

# Annual Financial Report

City of Zimmerman  
Zimmerman, Minnesota

For the Year Ended  
December 31, 2015

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CITY OF ZIMMERMAN  
ZIMMERMAN, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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CITY OF ZIMMERMAN, MINNESOTA  
 ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

CITY OF ZIMMERMAN  
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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CITY OF ZIMMERMAN, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Earenfight	Mayor	12/31/16
Tony Brisbin	Council Member	12/31/18
Ron Mathison	Council Member	12/31/16
Beth Smith	Council Member	12/31/16
Jeremy Nathe	Council Member	12/31/18

**APPOINTED**

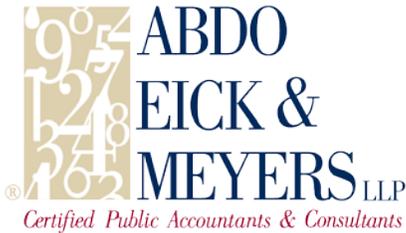
<u>Name</u>	<u>Title</u>
Randy Piasecki	City Administrator
Kary Tillmann	City Clerk/Treasurer

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**FINANCIAL SECTION**  
**CITY OF ZIMMERMAN**  
**ZIMMERMAN, MINNESOTA**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Zimmerman, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zimmerman, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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.

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 overall 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, each major fund, and the aggregate remaining fund information of the City as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### ***Change in Accounting Standards***

As described in Note 6 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 13 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employers Contributions starting on page 64 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.

#### ***Other Information***

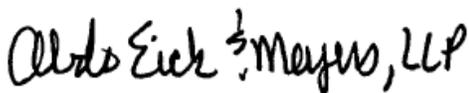
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and statistical section are presented for purposes of additional analysis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

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2016 on our consideration of the City's internal control over financial reporting and 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  
Minneapolis, Minnesota  
April 7, 2016

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## Management's Discussion and Analysis

As management of the City of Zimmerman, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

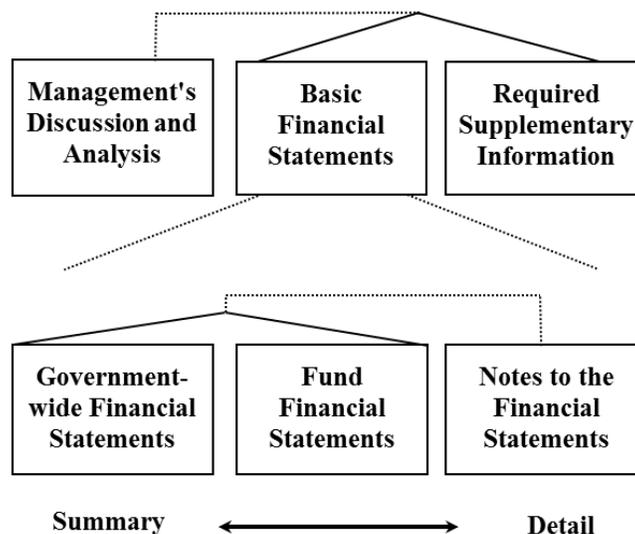
### Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$24,746,285 (net position). Of this amount, \$6,070,360 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$921,013. This was largely a result of business-type activities capital contributions of \$664,456.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,503,943, an increase of \$546,619 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$1,789,918, or 75.4 percent of total 2016 General fund budgeted expenditures. A portion of this fund balance (\$79,921) has been committed and (\$281,529) has been assigned for specific purposes.
- The City's total noncurrent liabilities increased \$130,175, (2.7 percent) during the current fiscal year. Long-term debt of \$441,000 was retired during the year. A net pension liability of \$549,346 was recorded in 2015 as a result of the implementation of GASB Statement No. 68.

### Overview of the Financial Statements

This discussion and analysis is 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 following chart shows how the required parts of this annual report are arranged and relate to one another.

### Organization of the City's Annual Financial Report



The following chart summarizes the major features of the City’s financial statements, including the portion of the City activities 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.

### Major features of the Government-wide and Fund Financial Statements

	Fund Financial Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; fund do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	N/A
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City’s assets and liabilities, with the difference between the two 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 revenue (*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, public works, culture and recreation, economic development, miscellaneous, and interest on long-term debt. The business-type activities of the City include water and sewer utilities.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (EDA) for which the City is financially accountable. The EDA, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the City.

The government-wide financial statements start on page 25 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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and the fiduciary fund.

**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 14 individual governmental funds. 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, which is considered to be a major fund. 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 or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 30 of this report.

**Proprietary funds.** The City maintains one type 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 and sewer utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary funds financial statements start on page 36 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on page 42 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 start on page 43 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 66 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 exceeded liabilities and deferred inflows by \$24,746,285 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (74.1 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is 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 Zimmerman's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 2,794,801	\$ 2,410,557	\$ 384,244	\$ 4,558,611	\$ 3,809,711	\$ 748,900
Capital assets, net of depreciation	7,956,816	8,322,248	(365,432)	14,676,408	15,119,205	(442,797)
<b>Total assets</b>	<b>10,751,617</b>	<b>10,732,805</b>	<b>18,812</b>	<b>19,235,019</b>	<b>18,928,916</b>	<b>306,103</b>
Deferred outflows of resources	37,224	-	37,224	29,746	-	29,746
<b>Liabilities</b>						
Noncurrent liabilities outstanding	404,999	88,981	316,018	4,603,407	4,789,250	(185,843)
Other liabilities	84,250	222,495	(138,245)	81,257	110,987	(29,730)
<b>Total liabilities</b>	<b>489,249</b>	<b>311,476</b>	<b>177,773</b>	<b>4,684,664</b>	<b>4,900,237</b>	<b>(215,573)</b>
Deferred inflows of resources	74,153	-	74,153	59,255	-	59,255
<b>Net position</b>						
Net investment in capital assets	7,956,816	8,322,248	(365,432)	10,391,408	10,393,205	(1,797)
Restricted for						
Economic development	187,181	163,592	23,589	-	-	-
Capital improvements	140,520	87,743	52,777	-	-	-
Unrestricted	1,940,922	1,847,746	93,176	4,129,438	3,635,474	493,964
<b>Total net position</b>	<b>\$ 10,225,439</b>	<b>\$ 10,421,329</b>	<b>\$ (195,890)</b>	<b>\$ 14,520,846</b>	<b>\$ 14,028,679</b>	<b>\$ 492,167</b>

A portion of net position (\$327,701) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$6,070,360) 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.

**Governmental activities.** The City's net position increased by \$921,013 during the current fiscal year. Governmental activities increased the City's net position by \$149,847. Significant changes from the prior year are noted below:

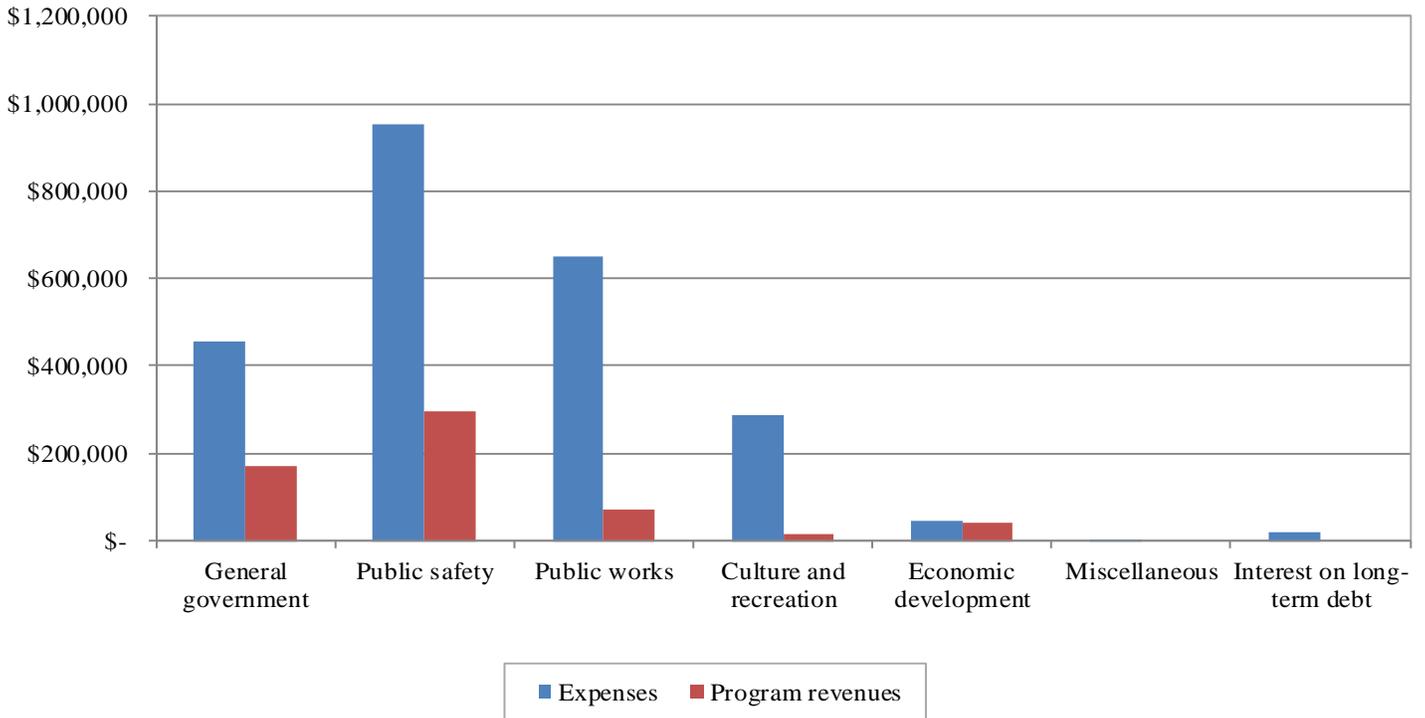
### City of Zimmerman's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2015	* 2014	Increase (Decrease)	2015	* 2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 450,420	\$ 293,496	\$ 156,924	\$ 1,580,068	\$ 1,436,713	\$ 143,355
Operating grants and contributions	90,772	85,549	5,223	8,662	1,595	7,067
Capital grants and contributions	52,638	195,664	(143,026)	664,456	159,406	505,050
General revenues						
Taxes						
Property taxes	1,232,055	1,186,923	45,132	36,894	36,894	-
Tax increments	94,898	127,345	(32,447)	-	-	-
Franchise fees	39,888	32,811	7,077	-	-	-
Grants and contributions not restricted to specific programs	512,669	466,156	46,513	-	-	-
Unrestricted investment earnings	29,007	24,524	4,483	63,130	28,015	35,115
Gain on sale of capital assets	9,493	412	9,081	-	-	-
<b>Total revenues</b>	<b>2,511,840</b>	<b>2,412,880</b>	<b>98,960</b>	<b>2,353,210</b>	<b>1,662,623</b>	<b>690,587</b>
Expenses						
General government	454,013	434,000	20,013	-	-	-
Public safety	954,989	852,223	102,766	-	-	-
Public works	648,708	641,733	6,975	-	-	-
Culture and recreation	288,389	292,077	(3,688)	-	-	-
Economic development	43,484	175,595	(132,111)	-	-	-
Miscellaneous	3,459	5,130	(1,671)	-	-	-
Interest on debt	18,951	12,758	6,193	-	-	-
Water	-	-	-	607,345	629,051	(21,706)
Sewer	-	-	-	924,699	968,450	(43,751)
<b>Total expenses</b>	<b>2,411,993</b>	<b>2,413,516</b>	<b>(1,523)</b>	<b>1,532,044</b>	<b>1,597,501</b>	<b>(65,457)</b>
Change in net position before transfers	99,847	(636)	100,483	821,166	65,122	756,044
Transfers	50,000	(219,268)	269,268	(50,000)	219,268	(269,268)
Change in net position	149,847	(219,904)	369,751	771,166	284,390	486,776
Net position, January 1 as restated	10,075,592	10,641,233	(565,641)	13,749,680	13,744,289	5,391
<b>Net position, December 31</b>	<b>\$ 10,225,439</b>	<b>\$ 10,421,329</b>	<b>\$ (195,890)</b>	<b>\$ 14,520,846</b>	<b>\$ 14,028,679</b>	<b>\$ 492,167</b>

