

CITY OF ZIMMERMAN
ZIMMERMAN, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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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, 2013

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CITY OF ZIMMERMAN, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2013

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Earenfight	Mayor	12/31/14
Tony Brisbin	Council Member	12/31/14
Gary Clough	Council Member	12/31/16
Ron Mathison	Council Member	12/31/16
Greg Laney	Council Member	Resigned 12/2/2013

APPOINTED

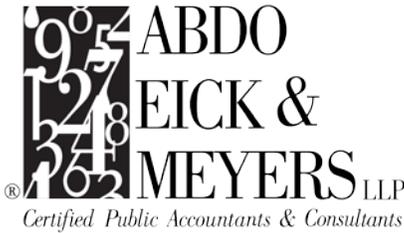
<u>Name</u>	<u>Title</u>
Randy Piasecki	City Administrator
Kary Tillmann	City Clerk/Treasurer

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FINANCIAL SECTION
CITY OF ZIMMERMAN
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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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, 2013, 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. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated May 9, 2013 we express unmodified opinions on the respective proprietary fund financial statements. 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 financial statement presentation.

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, 2013, 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 conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 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

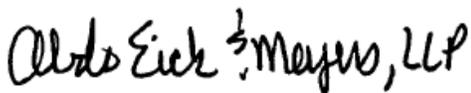
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 May 7, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 7, 2014

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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, 2013.

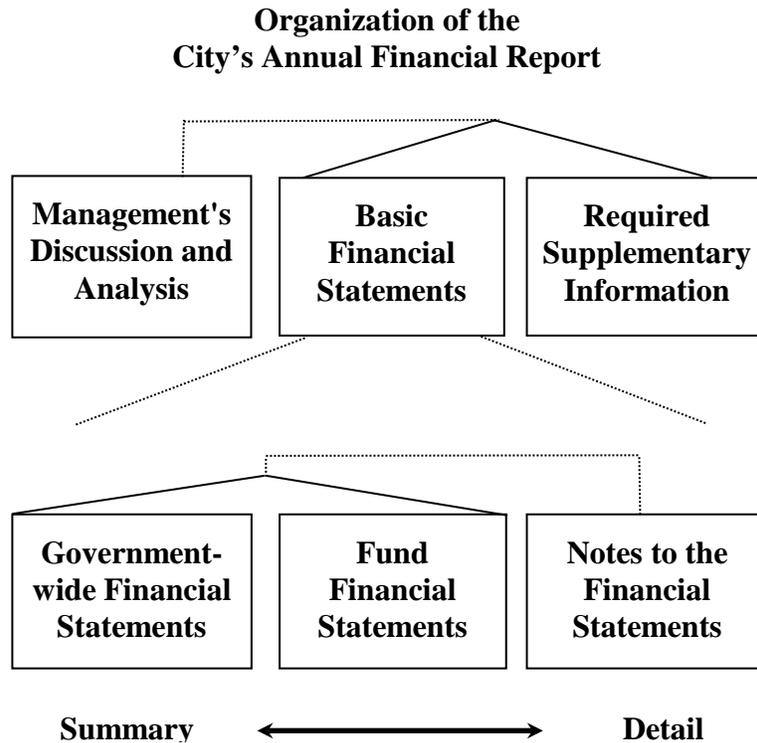
Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$24,385,522 (net position). Of this amount, \$5,403,843 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,141,491. This was largely a result of total governmental and business-type capital contributions of \$1,396,766, primarily for 1) lighting donated for the baseball field of an estimated \$500,000 and 2) street improvements contributed from Municipal State Aid of \$497,514 and from special assessments certified of \$246,037.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,056,590, a decrease of \$54,015 in comparison with the prior year. The decrease was primarily a result of significant capital outlay activity related to the 2013 Street Improvement project.
- At the end of the current fiscal year, total fund balance for the General fund was \$1,396,738, or 74.1 percent of total 2014 General fund expenditures. A portion of this fund balance (\$100,000) has been committed and (\$222,963) has been assigned for specific purposes.
- The City's total noncurrent liabilities decreased \$421,470, (7.3 percent) during the current fiscal year. Long-term debt of \$421,000 was retired during the year.

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. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.



