,282	
Building inspection					
Personal services	242,470	212,033	30,437	185,008	
Supplies	12,800	9,547	3,253	8,094	
Other services and charges	26,079	34,612	(8,533)	24,332	
Total Building Inspection	281,349	256,192	25,157	217,434	
Total Public Safety	4,293,679	4,159,937	133,742	4,045,397	
Public works					
Engineering					
Personal services	430,240	433,198	(2,958)	404,434	
Supplies	15,182	11,974	3,208	15,575	
Other services and charges	79,613	72,154	7,459	88,494	
Total Engineering	525,235	517,326	7,909	508,503	
Streets					
Personal services	683,786	758,027	(74,241)	744,452	
Supplies	205,500	162,604	42,896	140,398	
Other services and charges	509,093	490,957	18,136	503,764	
Total Streets	1,398,379	1,411,588	(13,209)	1,388,614	

City of Northfield, Minnesota

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

	2017			2016	
	Budgeted Amounts	Actual	Variance with	Actual	
	Original	Final	Final Budget	Amounts	Amounts
Expenditures (Continued)					
Current (Continued)					
Public works (Continued)					
Street lighting					
Supplies	\$ 30,000	\$ 30,000	\$ 51,081	\$ 26,307	
Other services and charges	270,000	270,000	1,175	231,872	
Total Street Lighting	300,000	300,000	(19,906)	258,179	
Facilities					
Personal services	171,790	157,063	14,727	141,969	
Supplies	7,768	4,999	2,769	3,449	
Other services and charges	73,358	76,777	(5,419)	80,312	
Total Facilities	252,916	240,839	12,077	225,730	
Total Public Works	2,476,530	2,489,659	(13,129)	2,381,026	
Culture and recreation					
Ice arena					
Personal services	71,224	75,344	(29,987)	98,742	
Supplies	29,917	29,575	7,357	40,948	
Other services and charges	69,481	85,646	(7,231)	94,513	
Total Ice Arena	170,622	190,565	(29,943)	234,203	
Swimming pool					
Personal services	136,901	87,735	49,166	102,395	
Supplies	52,750	44,117	8,633	50,339	
Other services and charges	43,883	34,141	9,742	33,774	
Total Swimming Pool	233,534	165,993	67,541	186,508	
General parks					
Personal services	139,762	67,457	72,305	45,256	
Supplies	74,620	79,258	(4,638)	83,829	
Other services and charges	182,140	182,218	(78)	188,338	
Total General Parks	396,522	328,933	67,589	317,423	
Recreation administration					
Personal services	92,555	85,770	6,785	85,472	
Supplies	300	-	300	-	
Other services and charges	124,020	124,506	(486)	120,146	
Total Recreation Administration	216,875	210,276	6,599	205,618	
Library					
Personal services	845,431	869,773	(24,342)	841,183	
Supplies	40,000	33,388	6,612	42,196	
Other services and charges	340,709	343,910	(3,201)	257,153	
Total Library	1,226,140	1,247,051	(20,911)	1,140,532	
Total Culture and Recreation	2,243,693	2,180,036	90,957	2,084,284	

City of Northfield, Minnesota

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

	2017		2016	
	Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Original	Final			
Expenditures (Continued)				
Current (Continued)				
Miscellaneous				
Unallocated				
Other services and charges	\$ 293,508	\$ 293,508	\$ 130,676	\$ 109,809
Total Current	11,595,450	11,622,750	11,086,532	10,715,657
Capital outlay				
General government	15,000	15,000	15,441	11,594
Public works	5,500	5,500	3,774	23,859
Culture and recreation	4,200	4,200	5,435	8,102
Total Capital Outlay	24,700	24,700	24,650	43,555
Debt service				
Principal	158,883	158,883	158,883	152,897
Interest and other charges	46,576	46,576	46,576	52,563
Total Debt Service	205,459	205,459	205,459	205,460
Total Expenditures	11,825,609	11,852,909	11,296,641	10,964,672
Excess (Deficiency) of Revenues Over (Under) Expenditures	(156,000)	(156,000)	467,477	615,356
Other Financing Sources (Uses)				
Sale of capital assets	-	-	17,464	25,337
Transfers in	156,000	156,000	150,000	588,742
Transfers out	(90,000)	(267,017)	(302,192)	(794,600)
Total Other Financing Sources (Uses)	66,000	(111,017)	(134,728)	(200,521)
Net Change in Fund Balances	(90,000)	(267,017)	332,749	414,835
Fund Balances, January 1	7,315,431	7,315,431	7,315,431	6,900,596
Fund Balances, December 31	\$ 7,225,431	\$ 7,048,414	\$ 7,648,180	\$ 7,315,431

City of Northfield, Minnesota

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

	306	308	309	310	311	312
Assets						
Cash and temporary investments	\$ 9,803	\$ 277,354	\$ 124,936	\$ 223,125	\$ 155,250	\$ 332,046
Receivables	-	-	513	225	412	614
Interest	-	-	-	-	-	-
Delinquent taxes	-	-	-	-	-	-
Special assessments	-	11,278	9,677	36,089	52,282	111,222
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Noncurrent	30,635	2,593	-	2,821	2,617	8,281
Intergovernmental	-	-	-	-	-	-
Total Assets	\$ 40,438	\$ 291,738	\$ 134,839	\$ 262,247	\$ 210,434	\$ 452,163
Liabilities						
Accounts payable	\$ -	\$ 200	\$ 200	\$ 527	\$ 297	\$ 200
Due to other funds	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	-	200	200	527	297	200
Deferred Inflows of Resources						
Unavailable revenue - taxes	-	-	-	-	-	-
Unavailable revenue - special assessments	30,635	12,701	9,100	37,791	54,899	117,980
Total Deferred Inflows of Resources	30,635	12,701	9,100	37,791	54,899	117,980
Fund Balances						
Restricted for debt service	9,803	278,837	125,539	223,929	155,238	333,983
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 40,438	\$ 291,738	\$ 134,839	\$ 262,247	\$ 210,434	\$ 452,163

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

	306	308	309	310	311
	2002A Bonds Fund	2007A Bonds Fund	2008B Bonds Fund	2009A Bonds Fund	2010A Bonds Fund
Revenues					
Taxes					
Property taxes	\$ -	\$ 25,000	\$ 85,000	\$ 60,000	\$ 155,000
Tax increment	-	36,810	7,129	30,249	20,727
Special assessments	-	3,276	972	2,151	438
Investment earnings	-	-	-	-	-
Total Revenues	-	65,086	93,103	92,400	176,165
Expenditures					
Current					
Housing and economic development	-	-	-	-	-
Debt service					
Principal	-	245,000	80,000	115,000	150,938
Interest and other charges	-	19,123	6,008	12,620	18,653
Total Expenditures	-	264,123	86,008	127,620	169,591
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(199,037)	7,095	(35,220)	6,574
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Debt issued	-	-	-	-	-
Premium on debt issued	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	(199,037)	7,095	(35,220)	6,574
Fund Balances, January 1	9,803	477,874	118,444	259,149	148,664
Fund Balances, December 31	\$ 9,803	\$ 278,837	\$ 125,539	\$ 223,929	\$ 155,238