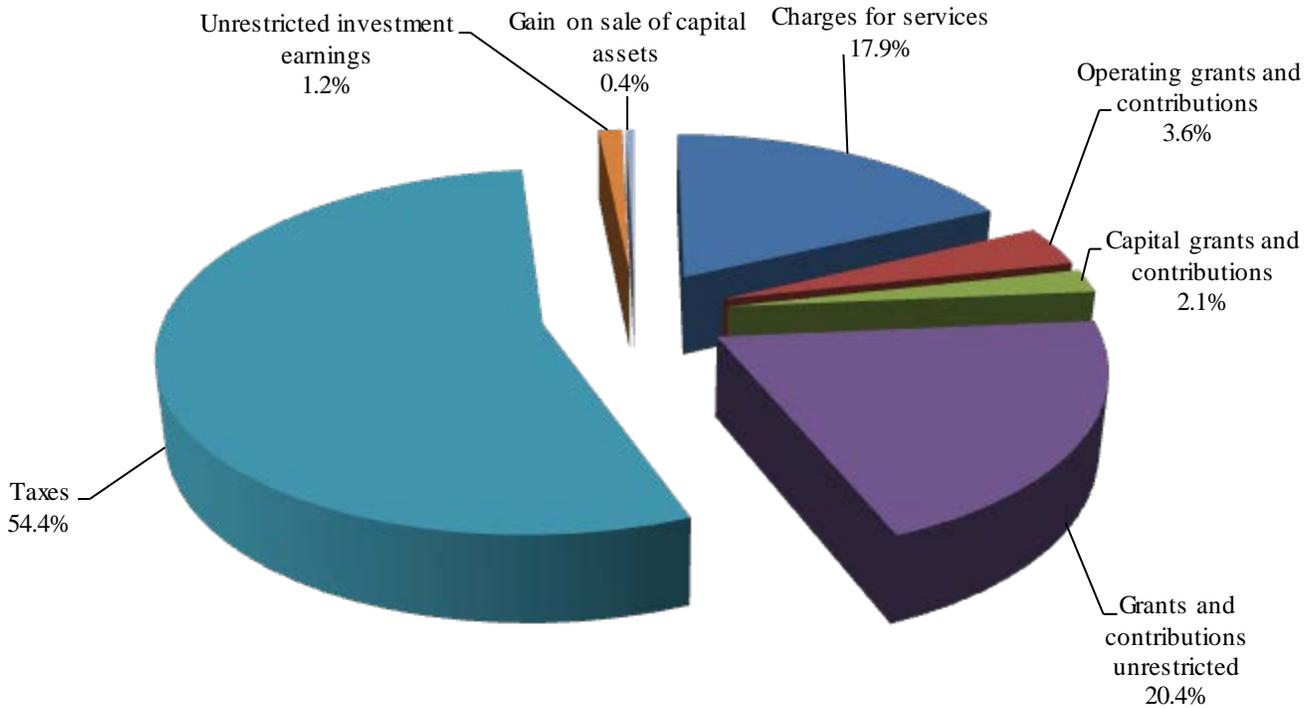
\* GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$345,737 restatement of beginning net position for governmental activities and \$278,999 restatement for business-type activities. Prior year amounts were not restated causing a variance in ending net position at December 31, 2014 and beginning net position January 1, 2015.

The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

### Expenses and Program Revenue - Governmental Activities



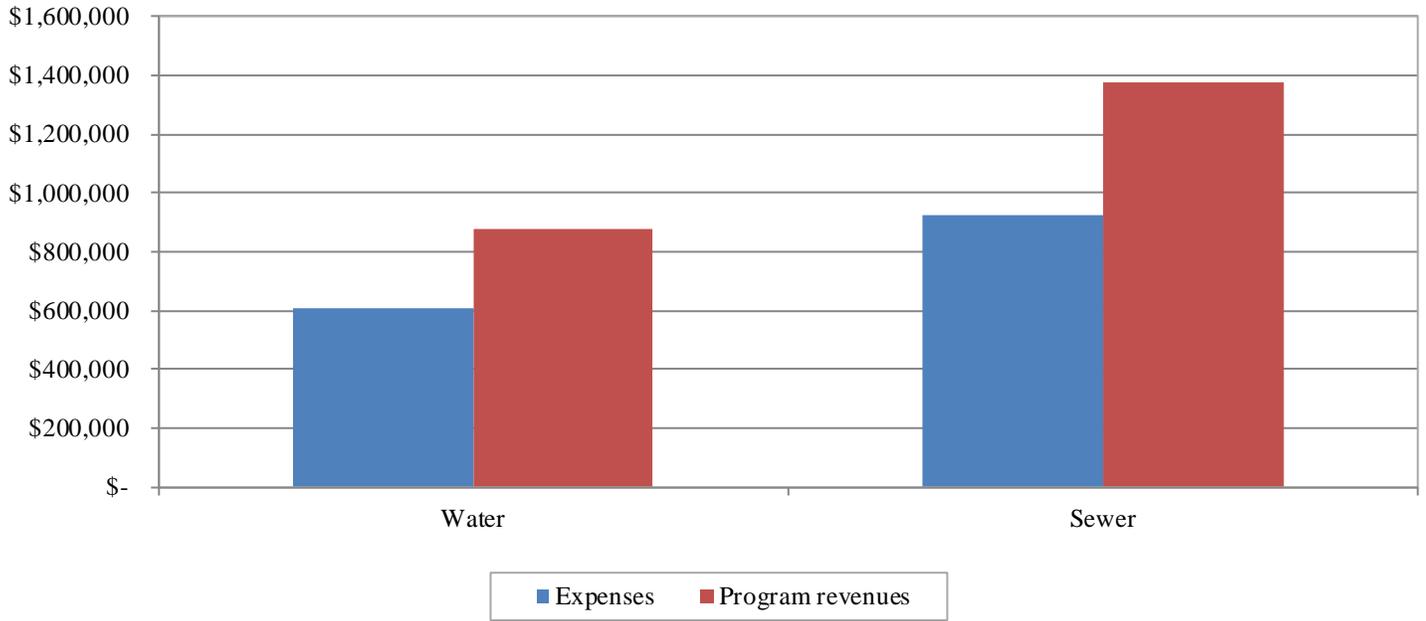
### Revenue by Source - Governmental Activities



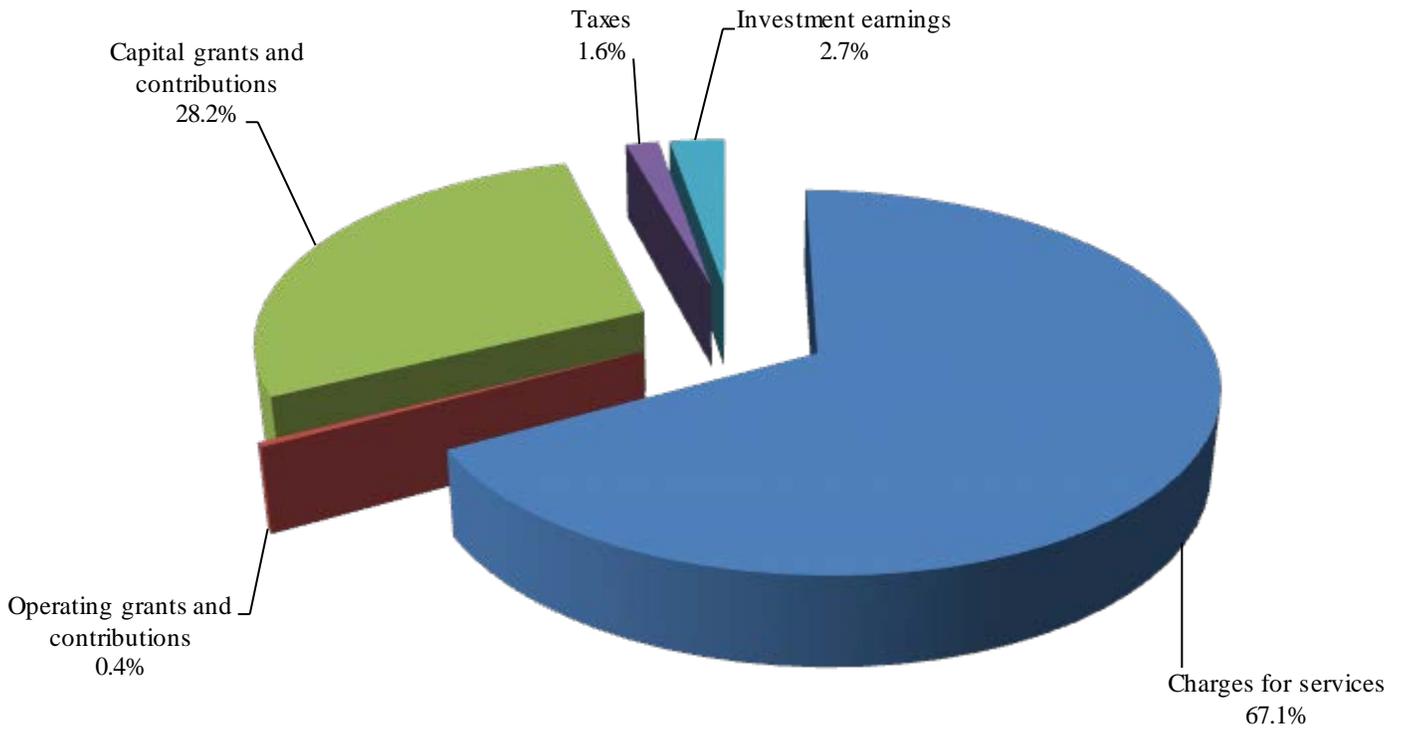
**Business-type activities.** Business-type activities increased the City’s net position by \$771,166. Key elements of this increase are as follows:

- Operating income for the enterprise funds totaled \$141,763.
- Capital contributions from connection fees totaled \$657,642.