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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
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 27 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 16 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 and 2013 Street Improvement fund, both of which are considered to be a major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements 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 32 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 38 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 48 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 49 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 68 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 exceeded liabilities by \$24,385,522 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (75.8 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		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Assets						
Current and other assets	\$ 2,694,528	\$ 2,282,973	\$ 411,555	\$ 3,874,727	\$ 4,418,873	\$ (544,146)
Capital assets, net of depreciation	8,436,028	7,406,045	1,029,983	15,197,394	15,204,339	(6,945)
Total assets	11,130,556	9,689,018	1,441,538	19,072,121	19,623,212	(551,091)
Liabilities						
Noncurrent liabilities outstanding	112,410	109,833	2,577	5,246,105	5,670,152	(424,047)
Other liabilities	376,913	94,533	282,380	81,727	193,681	(111,954)
Total liabilities	489,323	204,366	284,957	5,327,832	5,863,833	(536,001)
Net position						
Net investment in capital assets	8,436,028	7,406,045	1,029,983	10,041,394	9,627,339	414,055
Restricted for						
Economic development	504,257	474,903	29,354	-	-	-
Park improvements	-	19,305	(19,305)	-	-	-
Unrestricted	1,700,948	1,584,399	116,549	3,702,895	4,132,040	(429,145)
Total net position	\$10,641,233	\$ 9,484,652	\$ 1,156,581	\$13,744,289	\$13,759,379	\$ (15,090)

A portion of net position (\$504,257) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$5,403,843) 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.

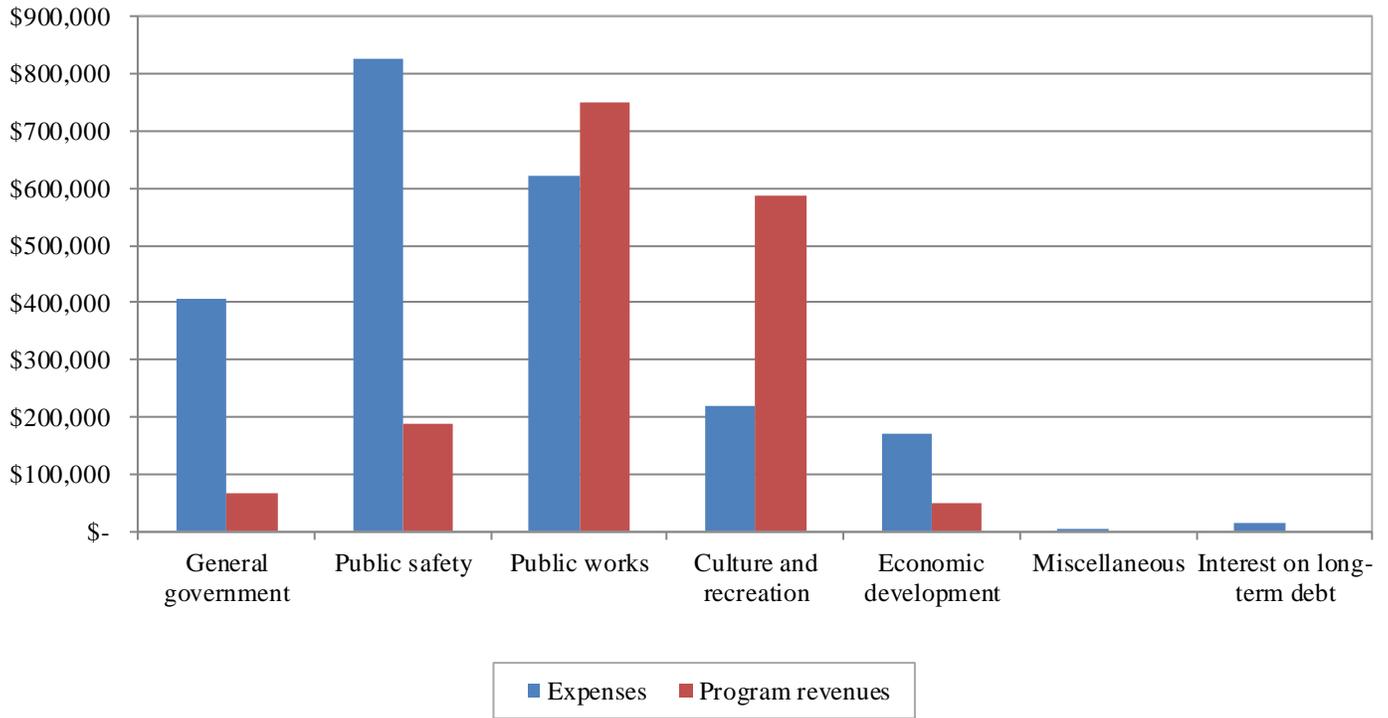
Governmental activities. The City's net position increased by \$1,141,491 during the current fiscal year. Governmental activities increased the City's net position by \$1,156,581. Significant changes from the prior year are noted below:

City of Zimmerman's Changes in Net Position

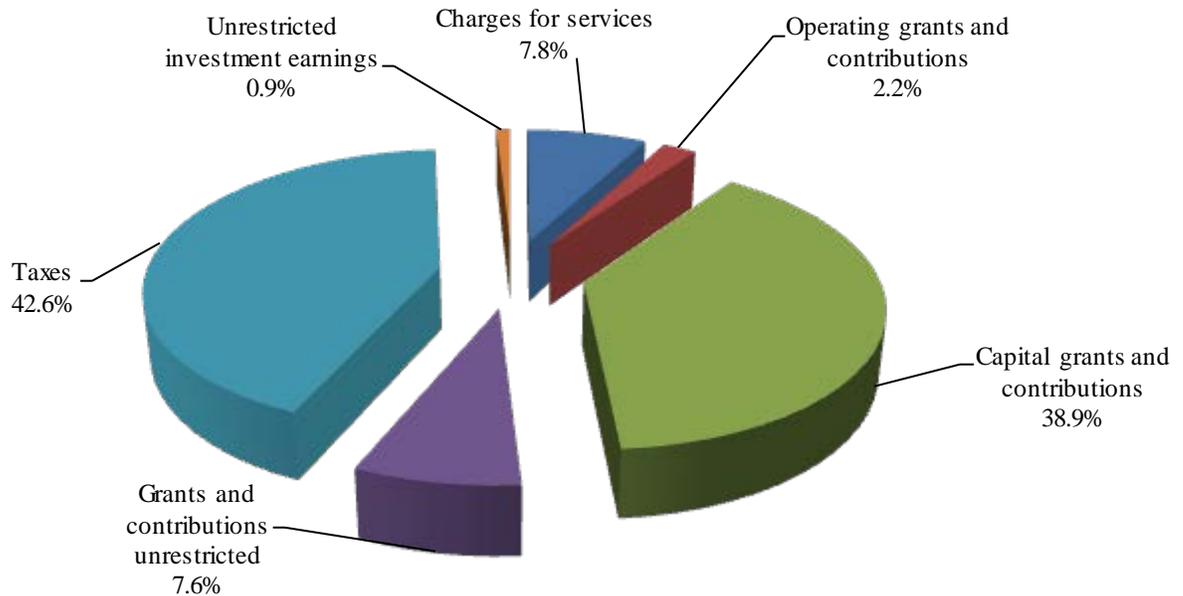
	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 261,436	\$ 193,505	\$ 67,931	\$ 1,415,320	\$ 1,425,758	\$ (10,438)
Operating grants and contributions	73,566	59,908	13,658	3,652	44,207	(40,555)
Capital grants and contributions	1,305,660	546,225	759,435	91,106	185,850	(94,744)
General revenues						
Taxes						
Property taxes	1,193,335	1,254,942	(61,607)	36,894	36,894	-
Tax increments	207,391	236,812	(29,421)	-	-	-
Franchise fees	30,831	25,201	5,630	-	-	-
Grants and contributions not restricted to specific programs	256,379	259,114	(2,735)	-	-	-
Unrestricted investment earnings	28,770	35,336	(6,566)	44,462	65,309	(20,847)
Gain on sale of capital assets	1,591	500	1,091	-	-	-
Total revenues	3,358,959	2,611,543	747,416	1,591,434	1,758,018	(166,584)
Expenses						
General government	405,861	413,653	(7,792)	-	-	-
Public safety	824,853	795,117	29,736	-	-	-
Public works	621,654	1,143,262	(521,608)	-	-	-
Culture and recreation	219,174	404,494	(185,320)	-	-	-
Economic development	170,156	181,803	(11,647)	-	-	-
Miscellaneous	2,378	3,052	(674)	-	-	-
Interest on debt	15,942	17,901	(1,959)	-	-	-
Water	-	-	-	594,927	603,084	(8,157)
Sewer	-	-	-	953,957	991,821	(37,864)
Total expenses	2,260,018	2,959,282	(699,264)	1,548,884	1,594,905	(46,021)
Change in net position before transfers	1,098,941	(347,739)	1,446,680	42,550	163,113	(120,563)
Transfers	57,640	50,000	7,640	(57,640)	(50,000)	(7,640)
Change in net position	1,156,581	(297,739)	1,454,320	(15,090)	113,113	(128,203)
Net position, January 1	9,484,652	9,782,391	(297,739)	13,759,379	13,646,266	113,113
Net position, December 31	\$10,641,233	\$ 9,484,652	\$ 1,156,581	\$13,744,289	\$13,759,379	\$ (15,090)