381	382				
Hiley Neff TIF Bonds	Riverfront TIF Bonds	Totals			
\$ -	\$ 227,922	\$ 4,098,581			
9	421	7,170			
-	-	41			
-	-	1,505,918			
-	-	14,319			
-	-	33,228			
-	2,806	2,806			
\$ 9	\$ 231,149	\$ 5,662,063			
\$ -	\$ -	\$ 41,403			
95,910	-	95,910			
-	-	136,000			
95,910	-	273,313			
-	-	41			
-	-	1,547,916			
-	-	1,547,957			
(95,901)	231,149	3,840,793			
\$ 9	\$ 231,149	\$ 5,662,063			

City of Northfield, Minnesota

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

	312	313	314	315	316	317	318	351	352
									2014A (2006A)
2011A Bonds Fund		2012A Bonds Fund	2013A Bonds Fund	2014A Bonds Fund	2015A Bonds Fund	2016C Bonds Fund	2017A Bonds Fund	Community Resource Center Bonds Fund	Public Project Revenue Refunding Bonds
\$	50,000	\$ 50,000	\$ 75,000	\$ 60,000	\$ 100,000	\$ 65,000	\$ -	\$ 1,100	\$ 245,000
56,831	54,219	32,121	73,744	42,090	43,363	43,363	178,343	-	-
3,267	1,470	1,929	1,943	770	535	535	-	2,049	600
110,098	105,689	109,050	135,687	142,860	108,898	108,898	178,343	3,149	245,600
115,000	95,000	80,000	120,000	145,000	-	-	-	195,000	190,000
16,883	12,615	13,290	25,132	31,567	13,809	13,809	-	9,490	36,883
131,883	107,615	93,290	145,132	176,567	-	-	-	204,490	226,883
(21,785)	(1,926)	9,760	(9,445)	(33,707)	95,089	95,089	178,343	(201,341)	18,737
-	-	-	-	165,379	209,753	209,753	-	-	-
-	-	-	-	-	-	-	-	(142,724)	-
-	-	-	-	-	165,379	209,753	-	(142,724)	-
(21,785)	(1,926)	9,760	(9,445)	131,672	304,842	304,842	178,343	(344,065)	18,737
355,768	174,574	219,677	332,786	368,909	136,749	136,749	-	344,065	187,710
\$ 333,983	\$ 172,648	\$ 229,437	\$ 323,341	\$ 500,581	\$ 441,591	\$ 441,591	\$ 178,343	\$ -	\$ 206,447

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

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

	701			705			Total
	Information	Technology	Insurance	2016	2017	2016	
Assets	2017	2016	2017	2016	2017	2016	
Current Assets							
Cash and temporary investments	\$ 632,961	\$ 602,687	\$ 1,065,449	\$ 936,471	\$ 1,698,410	\$ 1,539,158	
Receivables							
Interest	1,170	2,528	1,969	2,438	3,139	4,966	
Intergovernmental	-	-	-	2,333	-	2,333	
Prepaid items	1,978	1,870	28,313	17,782	30,291	19,652	
Total Current Assets	636,109	607,085	1,095,731	959,024	1,731,840	1,566,109	
Noncurrent Assets							
Capital assets							
Machinery and equipment	36,155	87,080	-	-	36,155	87,080	
Less accumulated depreciation	(6,155)	(87,080)	-	-	(6,155)	(87,080)	
Total Capital Assets	30,000	-	-	-	30,000	-	
Total Assets	666,109	607,085	1,095,731	959,024	1,761,840	1,566,109	
Deferred Outflows of Resources							
Deferred pension resources	63,689	91,704	5,410	7,453	68,999	99,157	
Liabilities							
Current Liabilities							
Accounts payable	70,864	62,176	35,181	1,745	106,045	63,921	
Due to other governments	9,407	17,484	-	-	9,407	17,484	
Accrued wages payable	9,815	9,270	52,769	53,184	62,584	62,454	
Total Current Liabilities	90,086	88,930	87,950	54,929	178,036	143,859	
Noncurrent Liabilities							
Pension liability	219,288	255,230	18,657	20,744	237,945	275,974	
Total Liabilities	309,374	344,160	106,607	75,673	415,981	419,833	
Deferred Inflows of Resources							
Deferred pension resources	52,895	31,625	4,500	2,570	57,966	34,195	
Net Position							
Net investment in capital assets	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000	\$ -	
Unrestricted	337,428	323,004	990,034	888,234	1,327,462	1,211,238	
Total Net Position	\$ 367,428	\$ 323,004	\$ 990,034	\$ 888,234	\$ 1,357,462	\$ 1,211,238	

	379	381	382	
2017B Refunding TIF Bonds		Hiley Neff TIF Bonds	Riverfront TIF Bonds	Totals
\$ 83,585	\$ 15,600	\$ 198,761	\$ 1,645,460	
-	-	-	297,946	
-	-	-	575,626	
-	-	2,458	25,788	
83,585	15,600	201,219	2,544,820	
-	-	-	-	
-	-	1,362	1,362	
510,000	6,500	124,465	2,541,903	
47,515	4,093	59,884	502,490	
857,515	10,593	185,711	3,045,755	
(473,930)	5,007	15,508	(500,935)	
-	-	-	375,132	
460,000	-	-	460,000	
(2,300)	-	-	(2,300)	
-	-	-	(143,359)	
457,700	-	-	688,473	
(16,230)	5,007	15,508	188,538	
(106,700)	(100,508)	215,641	3,652,255	
\$ (122,930)	\$ (95,901)	\$ 231,149	\$ 3,840,793	

City of Northfield, Minnesota

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

	Business-type Activities - Enterprise Funds			
	701 Information Technology	705 Insurance	Total	
	2017	2016	2017	2016
Operating Revenues				
Charges for services	\$ 646,894	\$ 636,167	\$ 498,248	\$ 1,134,415
Operating Expenses				
Personal services	287,619	275,612	214,954	490,566
Pension expense	13,524	17,274	1,893	23,056
Supplies	124,533	36,719	-	36,719
Other services and charges	178,588	215,738	189,037	404,775
Total Operating Expenses	604,264	545,343	409,773	955,116
Operating Income	42,630	90,824	88,475	179,299
Nonoperating Revenues				
Intergovernmental	-	-	49,353	-
Investment income	1,714	6,005	8,493	14,498
Property taxes	-	-	2,333	2,333
Other income	80	993	74	4,906
Total Nonoperating Revenues	1,794	6,998	14,739	21,737
Change in Net Position	44,424	97,822	103,214	201,036
Net Position, January 1	323,004	225,182	888,234	1,211,238
Net Position, December 31	\$ 367,428	\$ 323,004	\$ 888,234	\$ 1,357,462