**Expenses and Program Revenue - Business-type Activities**



**Revenue 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 end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,503,943, an increase of \$546,619 in comparison with the prior year. Approximately 45 percent of this total amount (\$1,117,912) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$1,386,031) is not available for new spending because it is either 1) restricted (\$187,181), 2) committed (\$323,775), or 3) assigned (\$875,075) for the purposes described in the fund balance section of the balance sheet on page 30 of this report.

Major fund	Fund Balance December 31,		Increase (Decrease)
	2015	2014	
<i>General</i>	\$ 1,789,918	\$ 1,422,736	\$ 367,182

The *General* fund is the chief operating fund of the City. The fund balance increase relates to favorable budget variances. The fund balance is still strong relative to the following years budget (75.4 percent).

### General Funds Budgetary Highlights

The City's General fund budget was amended in 2015; however, there was no change in overall revenues or expenses. The change was \$500 change between current and capital outlay in the general government function.

Revenues exceeded anticipated amounts within the budget by \$217,815. Expenditures were \$148,574 less than budgeted.

**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 enterprise funds at the end of the year amounted to \$4,129,438. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### Capital Asset and Debt Administration

**Capital assets.** As of December 31, 2015, the City's investment in capital assets for its governmental and business type activities amounts to \$22,633,224 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure (e.g. roads, highways and bridges, park facilities), and machinery and equipment. The total decrease in the City's investment in capital assets for the current fiscal year was 3.6 percent. Major capital asset events during the current fiscal year included the following:

- The City authorized the Lift Station #7 Rehab project in 2014 with costs financed from the TIF District #2 and Sewer funds. The project was substantially complete at the end of 2014 and fully completed in 2015 with total costs of \$420,415.
- The City started planning for the Fremont Drive Realignment project in 2015 with \$53,088 of project management expenses incurred. The project will continue in 2016. The project will be financed by various funding sources including the State of Minnesota, Sherburne County and the City.

**City of Zimmerman's Capital Assets**  
(net of depreciation)

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 969,473	\$ 969,473	\$ -	\$ 75,000	\$ 75,000	\$ -
Construction in progress	53,088	-	53,088	-	369,524	(369,524)
Buildings	436,866	455,879	(19,013)	3,427,038	3,573,189	(146,151)
Infrastructure	5,415,743	5,716,285	(300,542)	10,843,259	10,813,678	29,581
Improvements other than buildings	606,575	644,923	(38,348)	-	-	-
Machinery and equipment	475,071	535,688	(60,617)	331,111	287,814	43,297
<b>Total</b>	<b>\$ 7,956,816</b>	<b>\$ 8,322,248</b>	<b>\$ (365,432)</b>	<b>\$ 14,676,408</b>	<b>\$ 15,119,205</b>	<b>\$ (442,797)</b>

Additional information on the City's capital assets can be found in Note 3C starting on page 52 of this report.

**Noncurrent liabilities.** At the end of the current fiscal year, the City had total bonded debt outstanding \$4,285,000, all of which were G.O. revenue bonds. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

**City of Zimmerman's Noncurrent Liabilities**

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
G.O. revenue bonds	\$ -	\$ -	\$ -	\$ 4,285,000	\$ 4,726,000	\$ (441,000)
Compensated absences payable	99,653	88,981	10,672	74,407	63,250	11,157
Pension liability	305,346	-	305,346	244,000	-	244,000
<b>Total</b>	<b>\$ 404,999</b>	<b>\$ 88,981</b>	<b>\$ 316,018</b>	<b>\$ 4,603,407</b>	<b>\$ 4,789,250</b>	<b>\$ (185,843)</b>

The City's total noncurrent liabilities increased by \$130,175 (2.7 percent) during the current fiscal year.

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 City has no debt subject to this limitation.

Additional information on the City's noncurrent liabilities can be found in Note 3E starting on page 55 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- For taxes payable in 2016, the Assessor has increased the Taxable Market Values (TMV) of property within the City by approximately 7 percent. Values of residential property increased 7.8 percent, apartments increased 2.4 percent, and commercial values decreased 2.3 percent. This TMV increase is in addition to the 14.7 percent increase for taxes payable in 2015. Property values are anticipated to continue to slowly appreciate as the market recovers from the recent recession, during which the City lost approximately 43 percent of its total TMV over a 5-year period.
- The 2016 City tax rate has increased approximately 14 percent, due to an additional \$225,000 levy for the first year of a street preservation program, whereby streets will chip sealed to extend their useful life.
- The level of construction activity was heavily considered by staff when budgeting for 2016. Increases were made to projected revenues and expenditures when setting the budget. Thirty-six (36) new residential home permits were issued in 2015, the result of an improved economy and reduced SAC/WAC rates. One (1) new commercial building was constructed, as well as a significant addition to the Zimmerman High School. A number of permits continue to be issued for residential additions and improvements. Staff frequently monitors levels of development and will use that information to budget accordingly in future years.
- In an effort to promote and encourage residential construction, City Council approved the extension of a temporary 25 percent reduction to Sewer and Water Access Charges (SAC/WAC) for the first 50 units constructed in 2014 and 2015. This action resulted in 23 new residential home permits being issued in 2014 and 36 new home permits in 2015. Staff proposed continuing the temporary SAC/WAC reduction for 2016, but with modifications to the terms. To that end, City Council agreed to continue with a reduced rate of \$11,000 per SAC/WAC unit for the first 30 permits, \$12,000 per unit for the next 30 units and \$12,500 per unit thereafter. Commercial rates are not reduced and total \$13,500 per SAC/WAC unit. Staff and the City's Financial Consultants regularly update development projections for the purpose of estimating revenue and debt service funding for the City's water and sewer systems.
- In 2014, the State Legislature modified the calculation method for determining LGA payments, increasing the City's distribution 88 percent from \$235,842 to \$445,581. That increase in the City's LGA payment had significant impact on the budget and the City's ability to fund General Fund activities. The State again increased LGA distributions for 2015 and 2016, increasing the distributions to \$475,147 and \$483,878 respectively. While not as significant an increase as 2013-2014, the additional LGA continues to provide non-tax resources to fund General Fund activities. Staff regularly monitors Legislative activity relating to the distribution of State aids and credits throughout the annual budget cycle.
- The City was accepted into the Municipal State Aid Street (MSAS) funding system by the MN Department of Transportation (MNDOT) in 2010. Staff and the City Engineer work closely with MNDOT to update the City's MSAS system and maintenance program, and the City continues to collect MSAS funds. MSAS funding is used for maintenance and reconstruction costs associated with the City-designated state-aid routes, thereby "freeing" General fund and levy monies for other necessary projects. Approximately \$720,000 of MSAS funding will be utilized to pay a portion of the 2016 Fremont Drive Realignment Project, which includes already allocated funds and the potential to borrow ahead 2 years. MSAS funds continue to be programmed to fund future street replacement projects identified in the City's Capital Improvement Plan.
- The City Council commissioned Progressive Consulting Engineers (PCE) to conduct a water and sewer rate study in 2010. PCE rate recommendations were implemented annually, and ended with the 2015 budget. Council has retained Abdo, Eick and Meyers, LLP to prepare a new rate study, with presentation and implementation expected mid-2016.
- Tax Increment Financing District No. 2 was decertified as of December 31, 2015, returning approximately \$2,000,000 of commercial property back onto the general tax system for the City, Sherburne County, and the School District. Remaining fund balances were transferred to the EDA as compensation for administrative expenses, and approximately \$20,000 was paid into the Fremont Drive Realignment Project, as Fremont Drive is adjacent to the TIF #2 boundary.
- Staff continues to review the obligations of remaining Tax Increment Finance (TIF) Districts and eligible expenses in order to fully utilize available increment before the remaining Districts are de-certified.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

## **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 City Clerk/Treasurer, City of Zimmerman, 12980 Fremont Avenue, Zimmerman, Minnesota 55398.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF ZIMMERMAN  
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 2,652,574	\$ 3,995,544	\$ 6,648,118
Receivables			
Taxes	59,622	-	59,622
Accrued interest	16,100	-	16,100
Accounts	17,816	247,377	265,193
Special assessments	176,221	106,160	282,381
Loans	81,998	-	81,998
Internal balances	(209,530)	209,530	-
Capital assets			
Land and construction in progress	1,022,561	75,000	1,097,561
Depreciable assets (net of accumulated depreciation)	6,934,255	14,601,408	21,535,663
<b>TOTAL ASSETS</b>	<b>10,751,617</b>	<b>19,235,019</b>	<b>29,986,636</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension resources	37,224	29,746	66,970
<b>LIABILITIES</b>			
Accrued salaries payable	5,396	4,190	9,586
Accounts payable	78,854	41,922	120,776
Accrued interest payable	-	35,145	35,145
Noncurrent liabilities			
Due within one year	37,256	476,316	513,572
Due in more than one year	367,743	4,127,091	4,494,834
<b>TOTAL LIABILITIES</b>	<b>489,249</b>	<b>4,684,664</b>	<b>5,173,913</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension resources	74,153	59,255	133,408
<b>NET POSITION</b>			
Net investment in capital assets	7,956,816	10,391,408	18,348,224
Restricted for			
Economic development	187,181	-	187,181
Capital improvements	140,520	-	140,520
Unrestricted	1,940,922	4,129,438	6,070,360
<b>TOTAL NET POSITION</b>	<b>\$ 10,225,439</b>	<b>\$ 14,520,846</b>	<b>\$ 24,746,285</b>