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



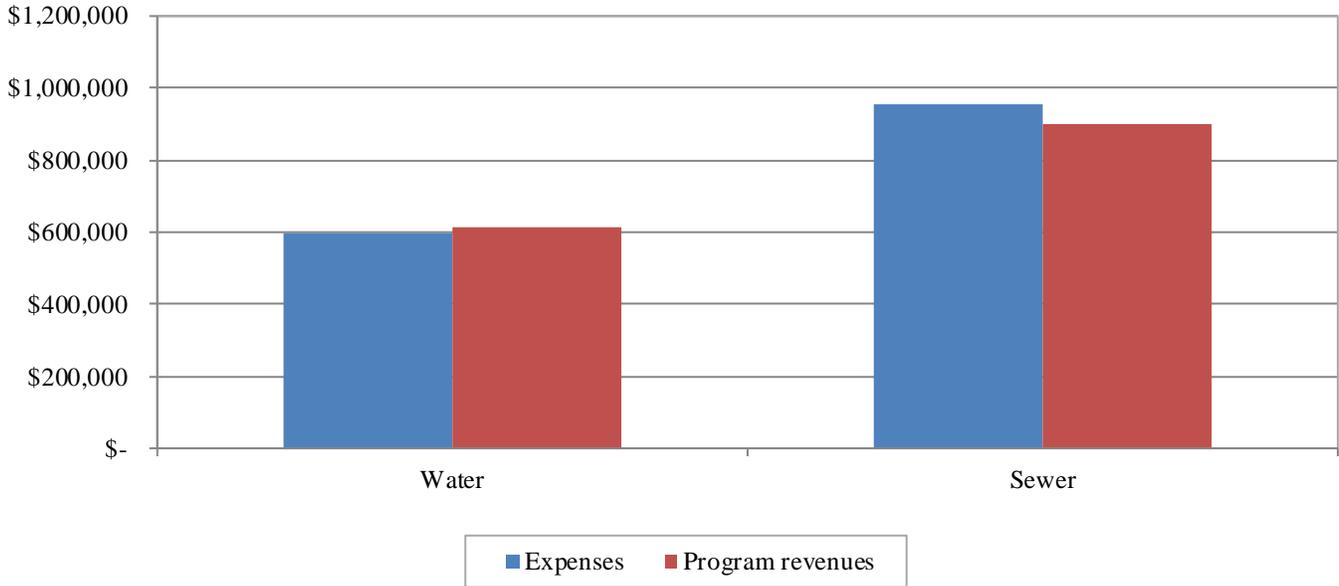
Revenue by Source - Governmental Activities



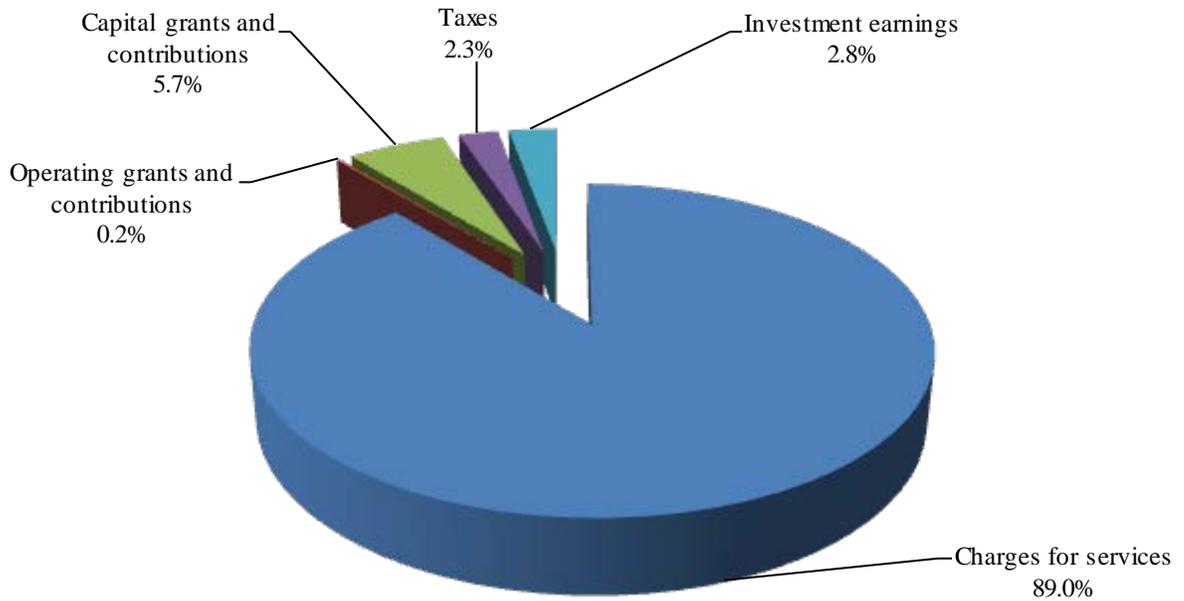
Business-type activities. Business-type activities decreased the City's net position by \$15,090. Key elements of this decrease are as follows:

- Operating losses for the enterprise funds total \$23,216, largely a result of depreciation expense of approximately \$546,000.
- Net transfers out totaled \$57,640.

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 \$2,056,590, a decrease of \$54,015 in comparison with the prior year. Approximately 24 percent of this total amount (\$485,938) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$1,570,652) is not available for new spending because it is either 1) restricted (\$504,257), 2) committed (\$214,737), or 3) assigned (\$851,658) for the purposes described in the fund balance section of the balance sheet on page 32 of this report.