City of Northfield, Minnesota

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

	Business-type Activities - Enterprise Funds			
	701 Information Technology	705 Insurance	Total	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 646,894	\$ 636,167	\$ 431,220	\$ 498,248
Payments to suppliers and vendors	(316,142)	(301,560)	(183,535)	(218,306)
Payments to and on behalf of employees	(273,630)	(250,153)	(177,539)	(207,496)
Other receipts	80	993	74	3,913
Net Cash Provided (Used) by Operating Activities	57,202	85,447	70,220	127,422
Cash Flows from Noncapital Financing Activities				
Property taxes received	-	-	2,333	2,333
Intergovernmental revenue	-	-	49,353	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	51,686	1,730
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(30,000)	-	-	(30,000)
Cash Flows from Investing Activities				
Interest received on cash and investments	3,072	5,232	7,072	9,345
Net Increase (Decrease) in Cash and Cash Equivalents	30,274	90,679	128,978	87,434
Cash and Cash Equivalents, January 1	602,687	512,008	936,471	849,037
Cash and Cash Equivalents, December 31	\$ 632,961	\$ 602,687	\$ 1,065,449	\$ 936,471
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	\$ 42,630	\$ 90,824	\$ 45,770	\$ 88,475
Other income related to operations	80	993	74	3,913
(Increase) decrease in assets	(108)	53	(10,531)	14
Prepaid items				
(Increase) decrease in deferred outflows of resources	28,115	(72,572)	2,043	(6,346)
Deferred pension resources				
Increase (decrease) in liabilities	8,688	(45,616)	33,436	(23,501)
Accounts payable	(6,077)	13,734	-	(6,077)
Due to other governments	545	9,178	(415)	1,757
Accrued wages payable	(35,942)	87,864	(2,087)	11,243
Pension liability				
(Increase) decrease in deferred inflows of resources	21,271	889	1,930	824
Deferred pension resources				
Net Cash Provided (Used) by Operating Activities	\$ 57,202	\$ 85,447	\$ 70,220	\$ 127,422
				\$ 161,806

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

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

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

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

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

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

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

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

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

	Totals	
	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,847,368	\$ 5,244,466
Current portion of noncurrent cash and cash equivalents	1,168,496	1,366,185
Patient receivable, less allowance for uncollectible accounts		
(2017: \$4,408,000; 2016: \$4,375,000)		
Accounts receivable - other	14,263,662	12,885,459
Inventories	281,353	131,548
Prepaid items	1,798,646	2,004,920
Total Current Assets	991,775	965,938
Noncurrent Assets	22,351,320	22,598,516
Noncurrent Cash and Investments		
Internally Designated for Health Benefits	1,168,496	1,366,185
Internally Designated for Capital Improvements	55,561,130	53,098,072
Restricted by Bond Agreement	286,281	1,127,275
Less current portion of noncurrent cash and investments	(1,168,496)	(1,366,185)
Total Noncurrent Cash and Investments	55,847,411	54,225,347
Capital Assets, Net	41,692,820	44,385,238
Total Assets	119,891,551	121,209,101
Deferred Outflows of Resources		
Deferred pension resources	12,977,956	21,197,841
Loss on refunding	548,242	588,604
Excess consideration provided for acquisition	22,500	-
Total Deferred Outflows of Resources	13,548,698	21,786,445
Total Assets and Deferred Outflows of Resources	\$ 133,440,249	\$ 142,995,546
Liabilities		
Current Liabilities		
Current maturities of long-term debt	\$ 1,917,701	\$ 1,866,527
Accounts payable, trade	2,619,862	2,961,649
Construction payable	210,576	613,197
Accrued payroll and benefits	8,119,835	8,848,162
Accrued interest payable	86,588	91,902
Third party payor settlements payable	317,935	319,297
Total Current Liabilities	13,272,497	14,700,734
Noncurrent Liabilities		
Long-term debt, less current maturities	28,716,047	30,633,748
Pension liability	43,072,403	52,533,192
Total Noncurrent Liabilities	71,788,450	83,166,940
Total Liabilities	85,060,947	97,867,674
Deferred Inflows of Resources		
Deferred pension resources	8,951,414	4,267,255
Net Position		
Net investment in capital assets	11,059,072	11,864,963
Restricted by bond agreement	286,281	1,127,275
Unrestricted	28,082,535	27,848,379
Total Net Position	39,427,888	40,860,617
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 133,440,249	\$ 142,995,546

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

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

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

	2017	2016
Cash Flows from Operating Activities		
Cash received from patients and third party payors	\$ 103,564,983	\$ 98,919,233
Cash paid to employees	(62,986,553)	(57,986,982)
Cash paid to suppliers	(36,235,576)	(31,983,471)
Other receipts and payments, net	881,989	1,214,641
Net Cash Provided by Operating Activities	5,222,811	11,163,421
Cash Flows from Noncapital Financing Activities		
Unrestricted gifts and grants	94,917	115,636
Miscellaneous losses	(187,400)	(344,022)
Net Cash Used by Noncapital Financing Activities	(92,483)	(228,386)
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(3,168,092)	(2,953,469)
Proceeds (loss) from sale of capital assets	30,808	14,147
Principal payments on long-term debt	(1,866,527)	(1,369,497)
Interest payments on long-term debt	(889,513)	(1,482,915)
Capital contributions	30,000	109,327
Net Cash Used by Capital and Related Financing Activities	(5,863,324)	(5,682,407)
Cash Flows from Investing Activities		
(Increase) decrease in noncurrent cash and investments	(1,409,824)	(3,213,882)
Investment income	745,722	726,386
Net Cash Provided (Used) by Capital and Related Financing Activities	(664,102)	(2,487,496)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,397,098)	2,765,132
Cash and Cash Equivalents, January 1	5,244,466	2,479,334
Cash and Cash Equivalents, December 31	\$ 3,847,368	\$ 5,244,466
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income	\$ (2,140,911)	\$ 432,806
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	5,437,473	5,330,632
Interest	884,199	1,327,414
Provision for bad debt expense	2,335,223	2,253,836
Amortization of deferred financing costs	40,382	332,043
(Increase) decrease in assets:		
Patient receivables	(3,713,446)	(3,198,021)
Inventories, prepaids and other receivables	30,632	(260,115)
(Increase) decrease in deferred outflows of resources:		
Deferred pension resources	8,219,885	(17,449,421)
Excess consideration provided for acquisition	(22,500)	-
Increase (decrease) in liabilities:		
Accounts payable	(341,787)	49,809
Third-party payor settlements payable	(1,982)	(384,622)
Accrued expenses	(728,327)	1,020,959
Pension liability	(9,460,789)	21,707,568
(Decrease) increase in deferred inflows of resources:		
Deferred pension resources	4,684,150	553
Net Cash Provided by Operating Activities	\$ 5,222,811	\$ 11,163,421
Noncash Investing Capital and Financing Activities		
Amortization of net premium as a component of interest expense	\$ -	\$ (23,356)
Construction payable	\$ 210,576	\$ 613,197
Long-term debt issued to refund bonds	\$ -	\$ 25,000,000