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

CITY OF ZIMMERMAN, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 454,013	\$ 169,348	\$ -	\$ -
Public safety	954,989	226,375	68,407	-
Public works	648,708	-	22,365	48,750
Culture and recreation	288,389	11,750	-	3,888
Economic development	43,484	42,947	-	-
Miscellaneous	3,459	-	-	-
Interest on debt	18,951	-	-	-
Total governmental activities	<u>2,411,993</u>	<u>450,420</u>	<u>90,772</u>	<u>52,638</u>
Business-type activities				
Water	607,345	545,401	2,498	328,486
Sewer	924,699	1,034,667	6,164	335,970
Total business-type activities	<u>1,532,044</u>	<u>1,580,068</u>	<u>8,662</u>	<u>664,456</u>
Total	<u>\$ 3,944,037</u>	<u>\$ 2,030,488</u>	<u>\$ 99,434</u>	<u>\$ 717,094</u>

General revenues

Taxes

  Property taxes, levied for general purposes

  Tax increments

  Franchise fees

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1 as restated (Note 6)

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (284,665)	\$ -	\$ (284,665)
(660,207)	-	(660,207)
(577,593)	-	(577,593)
(272,751)	-	(272,751)
(537)	-	(537)
(3,459)	-	(3,459)
(18,951)	-	(18,951)
<u>(1,818,163)</u>	<u>-</u>	<u>(1,818,163)</u>
-	269,040	269,040
-	452,102	452,102
<u>-</u>	<u>721,142</u>	<u>721,142</u>
<u>(1,818,163)</u>	<u>721,142</u>	<u>(1,097,021)</u>
1,232,055	36,894	1,268,949
94,898	-	94,898
39,888	-	39,888
512,669	-	512,669
29,007	63,130	92,137
9,493	-	9,493
50,000	(50,000)	-
<u>1,968,010</u>	<u>50,024</u>	<u>2,018,034</u>
149,847	771,166	921,013
<u>10,075,592</u>	<u>13,749,680</u>	<u>23,825,272</u>
<u>\$ 10,225,439</u>	<u>\$ 14,520,846</u>	<u>\$ 24,746,285</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF ZIMMERMAN  
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF ZIMMERMAN, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<b>101</b>	Other	Total
	General	Governmental Funds	Governmental Funds
<b>ASSETS</b>			
Cash and temporary investments	\$ 1,883,825	\$ 768,749	\$ 2,652,574
Receivables			
Taxes	56,634	2,988	59,622
Accrued interest	16,100	-	16,100
Accounts	17,816	-	17,816
Special assessments	-	176,221	176,221
Loans	-	81,998	81,998
Due from other funds	-	29,058	29,058
Advances to other funds	-	232,264	232,264
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,974,375</u></u>	<u><u>\$ 1,291,278</u></u>	<u><u>\$ 3,265,653</u></u>
<b>LIABILITIES</b>			
Accrued salaries payable	\$ 5,396	\$ -	\$ 5,396
Accounts payable	76,674	2,180	78,854
Due to other funds	16,000	42,032	58,032
Advances from other funds	56,000	356,820	412,820
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>154,070</u>	<u>401,032</u>	<u>555,102</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - delinquent taxes	30,387	-	30,387
Unavailable revenue - special assessments	-	176,221	176,221
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>30,387</u>	<u>176,221</u>	<u>206,608</u>
<b>FUND BALANCES</b>			
Restricted for			
Economic Development	-	187,181	187,181
Committed to			
Economic Development	-	243,854	243,854
Compensated Absences	79,921	-	79,921
Assigned to			
Skate Park	14,500	-	14,500
Community Recreation	4,000	-	4,000
Downtown Planning	10,000	-	10,000
Codification	38,695	-	38,695
Comprehensive Land Use Plan Update	15,000	-	15,000
Capital Improvements	180,789	593,546	774,335
Trucks	16,315	-	16,315
Small Tools and Minor Equipment	230	-	230
Culverts	2,000	-	2,000
Unassigned	1,428,468	(310,556)	1,117,912
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>1,789,918</u>	<u>714,025</u>	<u>2,503,943</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 1,974,375</u></u>	<u><u>\$ 1,291,278</u></u>	<u><u>\$ 3,265,653</u></u>

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

CITY OF ZIMMERMAN, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

Amounts reported for the governmental activities in the statement of net position are different because

Total fund balances - governmental funds	\$ 2,503,943
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	14,018,406
Less accumulated depreciation	(6,061,590)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Compensated absences payable	(99,653)
Pension liability	(305,346)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	30,387
Special assessments receivable	176,221
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	37,224
Deferred inflows of pension resources	(74,153)
Total net position - governmental activities	\$ 10,225,439

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

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

	<b>101</b>		
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,206,193	\$ 166,000	\$ 1,372,193
Licenses and permits	194,795	-	194,795
Intergovernmental	567,360	39,677	607,037
Charges for services	192,213	38,677	230,890
Fines and forfeits	20,465	-	20,465
Special assessments	-	27,851	27,851
Investment earnings	9,097	19,910	29,007
Miscellaneous	36,081	8,158	44,239
	<u>2,226,204</u>	<u>300,273</u>	<u>2,526,477</u>
<b>EXPENDITURES</b>			
Current			
General government	423,260	625	423,885
Public safety	936,301	-	936,301
Public works	328,763	-	328,763
Culture and recreation	203,988	-	203,988
Economic development	-	3,534	3,534
Miscellaneous	3,459	-	3,459
Capital outlay			
General government	8,435	231	8,666
Public works	11,942	53,228	65,170
Culture and recreation	-	6,684	6,684
Economic development	-	39,950	39,950
Debt service			
Interest and other	2,367	16,584	18,951
	<u>1,918,515</u>	<u>120,836</u>	<u>2,039,351</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			
	<u>307,689</u>	<u>179,437</u>	<u>487,126</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	50,000	58,742	108,742
Transfers out	-	(58,742)	(58,742)
Sale of capital assets	9,493	-	9,493
	<u>59,493</u>	<u>-</u>	<u>59,493</u>
<b>NET CHANGE IN FUND BALANCES</b>			
	367,182	179,437	546,619
<b>FUND BALANCES, JANUARY 1</b>			
	<u>1,422,736</u>	<u>534,588</u>	<u>1,957,324</u>
<b>FUND BALANCES, DECEMBER 31</b>			
	<u>\$ 1,789,918</u>	<u>\$ 714,025</u>	<u>\$ 2,503,943</u>

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

CITY OF ZIMMERMAN, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Amounts reported for governmental activities in the statement of activities are different because

Total net change in fund balances - governmental funds	\$ 546,619
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	79,597
Depreciation expense	(445,029)
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.	
Property taxes	(5,352)
Special assessments	(18,778)
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.	
Compensated absences	(10,672)
Long-term pension activity is not reported in governmental funds.	
Pension expense	3,462
Change in net position - governmental activities	\$ 149,847

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

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CITY OF ZIMMERMAN, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,202,542	\$ 1,202,542	\$ 1,206,193	\$ 3,651
Licenses and permits	88,500	88,500	194,795	106,295
Intergovernmental	535,047	535,047	567,360	32,313
Charges for services	142,550	142,550	192,213	49,663
Fines and forfeitures	22,250	22,250	20,465	(1,785)
Investment earnings	15,000	15,000	9,097	(5,903)
Miscellaneous	2,500	2,500	36,081	33,581
<b>TOTAL REVENUES</b>	<b>2,008,389</b>	<b>2,008,389</b>	<b>2,226,204</b>	<b>217,815</b>
<b>EXPENDITURES</b>				
Current				
General government	419,875	420,375	423,260	(2,885)
Public safety	864,900	864,900	936,301	(71,401)
Public works	478,875	478,875	328,763	150,112
Culture and recreation	219,275	219,275	203,988	15,287
Miscellaneous	3,500	3,500	3,459	41
Capital outlay				
General government	78,164	77,664	8,435	69,229
Public safety	500	500	-	500
Public works	2,000	2,000	11,942	(9,942)
Debt service				
Interest and other	-	-	2,367	(2,367)
<b>TOTAL EXPENDITURES</b>	<b>2,067,089</b>	<b>2,067,089</b>	<b>1,918,515</b>	<b>148,574</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(58,700)</b>	<b>(58,700)</b>	<b>307,689</b>	<b>366,389</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	50,000	50,000	50,000	-
Sale of capital assets	-	-	9,493	9,493
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>50,000</b>	<b>50,000</b>	<b>59,493</b>	<b>9,493</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(8,700)</b>	<b>(8,700)</b>	<b>367,182</b>	<b>375,882</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,422,736</b>	<b>1,422,736</b>	<b>1,422,736</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,414,036</b>	<b>\$ 1,414,036</b>	<b>\$ 1,789,918</b>	<b>\$ 375,882</b>

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

CITY OF ZIMMERMAN, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	<u>310,601</u> Water	<u>312,441,602</u> Sewer	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and temporary investments	\$ 2,399,937	\$ 1,595,607	\$ 3,995,544
Receivables			
Accounts	89,807	157,570	247,377
Special assessments	11,541	25,818	37,359
Due from other funds	16,000	12,974	28,974
	<u>2,517,285</u>	<u>1,791,969</u>	<u>4,309,254</u>
<b>TOTAL CURRENT ASSETS</b>			
<b>NONCURRENT ASSETS</b>			
Special assessments	17,804	50,997	68,801
Advances to other funds	56,000	124,556	180,556
Capital assets			
Land	75,000	-	75,000
Buildings	275,624	5,592,909	5,868,533
Infrastructure	9,925,072	6,865,855	16,790,927
Machinery and equipment	81,445	464,353	545,798
Less accumulated depreciation	(4,349,484)	(4,254,366)	(8,603,850)
	<u>6,007,657</u>	<u>8,668,751</u>	<u>14,676,408</u>
<b>Total capital assets (net of accumulated depreciation)</b>			
	<u>6,081,461</u>	<u>8,844,304</u>	<u>14,925,765</u>
<b>TOTAL NONCURRENT ASSETS</b>			
	<u>8,598,746</u>	<u>10,636,273</u>	<u>19,235,019</u>
<b>TOTAL ASSETS</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension resources	11,565	18,181	29,746