Major fund	Fund Balance December 31,		Increase (Decrease)
	2013	2012	
General	\$ 1,396,738	\$ 1,282,986	\$ 113,752
The <i>General</i> fund is the chief operating fund of the City. The fund balance is still strong relative to the following years budget (74.1 percent). Revenues exceeded expenditures by \$62,161 and the City received transfers of \$50,000 from other funds.			
2013 Street Improvement	\$ (225,346)	\$ -	\$ (225,346)
The <i>2013 Street Improvement</i> fund balance has a deficit fund balance as a result of having project costs in excess of revenues at year end. Revenue sources for the project include Municipal State Aid (MSA) and special assessments. The City plans to eliminate the deficit with future collection/recognition of MSA and special assessments.			

General Funds Budgetary Highlights

The City's General fund budget was not amended during the year. The final budget called for a positive \$27,500 net change in fund balance.

Revenues exceeded anticipated amounts within the budget by \$27,549, primarily due to a positive variance in intergovernmental revenue, which was \$21,322 over budget. Expenditures were under budget by \$77,112 during the year, primarily due to a positive variance of \$56,148 in public works current expenditures.

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 \$3,702,895. 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, 2013, the City's investment in capital assets for its governmental and business type activities amounts to \$23,633,422 (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 increase in the City's investment in capital assets for the current fiscal year was 4.3 percent. Major capital asset events during the current fiscal year included the following:

- The City authorized the 2013 Street and Utility Improvement Project, which included the total reconstruction of a 6-block segment of street, storm water collection, and water and sewer mains. One additional street block was improved with concrete curb installation and a bituminous paving overlay. The project was substantially completed in November 2013, and will be fully completed in 2014. Total project cost, including construction, engineering, and contingencies was estimated at \$1,700,000, with approximately \$900,000 proposed to be funded through the Municipal State Aid Street system. The City accepted a contract bid in the amount of \$909,605 for construction of the improvements.
- The City authorized the replacement of a broken water main crossing under Trunk Highway 169 at the intersection of TH 169 and County State Aid Highway 4. The engineer's estimate for the project was \$147,300, including construction, engineering and contingencies. The City accepted a contract bid in the amount of \$94, 872, with payment from the Water fund.

- The City received a donation of used ball field equipment and furnishings, including but not limited to light poles and bases, chain link fencing and support posts, score boards, miscellaneous irrigation equipment, and ag lime. A local developer donated the materials from a project site outside the City that was acquired for redevelopment. Staff estimates the value of the donated materials to be approximately \$500,000. The City installed much of the donated materials in existing City park areas, which will provide lighting to 2 additional ball fields. Livonia Township entered into an agreement with the City to pay 50 percent of the project costs to improve the park space, which is utilized by the Zimmerman/Livonia community. Total cost to install the improvements was \$126,840, with Livonia Township contributing \$63,420 as pledged. The City's utilized the Park fund to cover these expenses.
- The Council authorized the purchase of a new pickup truck for the Water Department at a cost of \$22,855, including the trade-in value of an older City truck, with the balance paid by the Water fund.

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

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 969,473	\$ 969,473	\$ -	\$ 75,000	\$ 75,000	\$ -
Construction in progress	755,007	440,075	314,932	391,219	-	391,219
Buildings	474,892	494,120	(19,228)	3,719,902	3,866,615	(146,713)
Infrastructure	5,161,652	4,998,171	163,481	10,810,037	11,062,911	(252,874)
Improvements other than buildings	683,271	49,017	634,254	-	-	-
Machinery and equipment	391,733	455,189	(63,456)	201,236	199,813	1,423
Total	\$ 8,436,028	\$ 7,406,045	\$ 1,029,983	\$15,197,394	\$15,204,339	\$ (6,945)

Additional information on the City's capital assets can be found in Note 3C starting on page 58 of this report.

Noncurrent liabilities. At the end of the current fiscal year, the City had total bonded debt outstanding \$5,156,000, 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		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
G.O. revenue bonds	\$ -	\$ -	\$ -	\$ 5,156,000	\$ 5,577,000	\$ (421,000)
Compensated absences payable	112,410	109,833	2,577	90,105	93,152	(3,047)
Total	\$ 112,410	\$ 109,833	\$ 2,577	\$ 5,246,105	\$ 5,670,152	\$ (424,047)

The City's total noncurrent liabilities decreased by \$421,470 (7.3 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 61 of this report.