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

	Total 2017	Total 2016	Percent Increase (Decrease)
Revenues			
Taxes	\$ 8,501,718	\$ 8,405,183	1.15 %
Special assessments	580,762	688,700	(13.15)
Licenses and permits	859,249	679,474	26.46
Intergovernmental	4,544,279	6,458,670	(29.84)
Charges for services	1,454,847	1,561,121	(6.81)
Fines and forfeits	98,171	82,032	19.67
Investment earnings	78,011	100,699	(22.53)
Miscellaneous	499,889	549,765	(9.07)
Total Revenues	\$ 16,616,926	\$ 18,505,644	(10.21) %
Per Capita	\$ 816	\$ 911	(10.36) %
Expenditures			
Current			
General government	\$ 2,433,481	\$ 2,408,862	1.02 %
Public safety	4,291,893	4,070,750	5.43
Public works	2,489,659	2,381,026	4.56
Culture and recreation	2,400,275	2,281,839	5.19
Housing and economic development	185,895	282,094	(34.10)
Miscellaneous	131,058	112,509	16.49
Capital outlay			
General government	88,705	22,006	303.09
Public safety	193,330	765,063	(74.73)
Public works	1,655,893	4,257,931	(61.11)
Culture and recreation	767,291	2,853,881	(73.11)
Housing and economic development	21,506	-	100.00
Transit	-	27,720	(100.00)
Debt service	2,744,125	2,043,881	34.26
Principal	562,336	572,068	(1.70)
Interest and other charges	4,725	28,594	(83.48)
Issuance costs	-	-	-
Total Expenditures	\$ 17,970,172	\$ 22,108,224	(18.72) %
Per Capita	\$ 883	\$ 1,088	(18.86) %
Total Long-term Indebtedness	\$ 18,181,241	\$ 19,520,366	(6.86) %
Per Capita	\$ 893	\$ 961	(7.02) %
General Fund Balance - December 31	\$ 7,648,180	\$ 7,315,431	4.55 %
Per Capita	\$ 376	\$ 360	4.37 %

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

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Governmental Activities					
Net investment in capital assets	\$ 35,086,458	\$ 35,941,654	\$ 31,622,817	\$ 28,034,313	\$ 28,503,588
Restricted	5,615,513	4,603,145	5,167,449	9,688,690	8,043,806
Unrestricted	8,200,388	5,780,200	7,438,855	11,570,050	11,028,546
Total Governmental Activities Net Position	48,902,359	46,324,999	44,230,121	49,293,053	47,575,740
Business-type Activities					
Net investment in capital assets	24,721,543	23,301,761	21,436,632	20,687,495	20,110,058
Unrestricted	12,362,466	11,431,459	10,789,829	10,006,206	8,758,812
Total Business-type Activities Net Position	37,084,009	34,733,220	32,226,461	30,693,701	28,868,870
Primary Government					
Net investment in capital assets	59,808,001	59,243,415	53,059,449	48,721,808	48,613,646
Restricted	5,615,513	4,603,145	5,167,449	9,688,690	8,043,806
Unrestricted	20,562,854	17,211,659	18,229,684	21,576,256	19,787,358
Total Primary Government Net Position	\$ 85,986,368	\$ 81,058,219	\$ 76,456,582	\$ 79,986,754	\$ 76,444,610

Table 1

	Fiscal Year			
	2012	2011	2010	2009
	\$ 27,190,260	\$ 24,594,993	\$ 22,438,059	\$ 22,389,016
	6,364,734	6,468,248	3,796,597	5,740,046
	12,178,898	10,066,506	12,201,182	11,137,609
	45,733,892	41,109,747	38,435,838	39,266,671
				42,254,022
	17,944,934	18,222,783	16,917,076	16,098,718
	9,314,970	6,954,395	7,179,036	7,422,614
	27,259,904	25,177,178	24,096,112	23,521,332
				21,541,159
	45,135,194	42,817,776	39,355,135	38,487,734
	6,364,734	6,468,248	3,796,597	5,740,046
	21,493,868	17,010,901	19,380,218	18,560,223
				17,735,140
	\$ 72,993,796	\$ 68,286,925	\$ 62,531,950	\$ 62,788,003
				\$ 63,795,181

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

	Fiscal Year					Fiscal Year					Table
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	
Expenses											
Governmental activities											
General government	\$ 2,583,745	\$ 2,542,003	\$ 2,452,348	\$ 2,329,867	\$ 2,471,488	\$ 2,522,007	\$ 2,654,908	\$ 2,588,720	\$ 2,380,301	\$ 3,072,077	
Public safety	3,850,606	5,195,075	4,064,654	3,700,747	3,373,344	2,940,591	3,630,668	3,672,421	3,796,557	3,751,857	
Public works/streets	5,183,024	4,642,307	4,488,113	4,482,892	4,376,670	3,909,751	3,721,097	3,668,669	6,262,791	4,277,593	
Culture and recreation	3,050,928	2,934,423	2,842,634	3,179,054	2,795,216	2,898,557	2,651,180	2,736,334	3,142,420	2,369,056	
Housing and economic development	188,361	282,094	151,088	454,921	259,475	79,429	95,154	389,584	275,022	766,993	
Transit	25,938	53,658	25,938	123,541	48,029	333,134	439,607	392,843	351,763	379,959	
Miscellaneous	132,307	112,509	150,623	221,322	119,087	121,764	181,674	164,656	357,443	388,410	
Interest on long-term debt	521,233	582,762	709,534	770,748	668,675	664,881	605,540	665,911	1,112,174	880,279	
Total governmental activities expenses	15,536,142	16,344,631	14,884,932	15,262,692	14,111,984	13,500,114	13,979,928	14,279,338	17,678,471	15,886,224	
Business-type activities											
Water	1,655,023	1,544,092	1,457,422	1,400,876	1,224,605	1,185,334	1,458,694	1,775,806	1,408,659	1,411,186	
Wastewater	3,244,493	3,120,760	3,091,885	3,203,623	3,255,031	3,069,492	3,200,268	3,192,739	3,123,978	3,377,011	
Garbage	742,024	715,898	692,840	672,044	668,627	828,181	829,103	767,573	767,648	733,098	
Storm water drainage	458,757	404,546	442,311	689,699	444,145	429,193	393,413	506,573	400,623	295,084	
Municipal Liquor Store	2,939,174	2,935,516	2,944,079	2,973,798	2,860,049	2,694,832	2,650,392	2,656,796	2,634,984	2,519,314	
Total Business-type Activities Expenses	9,039,471	8,720,812	8,628,537	8,940,040	8,452,457	8,207,032	8,531,870	8,899,487	8,335,892	8,335,693	
Total Primary Government Expenses	\$ 24,575,613	\$ 25,065,643	\$ 23,513,469	\$ 24,202,932	\$ 22,564,441	\$ 21,707,146	\$ 22,511,698	\$ 23,178,825	\$ 26,014,363	\$ 24,221,917	
Program Revenues											
Governmental Activities											
Charges for services	\$ 859,249	\$ 679,474	\$ 428,765	\$ 396,898	\$ 464,599	\$ 420,768	\$ 340,454	\$ 613,423	\$ 326,449	\$ 521,006	
Licenses and permits	110,099	199,106	338,914	299,695	263,374	292,863	302,442	302,584	257,467	443,574	
Other public works	441,206	466,522	556,673	543,223	782,784	823,926	739,915	737,501	649,448	314,230	
Parks and recreation	991,258	990,659	1,033,774	1,050,895	1,030,637	1,049,087	1,095,697	1,009,453	985,121	1,301,796	
Other activities	872,076	1,085,300	908,187	825,775	815,995	690,287	986,487	984,475	872,820	344,748	
Operating grants and contributions	1,617,174	2,790,632	1,854,869	1,743,405	1,081,129	2,331,344	1,111,799	1,461,645	3,907,877	936,400	
Capital grants and contributions											
Total Governmental Activities	4,891,062	6,211,693	5,120,182	4,859,891	4,438,518	5,608,275	4,576,794	5,099,081	6,999,182	3,861,754	
Business-type Activities											
Charges for services	2,103,303	2,069,419	2,109,788	2,174,773	2,254,872	2,244,788	2,141,679	1,926,224	1,886,692	2,040,646	
Water	4,378,493	4,276,262	4,260,147	3,840,957	3,781,043	3,602,649	3,471,535	3,254,851	3,011,113	3,212,024	
Wastewater	3,064,270	3,148,215	3,076,452	3,160,587	3,080,768	2,918,912	2,853,534	2,866,959	2,793,405	2,635,677	
Municipal Liquor Store	1,780,512	1,747,036	1,673,271	1,602,410	1,565,371	1,436,992	1,320,196	1,330,240	1,257,395	1,068,294	
Other activities	-	527,156	-	-	-	79,561	5,336	138,150	6,294	150,619	
Operating grants and contributions	18,079	7,500	16,011	6,839	8,805	-	-	-	-	-	
Capital grants and contributions											
Total Business-type Activities	11,344,657	11,775,588	11,135,669	10,785,566	10,690,659	10,282,902	9,792,280	9,506,424	8,954,899	9,107,260	
Total Primary Government Program Revenues	\$ 16,235,719	\$ 17,987,281	\$ 16,255,851	\$ 15,645,457	\$ 15,129,377	\$ 15,891,177	\$ 14,369,074	\$ 14,605,505	\$ 15,954,081	\$ 12,969,014	