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

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

	Business-type Activities - Enterprise Funds		
	<u>310,601</u>	<u>312,441,602</u>	
	Water	Sewer	Totals
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued salaries payable	\$ 1,663	\$ 2,527	\$ 4,190
Accounts payable	8,284	33,638	41,922
Accrued interest payable	11,058	24,087	35,145
Current portion of compensated absences payable	9,868	17,448	27,316
Current portion of bonds payable	99,000	350,000	449,000
	<u>129,873</u>	<u>427,700</u>	<u>557,573</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences payable	16,407	30,684	47,091
Bonds payable	1,140,000	2,696,000	3,836,000
Pension liability	94,866	149,134	244,000
	<u>1,251,273</u>	<u>2,875,818</u>	<u>4,127,091</u>
	<u>1,381,146</u>	<u>3,303,518</u>	<u>4,684,664</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension resources	23,038	36,217	59,255
<b>NET POSITION</b>			
Net investment in capital assets	4,768,657	5,622,751	10,391,408
Unrestricted	2,437,470	1,691,968	4,129,438
	<u>\$ 7,206,127</u>	<u>\$ 7,314,719</u>	<u>\$ 14,520,846</u>

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

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

	Business-type Activities - Enterprise Funds		
	<u>310,601</u>	<u>312,441,602</u>	
	Water	Sewer	Totals
OPERATING REVENUES			
Charges for services	\$ 544,945	\$ 1,023,293	\$ 1,568,238
OPERATING EXPENSES			
Personnel services	163,038	251,497	414,535
Supplies	44,496	50,662	95,158
Repair and maintenance	10,654	19,895	30,549
Professional services	6,518	32,948	39,466
Utilities	33,602	117,979	151,581
Insurance	15,519	18,019	33,538
Depreciation	244,496	323,384	567,880
Other	56,221	37,547	93,768
TOTAL OPERATING EXPENSES	<u>574,544</u>	<u>851,931</u>	<u>1,426,475</u>
OPERATING INCOME (LOSS)	<u>(29,599)</u>	<u>171,362</u>	<u>141,763</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous revenues	2,954	17,538	20,492
Taxes	18,447	18,447	36,894
Investment earnings	26,359	36,771	63,130
Interest expense	(32,801)	(72,768)	(105,569)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>14,959</u>	<u>(12)</u>	<u>14,947</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(14,640)	171,350	156,710
CAPITAL CONTRIBUTIONS	328,486	335,970	664,456
TRANSFERS OUT	<u>(25,000)</u>	<u>(25,000)</u>	<u>(50,000)</u>
CHANGE IN NET POSITION	288,846	482,320	771,166
NET POSITION, JANUARY 1 AS RESTATED (NOTE 6)	<u>6,917,281</u>	<u>6,832,399</u>	<u>13,749,680</u>
NET POSITION, DECEMBER 31	<u>\$ 7,206,127</u>	<u>\$ 7,314,719</u>	<u>\$ 14,520,846</u>

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

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

	Business-type Activities - Enterprise Funds		
	310, 601 Water	312, 441, 602 Sewer	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 554,276	\$ 1,025,260	\$ 1,579,536
Other income related to operating activities	2,954	17,538	20,492
Payments to suppliers	(163,806)	(255,832)	(419,638)
Payments to employees	(177,747)	(266,997)	(444,744)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>215,677</u>	<u>519,969</u>	<u>735,646</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Special assessments collected	3,403	19,238	22,641
Taxes received	18,447	18,447	36,894
Transfers to other funds	(25,000)	(25,000)	(50,000)
Principal received from loans	22,813	-	22,813
Net decrease in loans to other funds	8,000	12,470	20,470
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>27,663</u>	<u>25,155</u>	<u>52,818</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(14,681)	(125,202)	(139,883)
Connection fees received	287,386	287,389	574,775
Principal paid on long-term debt	(97,000)	(344,000)	(441,000)
Interest paid on long-term debt	(33,667)	(75,378)	(109,045)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>142,038</u>	<u>(257,191)</u>	<u>(115,153)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	<u>26,359</u>	<u>36,771</u>	<u>63,130</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	411,737	324,704	736,441
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>1,988,200</u>	<u>1,270,903</u>	<u>3,259,103</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 2,399,937</u></u>	<u><u>\$ 1,595,607</u></u>	<u><u>\$ 3,995,544</u></u>

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

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

	Business-type Activities - Enterprise Funds		
	<u>310,601</u>	<u>312,441,602</u>	
	Water	Sewer	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO</b>			
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (29,599)	\$ 171,362	\$ 141,763
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Other income related to operations	2,954	17,538	20,492
Depreciation	244,496	323,384	567,880
(Increase) decrease in assets/deferred outflows			
Accounts receivable	4,478	(5,486)	(1,008)
Special assessments	4,853	7,453	12,306
Deferred pension resources	(11,565)	(18,181)	(29,746)
Increase (decrease) in liabilities/deferred inflows			
Accrued salaries payable	(16,644)	(19,232)	(35,876)
Accounts payable	3,204	21,218	24,422
Compensated absences payable	4,655	6,502	11,157
Pension liability	(14,193)	(20,806)	(34,999)
Deferred pension resources	23,038	36,217	59,255
	<u>215,677</u>	<u>519,969</u>	<u>735,646</u>
<b>NET CASH PROVIDED BY</b>			
<b>OPERATING ACTIVITIES</b>			
<b>SCHEDULE OF NONCASH CAPITAL AND</b>			
<b>RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets on account	\$ -	\$ 9,729	\$ 9,729

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

CITY OF ZIMMERMAN, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2015

	Agency
	<b>701, 702</b>
	Escrow
<b>ASSETS</b>	
Cash and temporary investments	\$ 6,417
Accounts receivable	1,876
<b>TOTAL ASSETS</b>	<b>\$ 8,293</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 8,293

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Zimmerman, Minnesota (the City) operates under “Optional Plan A” form of government as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel 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. Blended component units, although legally separate entities are, in substance, part of the City’s operations and so data from these units are combined with data of the primary government. The City has the following component unit:

**Blended component unit.** The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is governed by seven board members, five of which are City Council members. Also, the City has operational responsibility of the EDA. It is these criterion that result in the EDA being reported as a blended component unit as separate special revenue fund of the City. The EDA does not issue separate financial statements.

**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 nonfiduciary activities of the primary government. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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, proprietary funds, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. 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 fund financial statements. 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 and claims and judgments, are recorded only when payment is due.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

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 fund:

The *General fund* is the City'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 City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

Additionally, the City reports the following fund types:

*Fiduciary funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

**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. Investments for the City are reported at fair value. 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 does not have a formal investment policy.

*Property taxes*

The City Council annually adopts a tax levy and certifies it to the County in December for collection in 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 December each year.

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Accounts receivable*

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2015. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

*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 in the governmental fund financial statements when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by 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.”

*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 City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

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 was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair market value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings	15 to 40
Building improvements	15 to 30
Machinery and equipment	3 to 15
Infrastructure	20 to 60

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Deferred outflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, 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.

*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.

*Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, which is paid to the employee upon separation. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary 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. The City currently has \$79,921 of committed fund balance in the General fund for future payments of compensated absences.

*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. The recognition of 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 reported as 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.

*Deferred inflows of resources*

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net position*

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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 acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are 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 that do not meet the definition of “restricted” or “net investment in capital assets”.

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.

*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, which is the City’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City 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 City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Clerk/Treasurer.

*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 has formally adopted a fund balance policy for the General fund. The City’s policy is to maintain a minimum unrestricted fund balance of 50 percent of the next year’s budgeted expenditures for cash-flow timing needs.

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

**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 fund. All annual appropriations lapse at 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 City Administrator so that a budget may be prepared. Before September 30<sup>th</sup>, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The budget was amended in 2015, however, the change was between current and capital outlay in the general government function, not in overall revenues or expenses.

**B. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2015:

Fund	Amount
Nonmajor governmental	
TIF District 8	\$ 139,753
Fremont Drive Realignment	36,880
2013 Street Improvement	35,701
2nd Street East	98,222

The above deficits will be eliminated through future taxes, tax increments, transfers, state aid and other revenue collections.

**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 City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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 City.

CITY OF ZIMMERMAN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

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.

At year end, the City’s carrying amount of deposits was \$2,320,274 and the bank balance was \$2,371,041. Of the bank balance, \$1,939,588 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging institution’s trust department in the City’s name.

***Investments***

The investments of the City are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City’s investments to the list on page 45 of the notes.
- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have an investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk*. This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *Interest Rate Risk*. This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have an investment policy to address interest rate risk, however, manages exposure to declines in fair values by limiting a majority of investments to less than five years. Extended maturities may be utilized to take advantage of higher yields; however, no more than 40 percent of the total investments should extend beyond five years as of the total investment figure as of January first of each year and in no circumstance should any extend beyond 10 years.

CITY OF ZIMMERMAN, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

At year end, the City's investment balances were as follows:

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Broker money market	N/A	less than 6 months	\$ 29,696
Nonpooled investments			
Negotiable CDs	N/A	less than 6 months	473,235
Negotiable CDs	N/A	less than 1 year	341,968
Negotiable CDs	N/A	1 to 3 years	2,075,851
Negotiable CDs	N/A	more than 3 years	1,413,511
Total investments			<u>\$ 4,334,261</u>

(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.

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Carrying amount of deposits	\$ 2,320,274
Investments	<u>4,334,261</u>
Total	<u>\$ 6,654,535</u>
Cash and temporary investments	
Statement of Net Position	\$ 6,648,118
Statement of Fiduciary Net Position	<u>6,417</u>
Total	<u>\$ 6,654,535</u>

CITY OF ZIMMERMAN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Loans receivable**

The EDA fund loaned \$97,500 with an interest rate of 5.08 percent to a local business in 2007, maturing May 1, 2016. As of December 31, 2015, the outstanding balance is \$81,998.