Economic Factors and Next Year's Budgets and Rates

- In response to the State's budget shortfalls, the City's 2012 and 2013 Local Government Aid (LGA) allotments were frozen at the 2010 level of \$235,842. For 2014, the State has increased the City's LGA distribution from \$235,842 to \$445,581, based on new calculations approved by the Legislature. This increase to the City's LGA payment will have significant impact on the 2014 budget and the City's ability to fund General fund activities. Staff will continue to monitor Legislative activity relating to the State's distribution of aids and credits throughout the annual budget cycle.
- For taxes payable 2014, the Assessor has again decreased the Taxable Market Values (TMV) of the City by approximately 2 percent. TMV of property within the City has decreased each year since 2009, with the City losing approximately 43 percent of its total TMV. The 2014 City tax rate has decreased 2.7 percent from 2013 rates, largely due to the significant increase in LGA payments and a decrease in the levy. Based on information provided by the County Assessor, residential property values are anticipated to increase by 14 percent for taxes payable in 2014, so the City should gain TMV for the next year.
- Growth has been relatively stagnant due to the economy; however staff projects increased building activity in 2014. The Council approved a temporary 25 percent reduction of Sewer and Water Access Charges (SAC/WAC) for the first 50 units constructed in 2014 as an incentive to promote growth. City staff and the City's Financial Consultants continue to regularly update development projections for the purpose of estimating revenue and debt service funding for the City's water and sewer systems.
- The level of construction activity was heavily considered by staff when budgeting for 2014. Increases were made to projected revenues and expenditures when setting the budget. Six (6) residential new home permits were issued in 2013, and there was 1 new commercial-industrial permit and 1 commercial alteration/renovation. A significant number of permits were issued for residential additions and improvements, as has been the trend for the past 5 years. Staff will continue to monitor levels of development and budget accordingly in future years.
- In 2010, the City was accepted into the Municipal State Aid Street (MSAS) funding system by the MN Department of Transportation (MNDOT). Staff and the City Engineer continue to work with MNDOT to update the City's MSAS system and maintenance program, and is collecting MSAS funds. MSAS will provide funding for maintenance and reconstruction costs associated with the City-designated state-aid routes, thereby "freeing" General fund and levy monies for other necessary projects. The 2013 Street and Utility Project utilized approximately \$900,000 of the City's MSAS funding allocation, which included the City's 2013 allocation and funds that were borrowed ahead approximately 2 additional years.
- The City Council commissioned Progressive Consulting Engineers (PCE) to conduct a water and sewer rate study in 2010. PCE presented the results of the study to the City Council in May, 2011. PCE determined that without rate increases, the City's fund balances and infrastructure would continue to decline until the system is depleted. City Council approved the rate study, including recommended rate increases for years 2012 - 2016. City Council approved the recommended 2014 rate increases to water and sewer rates, effective January 1, 2014, as indicated in the PCE rate study document.
- Tax Increment Financing District No. 1 was decertified as of December 31, 2013, placing approximately \$2,900,000 of commercial property back into the general tax system for the City, Sherburne County, and the School District.
- Staff continues to review the obligations of existing Tax Increment Finance (TIF) Districts and eligible expenses in order to fully utilize available increment before the remaining Districts are de-certified. Tax TIF District No. 7 will pay off its obligation to the redeveloper as of February 1, 2014, and will be decertified prior to December 31, 2014.

All of these factors were considered in preparing the City's budget for the 2013 and 2014 fiscal years.

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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ZIMMERMAN
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF ZIMMERMAN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 2,291,162	\$ 3,501,794	\$ 5,792,956
Receivables			
Taxes	102,545	-	102,545
Accrued interest	10,990	-	10,990
Accounts	9,596	138,250	147,846
Special assessments	211,402	150,930	362,332
Loans	397,617	67,106	464,723
Less allowance for uncollectible	(312,137)	-	(312,137)
Internal balances	(16,647)	16,647	-
Capital assets			
Land and construction in progress	1,724,480	466,219	2,190,699
Depreciable assets (net of accumulated depreciation)	6,711,548	14,731,175	21,442,723
TOTAL ASSETS	11,130,556	19,072,121	30,202,677
LIABILITIES			
Accrued salaries payable	17,073	13,312	30,385
Accounts payable	183,143	26,407	209,550
Accrued interest payable	-	42,008	42,008
Unearned revenue	176,697	-	176,697
Noncurrent liabilities			
Due within one year	42,421	473,855	516,276
Due in more than one year	69,989	4,772,250	4,842,239
TOTAL LIABILITIES	489,323	5,327,832	5,817,155
NET POSITION			
Net investment in capital assets	8,436,028	10,041,394	18,477,422
Restricted for economic development	504,257	-	504,257
Unrestricted	1,700,948	3,702,895	5,403,843
TOTAL NET POSITION	\$ 10,641,233	\$ 13,744,289	\$ 24,385,522

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 405,861	\$ 66,297	\$ -	\$ -
Public safety	824,853	122,180	65,181	-
Public works	621,654	6,713	8,385	735,394
Culture and recreation	219,174	15,618	-	570,266
Economic development	170,156	50,628	-	-
Miscellaneous	2,378	-	-	-
Interest on debt	15,942	-	-	-
Total governmental activities	<u>2,260,018</u>	<u>261,436</u>	<u>73,566</u>	<u>1,305,660</u>
Business-type activities				
Water	594,927	567,691	279	43,600
Sewer	953,957	847,629	3,373	47,506
Total business-type activities	<u>1,548,884</u>	<u>1,415,320</u>	<u>3,652</u>	<u>91,106</u>
Total	<u>\$ 3,808,902</u>	<u>\$ 1,676,756</u>	<u>\$ 77,218</u>	<u>\$ 1,396,766</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