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Program Revenues - Continued					
Net (expense)/revenue	\$ (10,645,080)	\$ (10,133,138)	\$ (9,764,750)	\$ (10,403,001)	\$ (9,673,466)
Governmental activities	2,305,186	3,054,776	2,507,132	1,845,526	2,238,402
Business-type activities					
Total Primary Government Net Expense	\$ (8,339,894)	\$ (7,078,362)	\$ (7,257,618)	\$ (8,557,475)	\$ (7,435,064)
General Revenues and Other					
Changes in Net Position					
Governmental activities					
Taxes					
Property taxes	\$ 8,211,742	\$ 8,080,765	\$ 7,748,248	\$ 7,896,765	\$ 8,497,671
Franchise taxes	200,007	206,945	194,015	195,174	187,314
Hotel/motel taxes	116,745	116,895	95,264	92,983	82,123
Unrestricted grants and contributions	3,649,679	3,539,565	3,161,620	3,093,285	2,428,140
Investment earnings	78,011	100,699	87,347	381,593	(260,663)
Miscellaneous	77,029	58,147	49,407	280,486	60,428
Transfers of capital assets	35,000	-	-	-	176,462
Transfers	12,368,213	12,228,016	11,460,901	12,120,314	11,515,314
Total Governmental Activities					
Business-type Activities					
Investment earnings (loss)	80,603	104,139	50,587	159,323	(109,135)
Transfers of capital assets	-	(527,156)	-	-	(176,462)
Transfers	(35,000)	(125,000)	(125,000)	(180,018)	(343,839)
Total Business-type Activities	45,603	(546,017)	(74,413)	(20,695)	(629,436)
Total Primary Government	\$ 12,413,816	\$ 11,679,999	\$ 11,386,488	\$ 12,098,619	\$ 10,885,878
Changes in Net Position					
Governmental activities	\$ 1,723,133	\$ 2,094,878	\$ 1,696,151	\$ 1,717,313	\$ 1,841,848
Business-type activities	2,350,789	2,506,759	2,432,719	1,824,831	1,608,966
Total Primary Government	\$ 4,073,922	\$ 4,601,637	\$ 4,128,870	\$ 3,542,144	\$ 3,450,814

	Fiscal Year			
	2012	2011	2010	2009
2008				
\$ (7,881,839)	\$ (9,403,034)	\$ (9,180,257)	\$ (10,679,289)	\$ (12,024,470)
2,075,870	1,260,410	606,937	619,007	771,567
\$ (5,815,969)	\$ (8,142,624)	\$ (8,573,320)	\$ (10,060,282)	\$ (11,252,903)
\$ 7,667,910	\$ 7,017,127	\$ 7,003,550	\$ 6,998,405	\$ 6,590,131
174,403	169,174	166,668	161,350	150,878
89,505	99,466	82,014	73,646	82,622
2,628,918	2,728,423	2,649,667	3,350,459	4,771,722
232,998	637,443	402,709	763,040	654,246
197,900	57,950	47,708	177,725	238,032
(134,314)	202,010	-	(978,726)	-
173,005	165,350	165,350	-	164,400
11,030,325	11,076,943	10,517,666	10,566,099	12,652,231
73,282	188,016	133,193	87,015	270,083
134,314	(202,010)	-	-	(164,400)
(173,005)	(165,350)	(165,350)	978,726	105,693
34,591	(179,344)	(32,157)	1,065,741	-
\$ 11,064,916	\$ 10,897,599	\$ 10,485,509	\$ 11,631,840	\$ 12,757,924
\$ 3,138,486	\$ 1,673,909	\$ 1,337,409	\$ (113,190)	\$ 627,761
2,110,481	1,081,066	574,780	1,684,748	877,260
\$ 5,248,947	\$ 2,754,975	\$ 1,912,189	\$ 1,571,558	\$ 1,505,021

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

Table 3

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

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

	Fiscal Year				
	2017	2016	2015	2014	2013
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-
Nonspendable	103,591	115,936	99,115	93,337	98,503
Restricted	6,733	6,491	6,491	6,604	5,054
Committed	71,742	71,742	-	-	-
Assigned	-	-	-	-	-
Unassigned	7,466,114	7,121,262	6,790,550	6,790,550	6,936,896
Total General Fund	\$ 7,646,180	\$ 7,315,431	\$ 6,896,156	\$ 6,880,491	\$ 7,040,453
All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	2,316	2,881	2,731	3,005	3,194
Restricted	6,055,095	6,266,885	6,803,989	10,844,573	11,747,582
Committed	1,165,600	888,424	46,056	89,816	89,816
Assigned	1,508,674	1,745,125	4,533,124	4,231,212	3,707,962
Unassigned	(272,495)	(228,172)	(314,233)	(64,163)	(188,835)
Total All Other Governmental Funds	\$ 8,459,390	\$ 8,675,143	\$ 11,071,667	\$ 15,104,443	\$ 15,359,719

Note: The City implemented GASB 64 in fiscal year 2011, resulting in significant reclassification of the components of fund balance. Years prior to 2011 have not been restated.