**C. Capital assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 969,473	\$ -	\$ -	\$ 969,473
Construction in progress	-	53,088	-	53,088
Total capital assets not being depreciated	<u>969,473</u>	<u>53,088</u>	<u>-</u>	<u>1,022,561</u>
Capital assets being depreciated				
Buildings	917,627	-	-	917,627
Infrastructure	10,022,669	-	-	10,022,669
Improvements other than buildings	750,891	-	-	750,891
Machinery and equipment	<u>1,289,649</u>	<u>26,509</u>	<u>(11,500)</u>	<u>1,304,658</u>
Total capital assets being depreciated	<u>12,980,836</u>	<u>26,509</u>	<u>(11,500)</u>	<u>12,995,845</u>
Less accumulated depreciation for				
Buildings	(461,748)	(19,013)	-	(480,761)
Infrastructure	(4,306,384)	(300,542)	-	(4,606,926)
Improvements other than buildings	(105,968)	(38,348)	-	(144,316)
Machinery and equipment	<u>(753,961)</u>	<u>(87,126)</u>	<u>11,500</u>	<u>(829,587)</u>
Total accumulated depreciation	<u>(5,628,061)</u>	<u>(445,029)</u>	<u>11,500</u>	<u>(6,061,590)</u>
Total capital assets being depreciated, net	<u>7,352,775</u>	<u>(418,520)</u>	<u>-</u>	<u>6,934,255</u>
Governmental activities capital assets, net	<u>\$ 8,322,248</u>	<u>\$ (365,432)</u>	<u>\$ -</u>	<u>\$ 7,956,816</u>

CITY OF ZIMMERMAN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Construction in progress	369,524	50,891	(420,415)	-
	444,524	50,891	(420,415)	75,000
Total capital assets not being depreciated	444,524	50,891	(420,415)	75,000
Capital assets being depreciated				
Buildings	5,868,533	-	-	5,868,533
Infrastructure	16,370,512	420,415	-	16,790,927
Machinery and equipment	471,606	74,192	-	545,798
	22,710,651	494,607	-	23,205,258
Less accumulated depreciation for				
Buildings	(2,295,344)	(146,151)	-	(2,441,495)
Infrastructure	(5,556,834)	(390,834)	-	(5,947,668)
Machinery and equipment	(183,792)	(30,895)	-	(214,687)
	(8,035,970)	(567,880)	-	(8,603,850)
Total capital assets being depreciated, net	14,674,681	(73,273)	-	14,601,408
Business-type activities capital assets, net	\$ 15,119,205	\$ (22,382)	\$ (420,415)	\$ 14,676,408

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

<b>Governmental activities</b>	
General government	\$ 29,649
Public safety	18,688
Public works	321,658
Culture and recreation	75,034
	445,029
Total depreciation expense - governmental activities	
	\$ 445,029
<b>Business-type activities</b>	
Water	\$ 244,496
Sewer	323,384
	567,880
Total depreciation expense - business-type activities	
	\$ 567,880

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Interfund receivables, payables and transfers**

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

Receivable Fund	Payable Fund	Purpose	Amount
<b>Due from/to other funds</b>			
Governmental	Governmental		
Nonmajor governmental	Nonmajor governmental	Finance projects	\$ 29,058
Business-type	Governmental		
Water	General fund	Finance capital purchases	16,000
Sewer	Nonmajor governmental	Finance loan	12,974
			<u>58,032</u>
<b>Advances to/from other funds</b>			
Governmental	Governmental		
Nonmajor governmental	Nonmajor governmental	Finance projects	232,264
Business-type	Governmental		
Water	General	Finance capital purchases	56,000
Sewer	Nonmajor governmental	Finance loan	124,556
			<u>412,820</u>
Total advances to/from other funds			<u>412,820</u>
Interfund activity eliminated from government-wide statements			<u>(261,322)</u>
Total internal balances government-wide statements			<u>\$ 209,530</u>

The General fund is scheduled to make annual payments of \$8,000 principal plus interest at an annual rate of 4.0 percent to the Water fund until maturity in 2020.

Nonmajor governmental funds are scheduled to make annual payments of \$9,174 to the Sewer fund until maturity in 2024 at an annual rate of 4.0 percent

Nonmajor governmental funds are scheduled to make annual payments of \$32,705 at an annual rate of 3.0 percent until maturity in 2019 related to the financing of projects.

The nonmajor governmental TIF District 8 fund outstanding interfund loan of \$139,753 from the nonmajor governmental Economic Development Authority fund is scheduled to make payments as future tax increment is received. The interfund loan carries a 4.0 percent interest rate.

CITY OF ZIMMERMAN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Interfund transfers*

The following interfund transfers were made during 2015:

Fund	Transfer in		
	General	Nonmajor Governmental	Total
Transfer out			
Nonmajor governmental	\$ -	\$ 58,742	\$ 58,742
Water	25,000	-	25,000
Sewer	25,000	-	25,000
 Total	 <u>\$ 50,000</u>	 <u>\$ 58,742</u>	 <u>\$ 108,742</u>

- The Water and Sewer funds transferred \$25,000 each to the General fund for administrative overhead costs.
- The nonmajor governmental fund TIF District 2 transferred \$16,510 out to the Fremont Drive Realignment nonmajor governmental fund to close out the fund upon decertification of the TIF District.
- The nonmajor governmental fund Permanent Improvement transferred \$42,232 to the County Road 4 Improvement Project nonmajor governmental fund to reimburse construction expenses and close out the fund.

**E. Long-term debt**

*General Obligation (G.O.) Bonds.* The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for business-type activities. These bonds are reported in the proprietary funds since they are expected to be repaid from proprietary fund revenues.

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from the Water and Sewer funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 24 and 41 percent of revenues from the Water and Sewer funds, respectively. For 2015, principal and interest paid and total operating revenues for the Water fund were \$130,667 and \$544,945, respectively. For 2015, principal and interest paid and total operating revenues for the Sewer fund were \$419,378 and \$1,023,293, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Note, Series 1999	\$ 4,173,493	2.04 %	04/09/99	08/20/20	\$ 1,256,000
G.O. Water Revenue Note, Series 2007	2,009,068	2.52	01/08/07	08/20/26	1,239,000
G.O. Sewer Revenue Note, Series 2009	2,221,070	2.37	10/05/09	08/20/29	<u>1,790,000</u>
 Total G.O. revenue bonds					 <u>\$ 4,285,000</u>

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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Annual debt service requirements to maturity for the G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 449,000	\$ 99,232	\$ 548,232
2017	460,000	89,240	549,240
2018	470,000	78,999	548,999
2019	480,000	68,535	548,535
2020	492,000	57,845	549,845
2021 - 2025	1,235,000	175,618	1,410,618
2026 - 2029	699,000	37,466	736,466
Total	<u>\$ 4,285,000</u>	<u>\$ 606,935</u>	<u>\$ 4,891,935</u>

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences payable	\$ 88,981	\$ 47,928	\$ (37,256)	\$ 99,653	\$ 37,256
Pension liability GERV	-	310,366 *	(5,020)	305,346	-
Governmental activity long-term liabilities	<u>\$ 88,981</u>	<u>\$ 358,294</u>	<u>\$ (42,276)</u>	<u>\$ 404,999</u>	<u>\$ 37,256</u>
<b>Business-type activities</b>					
Bonds payable					
G.O. revenue bonds	\$ 4,726,000	\$ -	\$ (441,000)	\$ 4,285,000	\$ 449,000
Compensated absences payable	63,250	38,473	(27,316)	74,407	27,316
Pension liability GERV	-	247,930 *	(3,930)	244,000	-
Business-type activities long-term liabilities	<u>\$ 4,789,250</u>	<u>\$ 286,403</u>	<u>\$ (472,246)</u>	<u>\$ 4,603,407</u>	<u>\$ 476,316</u>

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

CITY OF ZIMMERMAN, MINNESOTA  
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**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, other than teachers, 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.

**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. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

**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 6.25 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$49,082, \$47,504 and \$44,587 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**D. Pension costs**

GERF pension costs

At December 31, 2015, the City reported a liability of \$549,346 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0106 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$40,132, or its proportionate share of GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,767	\$ 27,695
Changes in actuarial assumptions	33,539	-
Net difference between projected and actual earnings on plan investments	-	48,902
Changes in proportion	-	56,811
Contributions to GERF subsequent to the measurement date	27,664	-
Total	\$ 66,970	\$ 133,408

Deferred outflows of resources totaling \$27,664 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (29,150)
2017	(29,150)
2018	(48,803)
2019	13,001

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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**E. Actuarial assumptions**

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1 percent effective every January 1<sup>st</sup> through 2026 and 2.5 percent thereafter.

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

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

**F. Discount rate**

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

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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**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 (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
	GERF	\$ 863,769	\$ 549,346

**H. Pension plan fiduciary net position**

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

**Note 5: 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. Legal debt margin**

In accordance with Minnesota statute, the City may not incur or be subject to net debt in excess of three percent of the estimated 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. The City has no debt subject to the limit.

CITY OF ZIMMERMAN, MINNESOTA  
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**Note 5: OTHER INFORMATION - CONTINUED**

**C. Contingencies and concentrations**

*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.

*Concentrations*

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2015 was \$475,147 which accounted for 21.3 percent of General fund revenues.

**D. Zimmerman Livonia Fire District Joint Powers Agreement**

The Zimmerman Livonia Fire District (the District) is an organized Joint Fire District formed by the City of Zimmerman and Livonia Township. The Fire Department covers 78 square miles of service area which includes all of the City of Zimmerman, Livonia Township, and portions of Orrock Township, and Stanford Township. Complete financial statements for the District can be obtained from the Zimmerman Livonia Fire District offices at 13028 Fremont Avenue, Zimmerman, Minnesota 55398.

The City's equity interest and its share of the net income (loss) of the District are neither explicit nor measurable upon withdrawal; therefore, the City has not recorded an equity interest related to the District.

Totals from the most recently issued December 31, 2014 basic financial statements of the District are as follows:

Total assets	\$ 1,594,929
Total liabilities	60,582
Total net position	1,534,347
Total revenue	570,230
Total expense	554,163

The City's contribution of the budget for contracted services in 2015 totaled \$141,864.