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>
\$ (339,564)	\$ -	\$ (339,564)
(637,492)	-	(637,492)
128,838	-	128,838
366,710	-	366,710
(119,528)	-	(119,528)
(2,378)	-	(2,378)
(15,942)	-	(15,942)
<u>(619,356)</u>	<u>-</u>	<u>(619,356)</u>
-	16,643	16,643
<u>-</u>	<u>(55,449)</u>	<u>(55,449)</u>
-	(38,806)	(38,806)
<u>(619,356)</u>	<u>(38,806)</u>	<u>(658,162)</u>
1,193,335	36,894	1,230,229
207,391	-	207,391
30,831	-	30,831
256,379	-	256,379
28,770	44,462	73,232
1,591	-	1,591
57,640	(57,640)	-
<u>1,775,937</u>	<u>23,716</u>	<u>1,799,653</u>
1,156,581	(15,090)	1,141,491
<u>9,484,652</u>	<u>13,759,379</u>	<u>23,244,031</u>
<u>\$ 10,641,233</u>	<u>\$ 13,744,289</u>	<u>\$ 24,385,522</u>

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FUND FINANCIAL STATEMENTS

CITY OF ZIMMERMAN
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF ZIMMERMAN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	101	443	Other	Total
	General	2013 Street Improvement	Governmental Funds	Governmental Funds
ASSETS				
Cash and temporary investments	\$ 1,367,249	\$ 71,071	\$ 852,842	\$ 2,291,162
Receivables				
Taxes	96,157	-	6,388	102,545
Accrued interest	10,990	-	-	10,990
Accounts	9,596	-	-	9,596
Special assessments	-	211,402	-	211,402
Loans	-	-	397,617	397,617
Less allowance for uncollectible	-	-	(312,137)	(312,137)
Due from other funds	-	-	27,390	27,390
Advances to other funds	-	-	318,739	318,739
TOTAL ASSETS	\$ 1,483,992	\$ 282,473	\$ 1,290,839	\$ 3,057,304
LIABILITIES				
Accrued salaries payable	\$ 17,073	\$ -	\$ -	\$ 17,073
Accounts payable	20,558	119,720	42,865	183,143
Due to other funds	-	-	32,756	32,756
Advances from other funds	-	-	330,020	330,020
Unearned revenue - grants	-	176,697	-	176,697
TOTAL LIABILITIES	37,631	296,417	405,641	739,689
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - delinquent taxes	49,623	-	-	49,623
Unavailable revenue - special assessments	-	211,402	-	211,402
TOTAL DEFERRED INFLOWS OF RESOURCES	49,623	211,402	-	261,025
FUND BALANCES				
Restricted for economic development	-	-	504,257	504,257
Committed to				
Economic Development	-	-	114,737	114,737
Compensated Absences	100,000	-	-	100,000
Assigned to				
Skate Park	14,500	-	-	14,500
Community Recreation	4,000	-	-	4,000
Downtown Planning	10,000	-	-	10,000
Codification	38,694	-	-	38,694
Comprehensive Land Use Plan Update	15,000	-	-	15,000
Capital Improvements	108,273	-	628,695	736,968
Trucks	30,266	-	-	30,266
Small Tools and Minor Equipment	230	-	-	230
Culverts	2,000	-	-	2,000
Unassigned	1,073,775	(225,346)	(362,491)	485,938
TOTAL FUND BALANCES	1,396,738	(225,346)	885,198	2,056,590
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,483,992	\$ 282,473	\$ 1,290,839	\$ 3,057,304

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, 2013

Total fund balances - governmental funds	\$ 2,056,590
Amounts reported for the governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	13,648,321
Less accumulated depreciation	(5,212,293)
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	(112,410)
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	49,623
Special assessments receivable	211,402
	211,402
Total net position - governmental activities	\$ 10,641,233