Table 4

	Fiscal Year			
	2012	2011	2010	2009
\$	\$	\$	\$	\$
77,534	62,297	68,339	73,277	
4,651	5,603,782	5,049,125	4,813,349	
56,933	-	-	-	
19,002	-	-	-	
750,000	-	-	-	
252,397	-	-	-	
313,844	-	-	-	
6,368,330	5,071,260	-	-	
\$ 6,702,912	\$ 6,211,039	\$ 5,686,059	\$ 5,117,484	\$ 4,886,626
\$	\$	\$	\$	\$
14,797,894	4,072,829	6,426,347	6,504,762	
87,023	3,794,157	3,481,490	3,423,870	
4,343,051	2,607,173	2,489,621	2,494,825	
(713,593)	-	-	-	
\$ 18,515,053	\$ 10,112,498	\$ 12,397,458	\$ 12,423,457	

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Revenues					
Taxes	\$8,501,718	\$ 8,405,183	\$ 7,976,678	\$ 8,164,634	\$ 8,727,871
Licenses, fees and permits	859,249	679,474	426,765	396,888	464,599
Fines and forfeits	98,171	82,032	113,521	114,273	119,442
Charges for services	1,454,847	1,561,121	1,767,392	1,701,689	1,695,092
Special assessments	580,762	668,700	725,693	777,420	601,282
Intergovernmental	4,549,279	6,458,670	3,739,577	4,309,972	3,638,115
Investment earnings	78,011	100,699	87,347	391,593	(260,663)
Miscellaneous	499,889	549,565	1,254,913	628,366	659,985
Total Revenues	16,627,132	18,505,944	16,089,886	16,474,845	15,645,673
Expenditures					
Current:					
General government	2,433,481	2,408,962	2,341,517	2,138,242	2,440,340
Public safety	4,291,893	4,070,750	4,017,614	3,459,404	3,335,072
Public works	2,489,659	2,381,026	2,231,624	2,338,145	2,329,237
Culture and recreation	2,400,275	2,281,839	2,238,554	2,216,064	2,244,441
Transit	-	-	-	91,916	55,832
Housing and economic development	190,895	282,094	125,427	447,826	259,733
Nondepartmental	131,058	112,509	150,623	221,322	119,087
Capital Outlay:					
General government	88,705	22,006	32,139	109,919	842,984
Public safety	193,330	765,063	107,144	2,758,586	3,420,227
Public works	1,655,893	4,257,931	2,182,288	3,363,651	1,630,427
Culture and recreation	767,291	2,853,881	1,347,464	416,770	105,920
Transit	-	27,720	-	5,687	1,508
Housing and economic development	21,506	-	79,010	172,139	55,365
Debt Service:					
Principal	2,744,125	2,043,981	2,285,015	2,138,563	2,089,482
Interest and other	562,336	572,068	749,072	738,364	719,926
Insurance fees	4,725	23,394	33,736	28,815	31,149
Total Expenditures	17,975,172	22,108,224	17,921,218	20,845,413	19,680,730
Revenues over (under) expenditures	(1,353,246)	(3,602,580)	(1,831,332)	(4,370,568)	(4,035,057)
Other Financing Sources (Uses):					
Bonds issued	1,405,000	1,425,000	1,925,000	3,210,000	830,000
Bond premium/(discount)	12,778	45,554	35,574	-	-
Transfers in	880,683	1,499,964	1,422,634	3,550,128	2,032,902
Transfers out	(845,683)	(1,374,964)	(1,297,634)	(3,730,110)	(1,689,063)
Payment to refunded bond escrow agent	-	-	(2,560,000)	108,626	27,116
Sale of capital assets	17,464	25,337	-	57,747	16,309
Total Other Financing Sources (Uses)	1,470,242	1,620,891	(474,426)	3,196,391	1,217,264
Net Change in Fund Balances	\$ 116,996	\$ (1,981,689)	\$ (2,305,765)	\$ (974,177)	\$ (2,817,793)
Debt service as a percentage of noncapital expenditures	21.3%	17.6%	21.3%	20.7%	20.2%

Table 5

	2012	2011	2010	2009	2008
\$	7,690,230	\$7,190,519	\$ 7,102,351	\$ 7,021,332	\$ 6,726,779
420,768	340,454	613,423	326,449	510,506	
117,177	175,450	139,091	116,937	118,814	
1,746,420	1,695,131	1,589,147	1,532,846	1,870,502	
833,269	1,055,710	870,070	1,014,688	632,639	
4,574,760	3,594,665	3,978,033	6,396,026	5,328,406	
227,060	526,787	351,307	204,891	639,736	
701,845	690,599	816,783	1,320,727	683,315	
16,511,529	15,269,315	15,463,965	17,933,866	16,770,697	
2,537,743	2,320,974	2,433,016	2,445,232	2,711,539	
3,324,670	3,552,039	3,459,798	3,617,035	3,471,145	
1,881,458	2,013,997	1,941,562	2,105,459	1,847,685	
2,197,931	2,092,893	2,149,931	2,130,925	2,734,626	
324,524	359,227	346,134	310,134	355,825	
98,709	176,089	48,053	331,943	724,551	
121,764	181,674	171,400	193,198	400,038	
302,372	632,115	85,427	5,477	371,053	
750,649	-	12,040	13,547	77,409	
2,629,590	2,242,869	2,071,369	4,676,691	3,843,405	
54,816	206,555	129,288	116,579	2,075,374	
42,331	71,050	31,061	61,979	288,093	
-	8,345	368,284	137,587	1,835,995	
1,975,412	2,079,869	2,242,739	2,974,646	952,084	
613,368	672,349	732,019	1,105,455	21,750,811	
72,534	-	-	-	-	
16,927,861	16,610,075	16,191,060	20,194,969	21,750,811	
(416,332)	(1,340,760)	(727,085)	(2,281,073)	(5,040,114)	
7,740,000	1,555,810	1,466,400	2,938,560	3,878,275	
(14,773)	-	-	67,976	-	
2,015,008	1,882,014	1,710,382	714,882	1,286,980	
(1,742,003)	(1,940,955)	(1,812,518)	(1,281,961)	(1,122,580)	
-	-	(1,885,000)	-	(1,815,000)	
1,029	27,210	4,163	26,435	4,003	
7,999,261	1,524,079	(516,573)	2,465,912	2,231,678	
\$ 7,582,929	\$ 183,319	\$ (1,243,658)	\$ 204,639	\$ (2,808,436)	
19.7%	20.0%	21.4%	23.5%	18.0%	