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DECEMBER 31, 2015

**Note 6: CHANGE IN ACCOUNTING STANDARDS**

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

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

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 10,421,329	\$ (345,737)	\$ 10,075,592
Business-type activities	\$ 14,028,679	\$ (278,999)	\$ 13,749,680
Business-type activities			
Water	\$ 7,026,340	\$ (109,059)	\$ 6,917,281
Sewer	7,002,339	(169,940)	6,832,399
Total business-type activities	\$ 14,028,679	\$ (278,999)	\$ 13,749,680

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

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF ZIMMERMAN  
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF ZIMMERMAN, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2015

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0106 %	\$ 549,346	\$ -	\$ 549,346	\$ 623,904	88.0 %	78.2 %

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 49,082	\$ 49,082	\$ -	\$ 654,427	7.5 %

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF ZIMMERMAN  
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and temporary investments	\$ 159,252	\$ 609,497	\$ 768,749
Receivables			
Taxes	381	2,607	2,988
Special Assessments	-	176,221	176,221
Loans	81,998	-	81,998
Due from other funds	-	29,058	29,058
Advances to other funds	139,753	92,511	232,264
<b>TOTAL ASSETS</b>	<b>\$ 381,384</b>	<b>\$ 909,894</b>	<b>\$ 1,291,278</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 2,180	\$ 2,180
Due to other funds	12,974	29,058	42,032
Advances from other funds	124,556	232,264	356,820
<b>TOTAL LIABILITIES</b>	137,530	263,502	401,032
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	-	176,221	176,221
<b>FUND BALANCES</b>			
Restricted for			
Economic development	-	187,181	187,181
Committed to economic development	243,854	-	243,854
Assigned to capital improvements	-	593,546	593,546
Unassigned	-	(310,556)	(310,556)
<b>TOTAL FUND BALANCES</b>	243,854	470,171	714,025
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 381,384</b>	<b>\$ 909,894</b>	<b>\$ 1,291,278</b>

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 38,996	\$ 127,004	\$ 166,000
Intergovernmental	-	39,677	39,677
Charges for services	38,677	-	38,677
Special assessments	-	27,851	27,851
Investment earnings	7,593	12,317	19,910
Miscellaneous	1,025	7,133	8,158
	<u>86,291</u>	<u>213,982</u>	<u>300,273</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	625	-	625
Economic development	3,534	-	3,534
Capital outlay			
General government	-	231	231
Public works	-	53,228	53,228
Culture and recreation	-	6,684	6,684
Economic development	-	39,950	39,950
Debt service			
Interest and other	5,877	10,707	16,584
	<u>10,036</u>	<u>110,800</u>	<u>120,836</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	<u>76,255</u>	<u>103,182</u>	<u>179,437</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	58,742	58,742
Transfers out	-	(58,742)	(58,742)
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	76,255	103,182	179,437
FUND BALANCES, JANUARY 1	<u>167,599</u>	<u>366,989</u>	<u>534,588</u>
FUND BALANCES, DECEMBER 31	<u>\$ 243,854</u>	<u>\$ 470,171</u>	<u>\$ 714,025</u>

CITY OF ZIMMERMAN, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>205</b>	<b>228</b>	
	<u>NSP Grant</u>	<u>Economic Development Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and temporary investments	\$ -	\$ 159,252	\$ 159,252
Receivables			
Taxes	-	381	381
Loans	-	81,998	81,998
Advances to other funds	-	139,753	139,753
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 381,384</u>	<u>\$ 381,384</u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ 12,974	\$ 12,974
Advances from other funds	-	124,556	124,556
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	-	137,530	137,530
<b>FUND BALANCES</b>			
Committed to economic development	-	243,854	243,854
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 381,384</u>	<u>\$ 381,384</u>

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

	<b>205</b>	<b>228</b>	
	NSP Grant	Economic Development Authority	Total
<b>REVENUES</b>			
Property taxes	\$ -	\$ 38,996	\$ 38,996
Charges for services	-	38,677	38,677
Investment earnings	-	7,593	7,593
Miscellaneous	625	400	1,025
<b>TOTAL REVENUES</b>	<u>625</u>	<u>85,666</u>	<u>86,291</u>
<b>EXPENDITURES</b>			
Current			
General government	625	-	625
Economic development	-	3,534	3,534
Debt service			
Interest and other	-	5,877	5,877
<b>TOTAL EXPENDITURES</b>	<u>625</u>	<u>9,411</u>	<u>10,036</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	76,255	76,255
<b>FUND BALANCES, JANUARY 1</b>	<u>-</u>	<u>167,599</u>	<u>167,599</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ -</u>	<u>\$ 243,854</u>	<u>\$ 243,854</u>

CITY OF ZIMMERMAN, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>226</b>	<b>372</b>	<b>378</b>	<b>379</b>	<b>402</b>
	Parks	TIF District 2	TIF District 8	TIF District 9	Fremont Drive Realignment
<b>ASSETS</b>					
Cash and temporary investments	\$ 61,513	\$ -	\$ -	\$ 184,574	\$ (34,700)
Receivables					
Taxes	-	-	-	2,607	-
Special assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 61,513</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 187,181</b>	<b>\$ (34,700)</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,180
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	139,753	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>139,753</b>	<b>-</b>	<b>2,180</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - special assessments	-	-	-	-	-
<b>FUND BALANCES</b>					
Restricted for					
Economic development	-	-	-	187,181	-
Assigned to capital improvements	61,513	-	-	-	-
Unassigned	-	-	(139,753)	-	(36,880)
<b>TOTAL FUND BALANCES</b>	<b>61,513</b>	<b>-</b>	<b>(139,753)</b>	<b>187,181</b>	<b>(36,880)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 61,513</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 187,181</b>	<b>\$ (34,700)</b>

<b>410</b>	<b>442</b>	<b>443</b>	<b>504</b>	<b>510</b>	<b>515</b>	
Municipal Building	County Road 4 Improvement Project	2013 Street Improvement	Permanent Improvement	Improvement Project 2001	2nd Street East	Total
\$ 6,862	\$ -	\$ (35,701)	\$ 111,703	\$ 291,899	\$ 23,347	\$ 609,497
-	-	-	-	-	-	2,607
-	-	176,221	-	-	-	176,221
-	-	-	29,058	-	-	29,058
-	-	-	92,511	-	-	92,511
<u>\$ 6,862</u>	<u>\$ -</u>	<u>\$ 140,520</u>	<u>\$ 233,272</u>	<u>\$ 291,899</u>	<u>\$ 23,347</u>	<u>\$ 909,894</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,180
-	-	-	-	-	29,058	29,058
-	-	-	-	-	92,511	232,264
-	-	-	-	-	121,569	263,502
-	-	176,221	-	-	-	176,221
-	-	-	-	-	-	187,181
6,862	-	-	233,272	291,899	-	593,546
-	-	(35,701)	-	-	(98,222)	(310,556)
<u>6,862</u>	<u>-</u>	<u>(35,701)</u>	<u>233,272</u>	<u>291,899</u>	<u>(98,222)</u>	<u>470,171</u>
<u>\$ 6,862</u>	<u>\$ -</u>	<u>\$ 140,520</u>	<u>\$ 233,272</u>	<u>\$ 291,899</u>	<u>\$ 23,347</u>	<u>\$ 909,894</u>

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

	<b>226</b>	<b>372</b>	<b>378</b>	<b>379</b>	<b>402</b>
	Parks	TIF District 2	TIF District 8	TIF District 9	Fremont Drive Realignment
<b>REVENUES</b>					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	53,032	20,137	21,729	-
Intergovernmental	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment earnings	708	113	72	1,930	-
Miscellaneous	3,888	-	-	3,245	-
<b>TOTAL REVENUES</b>	<b>4,596</b>	<b>53,145</b>	<b>20,209</b>	<b>26,904</b>	<b>-</b>
<b>EXPENDITURES</b>					
Capital outlay					
General government	-	-	-	-	-
Public works	-	-	-	-	53,228
Culture and recreation	6,684	-	-	-	-
Economic development	-	36,635	-	3,315	-
Debt service					
Interest and other	-	-	6,214	-	-
<b>TOTAL EXPENDITURES</b>	<b>6,684</b>	<b>36,635</b>	<b>6,214</b>	<b>3,315</b>	<b>53,228</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,088)</b>	<b>16,510</b>	<b>13,995</b>	<b>23,589</b>	<b>(53,228)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	16,510
Transfers out	-	(16,510)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(16,510)</b>	<b>-</b>	<b>-</b>	<b>16,510</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,088)</b>	<b>-</b>	<b>13,995</b>	<b>23,589</b>	<b>(36,718)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>63,601</b>	<b>-</b>	<b>(153,748)</b>	<b>163,592</b>	<b>(162)</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 61,513</b>	<b>\$ -</b>	<b>\$ (139,753)</b>	<b>\$ 187,181</b>	<b>\$ (36,880)</b>

<b>410</b>	<b>442</b>	<b>443</b>	<b>504</b>	<b>510</b>	<b>515</b>	
Municipal Building	County Road 4 Improvement Project	2013 Street Improvement	Permanent Improvement	2001 Improvement Project	2nd Street East	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,106	\$ 32,106
-	-	-	-	-	-	94,898
-	-	39,677	-	-	-	39,677
-	-	27,851	-	-	-	27,851
71	-	-	5,775	3,303	345	12,317
-	-	-	-	-	-	7,133
<u>71</u>	<u>-</u>	<u>67,528</u>	<u>5,775</u>	<u>3,303</u>	<u>32,451</u>	<u>213,982</u>
231	-	-	-	-	-	231
-	-	-	-	-	-	53,228
-	-	-	-	-	-	6,684
-	-	-	-	-	-	39,950
-	-	-	-	-	4,493	10,707
<u>231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,493</u>	<u>110,800</u>
<u>(160)</u>	<u>-</u>	<u>67,528</u>	<u>5,775</u>	<u>3,303</u>	<u>27,958</u>	<u>103,182</u>
-	42,232	-	-	-	-	58,742
-	-	-	(42,232)	-	-	(58,742)
-	42,232	-	(42,232)	-	-	-
(160)	42,232	67,528	(36,457)	3,303	27,958	103,182
<u>7,022</u>	<u>(42,232)</u>	<u>(103,229)</u>	<u>269,729</u>	<u>288,596</u>	<u>(126,180)</u>	<u>366,989</u>
<u>\$ 6,862</u>	<u>\$ -</u>	<u>\$ (35,701)</u>	<u>\$ 233,272</u>	<u>\$ 291,899</u>	<u>\$ (98,222)</u>	<u>\$ 470,171</u>

CITY OF ZIMMERMAN, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 1,166,542	\$ 1,166,542	\$ 1,166,305	\$ (237)	\$ 1,165,243
Cable franchise fees	36,000	36,000	39,888	3,888	32,811
Total	1,202,542	1,202,542	1,206,193	3,651	1,198,054
Licenses and permits					
Business	20,000	20,000	26,797	6,797	20,404
Nonbusiness	68,500	68,500	167,998	99,498	72,880
Total	88,500	88,500	194,795	106,295	93,284
Intergovernmental					
State					
Property tax credits	-	-	86	86	84
Local government aid	475,147	475,147	475,147	-	445,581
Fire aid	50,000	50,000	68,407	18,407	64,426
Other	9,900	9,900	9,740	(160)	9,741
County - other	-	-	13,980	13,980	16,238
Total	535,047	535,047	567,360	32,313	536,070
Charges for services					
General government	57,250	57,250	115,663	58,413	59,411
Public safety	64,800	64,800	64,800	-	64,800
Culture and recreation	20,500	20,500	11,750	(8,750)	12,545
Total	142,550	142,550	192,213	49,663	136,756
Fines and forfeitures	22,250	22,250	20,465	(1,785)	24,087
Investment earnings	15,000	15,000	9,097	(5,903)	7,254
Miscellaneous					
Refunds and reimbursements	-	-	33,281	33,281	9,633
Other	2,500	2,500	2,800	300	6,002
Total	2,500	2,500	36,081	33,581	15,635
TOTAL REVENUES	2,008,389	2,008,389	2,226,204	217,815	2,011,140