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

Table 6

Fiscal Year Ended December 31,	Residential Property	Commercial Property	Other	Total Tax Capacity	Total Direct Tax Rate	Taxable Market Value	Tax Capacity Value as a Percentage of TMV
2017	\$ 10,533,222	\$ 3,580,397	\$ 210,583	\$ 14,324,202	\$ 55,670	\$ 1,322,187,500	1.08%
2016	9,673,963	3,485,445	200,569	13,359,977	57,550	1,230,587,100	1.08%
2015	9,364,921	3,461,187	192,895	13,019,003	56,750	1,202,202,700	1.07%
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	1.19%
2012	9,227,358	4,127,738	214,631	13,569,727	50,947	1,139,637,251	1.24%
2011	10,436,580	3,698,901	210,615	14,346,096	43,890	1,157,743,200	1.23%
2010	12,182,880	4,512,181	225,544	16,920,605	40,369	1,373,149,700	1.16%
2009	12,113,353	4,387,040	193,079	16,693,472	38,405	1,437,011,100	1.16%
2008	11,899,873	4,266,574	190,680	16,357,127	36,648	1,409,744,400	1.16%

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

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

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

Source: Rice County Auditor/Treasurer

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

Table 7

Fiscal Year	Overlapping Rates School Districts			Overlapping Rates Other Districts		
	Total School	Special Districts	Total Direct Rates	Total Overlapping Rates	Total Direct and Overlapping Rates	
2017	30.94	3.42	55.67	74.31	129.98	
2016	32.90	3.66	57.64	77.44	135.08	
2015	34.06	3.65	56.75	76.57	133.32	
2014	36.41	4.07	59.79	78.88	138.67	
2013	38.44	4.21	61.90	80.91	142.81	
2012	33.58	4.10	51.25	72.05	123.31	
2011	31.03	3.67	43.89	65.12	109.01	
2010	28.38	3.57	40.37	60.37	100.74	
2009	29.58	2.78	38.41	59.49	97.90	
2008	31.33	2.83	36.65	60.59	97.24	

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

Table 8

Taxpayer	2017			2008		
	Taxable Tax Capacity	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Malt-O-Meal	\$ 746,120	1	5.21 %	\$ 488,378	1	2.99 %
Xcel Energy	596,778	2	4.17	192,448	3	1.18
McLane Minnesota, Inc.	371,780	3	2.80	210,358	2	1.29
Dayton Hudson Corp	234,058	4	1.63	141,484	4	0.86
Chicago & NW Transportation	215,278	5	1.50			
Hidden Valley Apartments Ltd.	204,676	6	1.43	105,088	7	0.64
Community Resource Bank	199,872	7	1.40	111,134	5	0.68
Hayzin LLC	197,426	8	1.38	105,518	6	0.65
Cardinal CG Company	182,534	9	1.27	82,963	8	0.51
Strobel & Werner Real Estate	182,904	10	1.28			
Carleton College				81,477	9	0.50
Heritage Square LLC				74,290	10	0.45
Total	\$ 3,131,426		21.86 %	\$ 1,593,138		9.74 %

Source: City of Northfield Financial Records

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

Table 9

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

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

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

Fiscal Year	General Obligation Bonds	Improvement Bonds	Tax Incremental Bonds	Governmental Activities				Capital Lease Payable	Notes Payable	Total Governmental Activities
				General Obligation Revenue Bonds	Certificates of Participation					
2017	\$ 861,313	\$ 7,534,079	\$ 527,500	\$ 1,516,979	\$ 5,295,000	\$ 1,361,046	\$ 1,256,212	\$ 18,352,129		
2016	1,161,208	7,731,644	584,000	1,713,691	5,585,000	1,561,305	1,380,677	19,697,525		
2015	929,477	7,782,977	665,000	1,912,113	5,835,000	1,752,388	1,487,176	20,254,141		
2014	1,124,477	7,469,341	741,000	4,222,113	6,100,000	1,935,688	1,587,157	23,183,755		
2013	1,319,477	7,344,192	957,000	2,295,000	6,280,000	2,110,367	1,695,694	22,001,730		
2012	1,504,477	7,779,657	1,163,000	-	6,280,000	2,281,898	1,794,319	20,803,351		
2011	1,165,000	7,932,900	1,419,000	-	-	5,056,215	1,907,203	17,462,318		
2010	1,340,000	8,017,900	1,670,000	-	-	4,963,436	2,015,072	18,006,408		
2009	1,505,000	9,910,000	1,925,000	-	-	5,252,834	2,076,860	20,669,694		
2008	1,650,000	8,605,000	5,086,860	-	-	5,344,139	2,131,621	22,817,620		

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

* Information not available at the time of the audit

Table 10

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

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

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

Table 12

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

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

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

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

Table 13

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

Legal Debt Margin Calculation for Fiscal Year 2017

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

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	Debt Service Interest
2017	\$8,220,766	\$4,066,046	\$4,154,720	\$1,794,062	\$200,148
2016	8,132,625	3,787,027	4,345,598	2,408,636	212,826
2015	7,958,662	3,665,992	4,292,670	2,018,636	258,250
2014	7,721,254	3,672,724	3,848,530	2,003,023	302,909
2013	7,518,539	3,379,949	4,138,590	1,923,636	592,809
2012	7,451,758	3,081,683	4,370,075	1,638,540	1,068,520
2011	6,884,517	5,292,202	1,592,315	1,501,000	599,761
2010	6,488,589	5,610,510	878,079	2,161,900	640,850
2009	6,136,955	5,492,426	644,529	2,013,000	653,771
2008	6,308,947	5,602,089	706,858	2,693,000	746,416

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

Table 14

	Special Assessment Collections			Improvement Bonds			Tax Increment Collections			Debt Service			Coverage
				Principal	Interest					Principal	Interest		
	\$	575,626		\$	1,145,938	\$	164,316	0.44	\$	334,418	\$	86,963	0.46
		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		105,206	1.00
		370,432			1,266,364		175,941	0.26		276,852		103,562	0.97
		433,146			1,286,364		257,825	0.28		829,220		171,981	1.74
		497,084			1,124,460		202,619	0.37		867,919		139,591	1.71
		974,870			1,875,000		209,365	0.47		839,861		151,834	1.64
		870,870			3,310,000		254,984	0.24		840,672		199,213	1.49
		1,014,688			1,445,000		292,967	0.58		955,270		126,914	0.81
		832,639			1,320,000		308,287	0.51		564,255		154,198	1.07

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

Table 15

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

*Information not available

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

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

Table 16

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

Source: Minnesota Department of Employment and Economic Development

Note a: Total employment is for Rice County.

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

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

Source: City Budget Office

(a) Human resources was combined with administration for 2005

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

(c) Excludes seasonal employees

Table 17

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

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

Function/Program	Fiscal Year				
	2017	2016	2015	2014	2013
Police					
Traffic violations	601	569	3,367	2,227	2,362
Part I Crimes	229	234	243	288	289
Part II Crimes	328	415	494	439	472
Building Inspection					
Permits issued	673	690	975	731	438
Total value	102,549,565	68,569,787	27,934,305	25,088,302	37,905,058
Single-family home permits issued	30	30	31	26	25
Single-family home value	7,627,499	5,988,500	7,673,730	6,447,000	6,508,390
Library					
Population served	26,930	26,851	26,563	26,563	26,758
Circulation	320,190	285,737	244,264	346,702	365,870
Hours open	3,204	2,976	2,763	3,022	2,990
Cardholders	17,869	17,153	16,480	17,970	20,578
Visits	177,960	143,093	116,066	205,271	207,246
Water					
Connections	5,869	5,823	5,767	5,709	5,696
Total water pumped (millions of gallons)	733.1	724.6	744.7	793.5	798.5
Average daily consumption (millions of gallons)	2.0	2.0	2.0	2.1	2.1
Peak daily consumption (millions of gallons)	3.3	3.3	4.9	4.1	4.0
Wastewater					
Treatment capacity (millions of gallons)	5.2	5.2	3.2	3.2	3.2
Average daily volume treated (millions of gallons)	2.4	2.2	2.0	2.3	2.3
Transit					
Total route miles	-	-	-	-	-
Passengers	-	-	-	-	-

Sources: Various city departments.
Note: Indicators are not available for the general government public works and recreation functions.
Note: The Transit program was eliminated during 2012.
Note: Traffic Violations in 2010 - 2015 included traffic warnings.

Table 18

	Fiscal Year			
	2012	2011	2010	2009
	3,395	3,209	2,072	3,864
	412	326	416	428
	576	663	724	754
	295	283	282	686
	20,018,472	16,657,366	59,439,518	18,278,494
	15	15	11	12
	3,155,350	3,348,710	2,603,150	2,388,002
	26,606	26,674	26,674	31,745
	372,826	370,832	382,185	403,578
	2,904	2,624	2,986	3,112
	19,991	19,963	19,963	20,663
	205,492	226,668	205,396	205,468
	5,582	5,545	5,611	6,079
	815	778.4	752.6	729.7
	2.2	2.1	2.1	2.1
	4.2	3.6	3.4	4.6
	3.2	3.2	3.2	3.2
	2.2	2.4	2.1	1.8
	30,668	67,753	72,785	75,541
	12,901	27,948	35,072	35,849
				51,437,368
				3,079,805
				31,747
				395,266
				3,242
				19,974
				214,292
				5,397
				824.3
				2.3
				4.1
				3.2
				2.0
				78,829
				41,286

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

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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	104.08	93.00	93.00	93.00	93.00	93.00	93.00	93.00	93.00
Parks and recreation										
Number of parks	45	45	45	45	45	44	44	44	44	44
Acreage	441	441	425	425	425	425	425	425	425	425
Playgrounds	20	20	19	19	18	18	18	18	18	18
Baseball/softball diamonds	12	12	8	8	7	7	7	7	7	7
Soccer/football fields	10	10	10	10	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
Water										
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	3.5	3.2	3.2	3.2	3.2
Transit-buses										

Sources Various City departments

Note: (a) No capital asset indicators are available for the general government of library function.
(b) Transit program was eliminated in 2012.

Table 19

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
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	93.00	93.00	93.00	93.00	93.00	93.00
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
Water										
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	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Transit-buses										

INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Northfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Northfield, Minnesota (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2018.

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

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

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

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

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

Honorable Mayor and City Council
City of Northfield, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Northfield, Minnesota (the City), as of and for the year ended December 31, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 12, 2018. We did not audit the financial statements of the Northfield Municipal Hospital discretely presented component unit. Those financial statements were audited by other auditors, whose report dated April 18, 2017, expressed an unmodified opinion on those statements.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.

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

Compliance and Other Matters

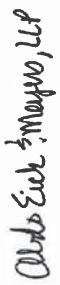
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The City's Responses to Findings

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

Purpose of this Report

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


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

People
+ Process,
Going
Beyond the
Numbers

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

Description

Material Audit Adjustments

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

- To adjust accrued salaries and wages payable.
- To adjust due from other governments.
- To record additional interfund transfers.
- To adjust special assessment revenue.
- To record capital assets.
- To adjust debt activity.

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

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

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

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management Response:

Management has made improvements in recording year-end adjustments. Management will review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.

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

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

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

Kennedy

&

Graven

CHARTERED

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

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

\$1,765,000
General Obligation Improvement and Abatement Bonds
Series 2018B
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 Improvement and Abatement Bonds, Series 2018B (the “Bonds”), originally dated the date hereof, and issued in the original aggregate principal amount of \$1,765,000. 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 from special assessments levied or to be levied on property specially benefited by local improvements, ad valorem taxes for the Issuer’s share of the cost of the improvements, and tax abatement revenues, 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)

\$1,765,000
General Obligation Improvement and Abatement Bonds, Series 2018B
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 Improvement and Abatement Bonds, Series 2018B, (the “Bonds”) in the original aggregate principal amount of \$1,765,000. 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 Improvement and Abatement Bonds, Series 2018B, issued by the Issuer in the original aggregate principal amount of \$1,765,000.

“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, 2018 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

\$1,765,000* GENERAL OBLIGATION IMPROVEMENT AND ABATEMENT BONDS, SERIES 2018B CITY OF NORTHFIELD, MINNESOTA

Proposals for the purchase of \$1,765,000* General Obligation Improvement and Abatement Bonds, Series 2018B (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 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on September 18, 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 pursuant to Minnesota Statutes, Chapters 429, 469, and 475, by the City for the purpose of financing public street and parking lot improvements within the City. . The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated October 11, 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	\$150,000	2024	\$175,000	2028	\$190,000
2021	170,000	2025	180,000	2029	195,000
2022	170,000	2026	180,000		
2023	170,000	2027	185,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 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 October 11, 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 \$1,743,820 plus accrued interest on the principal sum of \$1,765,000 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 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of \$35,300 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 satisfactory to Bond Counsel 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. 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) If all of the requirements of a “competitive sale” are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its proposal form to determine the issue price for the Bonds. On its proposal form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) 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 or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the “hold-the-offering-price rule”).

(d) If all of the requirements of a “competitive sale” are not satisfied and the Underwriter selects the hold-the-offering-price rule, 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 will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has 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.

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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, 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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party 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 party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party 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 requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a “competitive sale” are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party 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 party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(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 or selling group agreement 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 a third-party 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 third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) 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 third-party 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 (A) more than 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), (B) 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 (C) 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

September 18, 2018

RE: \$1,765,000* General Obligation Improvement and Abatement Bonds, Series 2018B
DATED: October 11, 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 \$1,743,820) 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 2024	_____ % due 2028
_____ % due 2021	_____ % due 2025	_____ % due 2029
_____ % due 2022	_____ % due 2026	
_____ % due 2023	_____ % due 2027	

* 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 \$35,300, 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 October 11, 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: _____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

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 October 11, 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 September 18, 2018.

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