CITY OF ZIMMERMAN, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

EXPENDITURES	2015				2014
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current					
General government					
Mayor and City Council					
Personnel services	\$ 22,300	\$ 22,300	\$ 22,052	\$ 248	\$ 14,667
Supplies	2,000	2,000	784	1,216	1,335
Other services and charges	15,125	14,125	10,684	3,441	11,319
Total	39,425	38,425	33,520	4,905	27,321
Administrator					
Personnel services	115,350	115,350	115,809	(459)	109,912
Supplies	1,250	1,250	384	866	7
Other services and charges	4,600	4,600	2,780	1,820	2,374
Total	121,200	121,200	118,973	2,227	112,293
Clerk/Treasurer					
Personnel services	79,100	79,100	79,105	(5)	73,666
Supplies	2,250	2,250	1,167	1,083	1,230
Other services and charges	16,550	16,550	16,126	424	16,588
Total	97,900	97,900	96,398	1,502	91,484
Elections					
Personnel services	-	-	-	-	5,985
Supplies	-	-	70	(70)	669
Other services and charges	1,000	1,000	903	97	2,724
Total	1,000	1,000	973	27	9,378
Finance					
Personnel services	46,600	46,600	46,454	146	44,311
Supplies	2,050	2,050	1,828	222	1,315
Other services and charges	38,250	38,250	53,052	(14,802)	38,462
Total	86,900	86,900	101,334	(14,434)	84,088
Assessing					
Other services and charges	14,250	14,250	14,012	238	13,998
City attorney					
Other services and charges	22,000	22,000	23,362	(1,362)	20,676

CITY OF ZIMMERMAN, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
General government - continued					
Planning and zoning					
Supplies	\$ 350	\$ 350	\$ 290	\$ 60	\$ 92
Other services and charges	5,500	5,500	5,202	298	2,107
Total	5,850	5,850	5,492	358	2,199
Government buildings					
Supplies	750	750	910	(160)	242
Other services and charges	30,600	32,100	28,286	3,814	27,006
Total	31,350	32,850	29,196	3,654	27,248
Total general government	419,875	420,375	423,260	(2,885)	388,685
Public safety					
Police protection					
Contracted services	637,600	637,600	635,052	2,548	590,250
Fire protection					
2% fire state aid	50,000	50,000	68,407	(18,407)	64,426
Other services and charges	141,850	141,850	143,544	(1,694)	134,680
Total	191,850	191,850	211,951	(20,101)	199,106
Building inspection					
Supplies	750	750	781	(31)	438
Other services and charges	34,700	34,700	88,517	(53,817)	43,717
Total	35,450	35,450	89,298	(53,848)	44,155
Total public safety	864,900	864,900	936,301	(71,401)	833,511
Public works					
Streets and highways					
Personnel services	159,200	159,200	128,204	30,996	146,793
Supplies	84,000	84,000	44,838	39,162	54,399
Other services and charges	231,675	231,675	151,094	80,581	179,347
Total	474,875	474,875	324,136	150,739	380,539

CITY OF ZIMMERMAN, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public works - continued					
Engineering					
Other services and charges	\$ 4,000	\$ 4,000	\$ 4,627	\$ (627)	\$ 2,437
Total public works	478,875	478,875	328,763	150,112	382,976
Culture and recreation					
Parks and recreation					
Personnel services	140,750	140,750	127,145	13,605	142,797
Supplies	21,800	21,800	28,069	(6,269)	19,874
Other services and charges	56,725	56,725	48,774	7,951	52,331
Total culture and recreation	219,275	219,275	203,988	15,287	215,002
Miscellaneous	3,500	3,500	3,459	41	5,130
Total current expenditures	1,986,425	1,986,925	1,895,771	91,154	1,825,304
Capital outlay					
General government	78,164	77,664	8,435	69,229	83,091
Public safety	500	500	-	500	24
Public works	2,000	2,000	11,942	(9,942)	127,135
Total capital outlay	80,664	80,164	20,377	59,787	210,250
Debt service					
Interest and other	-	-	2,367	(2,367)	-
TOTAL EXPENDITURES	2,067,089	2,067,089	1,918,515	148,574	2,035,554
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	(58,700)	(58,700)	307,689	366,389	(24,414)
OTHER FINANCING SOURCES					
Transfers in	50,000	50,000	50,000	-	50,000
Sale of capital assets	-	-	9,493	9,493	412
TOTAL OTHER FINANCING SOURCES	50,000	50,000	59,493	9,493	50,412
NET CHANGE IN FUND BALANCES	(8,700)	(8,700)	367,182	375,882	25,998
FUND BALANCES, JANUARY 1	1,422,736	1,422,736	1,422,736	-	1,396,738
FUND BALANCES, DECEMBER 31	\$ 1,414,036	\$ 1,414,036	\$ 1,789,918	\$ 375,882	\$ 1,422,736

CITY OF ZIMMERMAN, MINNESOTA  
 AGENCY FUNDS  
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 DECEMBER 31, 2015

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Developer costs				
ASSETS				
Cash and temporary investments	\$ 1,917	\$ -	\$ -	\$ 1,917
Accounts receivable	<u>1,876</u>	<u>-</u>	<u>-</u>	<u>1,876</u>
 TOTAL ASSETS	 <u>\$ 3,793</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 3,793</u>
 LIABILITIES				
Accounts payable	<u>\$ 3,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,793</u>
 Landscape/driveway escrow				
ASSETS				
Cash and temporary investments	<u>\$ 6,000</u>	<u>\$ 12,500</u>	<u>\$ (14,000)</u>	<u>\$ 4,500</u>
 LIABILITIES				
Accounts payable	<u>\$ 6,000</u>	<u>\$ 12,500</u>	<u>\$ (14,000)</u>	<u>\$ 4,500</u>
 TOTAL AGENCY FUNDS				
ASSETS				
Cash and temporary investments	\$ 7,917	\$ 12,500	\$ (14,000)	\$ 6,417
Accounts receivable	<u>1,876</u>	<u>-</u>	<u>-</u>	<u>1,876</u>
 TOTAL ASSETS	 <u>\$ 9,793</u>	 <u>\$ 12,500</u>	 <u>\$ (14,000)</u>	 <u>\$ 8,293</u>
 LIABILITIES				
Accounts payable	<u>\$ 9,793</u>	<u>\$ 12,500</u>	<u>\$ (14,000)</u>	<u>\$ 8,293</u>

CITY OF ZIMMERMAN, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
<b>REVENUES</b>			
Taxes	\$ 1,372,193	\$ 1,360,963	0.83 %
Licenses and permits	194,795	93,284	108.82
Intergovernmental	607,037	712,767	(14.83)
Charges for services	230,890	174,625	32.22
Fines and forfeitures	20,465	24,087	(15.04)
Special assessments	27,851	25,585	8.86
Investment earnings	29,007	24,524	18.28
Miscellaneous	44,239	26,920	64.34
<b>TOTAL REVENUES</b>	<b>\$ 2,526,477</b>	<b>\$ 2,442,755</b>	3.43 %
Per Capita	\$ 477	\$ 464	2.88 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 423,885	\$ 390,185	8.64 %
Public safety	936,301	833,511	12.33
Public works	328,763	382,976	(14.16)
Culture and recreation	203,988	215,002	(5.12)
Economic development	3,534	27,178	(87.00)
Miscellaneous	3,459	5,130	(32.57)
Capital outlay			
General government	8,666	84,730	(89.77)
Public safety	-	24	(100.00)
Public works	65,170	200,439	(67.49)
Culture and recreation	6,684	15,792	(57.67)
Economic development	39,950	417,685	(90.44)
Debt service			
Interest and other	18,951	12,758	48.54
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,039,351</b>	<b>\$ 2,585,410</b>	(21.12) %
Per Capita	\$ 385	\$ 491	(21.54) %
<b>General Fund Balance - December 31</b>	<b>\$ 1,789,918</b>	<b>\$ 1,422,736</b>	25.81 %
Per Capita	338	270	25.14

The purpose of this report is to provide a summary of financial information concerning the City of Zimmerman to interested citizens. The complete financial statements may be examined at City Hall, 12980 Fremont Avenue, Zimmerman, Minnesota 55398. Questions about this report should be directed to Kary Tillmann, City Clerk/Treasurer, at (763) 856-4666.

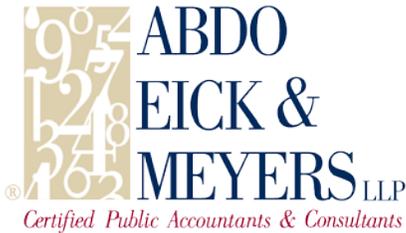
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**OTHER REQUIRED REPORTS**

CITY OF ZIMMERMAN  
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Zimmerman, Minnesota

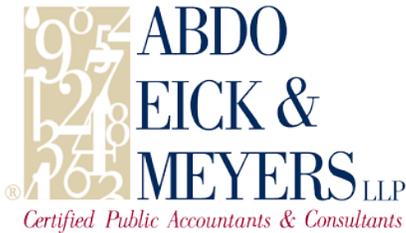
We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Zimmerman, Minnesota (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 7, 2016.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
April 7, 2016



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

Honorable Mayor and City Council  
City of Zimmerman, 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, each major fund, and the aggregate remaining fund information of the City of Zimmerman, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 7, 2016.

**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.

*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 City's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as finding 2015-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

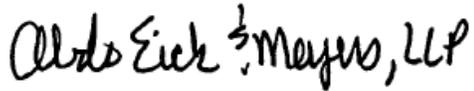
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Response to the Finding

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

## 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  
April 7, 2016

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

Finding      Description

**2015-001      Preparation of financial statements**

*Condition:*      As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. 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. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

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

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

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

*Recommendation:*      Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations 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 information from Banyon to the amounts reported in the financial statements.

*Management response:*

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