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, 2013

	101	443	Other	Total
	General	2013 Street Improvement	Governmental Funds	Governmental Funds
REVENUES				
Taxes	\$ 1,178,841	\$ -	\$ 280,928	\$ 1,459,769
Licenses and permits	59,390	-	-	59,390
Intergovernmental	316,064	497,514	-	813,578
Charges for services	125,625	-	50,628	176,253
Fines and forfeits	19,080	-	-	19,080
Special assessments	-	26,478	-	26,478
Investment earnings	13,600	1,376	13,794	28,770
Miscellaneous	14,064	6,530	70,266	90,860
TOTAL REVENUES	1,726,664	531,898	415,616	2,674,178
EXPENDITURES				
Current				
General government	365,632	-	-	365,632
Public safety	806,165	-	-	806,165
Public works	318,927	-	-	318,927
Culture and recreation	165,426	-	-	165,426
Economic development	-	-	23,761	23,761
Miscellaneous	2,378	-	-	2,378
Capital outlay				
General government	-	-	7,804	7,804
Public works	5,975	761,537	5,671	773,183
Culture and recreation	-	-	161,811	161,811
Economic development	-	-	146,395	146,395
Debt service				
Interest and other	-	-	15,942	15,942
TOTAL EXPENDITURES	1,664,503	761,537	361,384	2,787,424
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	62,161	(229,639)	54,232	(113,246)
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	4,293	87,198	141,491
Transfers out	-	-	(83,851)	(83,851)
Sale of capital assets	1,591	-	-	1,591
TOTAL OTHER FINANCING SOURCES (USES)	51,591	4,293	3,347	59,231
NET CHANGE IN FUND BALANCES	113,752	(225,346)	57,579	(54,015)
FUND BALANCES, JANUARY 1	1,282,986	-	827,619	2,110,605
FUND BALANCES, DECEMBER 31	\$ 1,396,738	\$ (225,346)	\$ 885,198	\$ 2,056,590

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, 2013

Total net change in fund balances - governmental funds	\$ (54,015)
Amounts reported for governmental activities in the statement of activities are different because	
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	919,713
Depreciation expense	(389,368)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Contributed capital assets	500,000
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposals	(21,777)
Depreciation on disposals	21,415
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	(28,212)
Special assessments	211,402
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	<u>(2,577)</u>
Change in net position - governmental activities	<u><u>\$ 1,156,581</u></u>

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

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CITY OF ZIMMERMAN, MINNESOTA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,182,573	\$ 1,182,573	\$ 1,178,841	\$ (3,732)
Licenses and permits	50,750	50,750	59,390	8,640
Intergovernmental	294,742	294,742	316,064	21,322
Charges for services	118,300	118,300	125,625	7,325
Fines and forfeitures	20,250	20,250	19,080	(1,170)
Investment earnings	30,000	30,000	13,600	(16,400)
Miscellaneous	2,500	2,500	14,064	11,564
TOTAL REVENUES	1,699,115	1,699,115	1,726,664	27,549
EXPENDITURES				
Current				
General government	382,285	382,285	365,632	16,653
Public safety	800,230	800,230	806,165	(5,935)
Public works	375,075	375,075	318,927	56,148
Culture and recreation	176,175	176,175	165,426	10,749
Miscellaneous	3,600	3,600	2,378	1,222
Capital outlay				
General government	1,250	1,250	-	1,250
Public safety	500	500	-	500
Public works	2,500	2,500	5,975	(3,475)
TOTAL EXPENDITURES	1,741,615	1,741,615	1,664,503	77,112
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,500)	(42,500)	62,161	104,661
OTHER FINANCING SOURCES				
Transfers in	70,000	70,000	50,000	(20,000)
Sale of capital assets	-	-	1,591	1,591
TOTAL OTHER FINANCING SOURCES	70,000	70,000	51,591	(18,409)
NET CHANGE IN FUND BALANCES	27,500	27,500	113,752	86,252
FUND BALANCES, JANUARY 1	1,282,986	1,282,986	1,282,986	-
FUND BALANCES, DECEMBER 31	\$ 1,310,486	\$ 1,310,486	\$ 1,396,738	\$ 86,252

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

CITY OF ZIMMERMAN, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	310,601		312,441,602	
	Water		Sewer	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,803,473	\$ 1,970,656	\$ 1,698,321	\$ 1,958,452
Receivables				
Accounts	45,680	48,041	92,570	109,287
Special assessments	14,011	15,061	30,492	33,569
Current portion of loans	44,293	42,573	-	-
Due from other funds	5,366	10,145	-	-
	<u>1,912,823</u>	<u>2,086,476</u>	<u>1,821,383</u>	<u>2,101,308</u>
NONCURRENT ASSETS				
Special assessments	26,368	30,906	80,059	93,276
Loans receivable	22,813	67,106	-	-
Advances to other funds	11,281	39,801	-	-
Capital assets				
Land	75,000	75,000	-	-
Construction in progress	273,990	-	117,229	-
Buildings	275,624	275,624	5,592,909	5,592,909
Infrastructure	9,733,704	9,608,337	6,252,612	6,252,612
Machinery and equipment	66,764	43,909	296,888	296,888
Less accumulated depreciation	<u>(3,857,562)</u>	<u>(3,610,227)</u>	<u>(3,629,764)</u>	<u>(3,330,713)</u>
Total capital assets (net of accumulated depreciation)	<u>6,567,520</u>	<u>6,392,643</u>	<u>8,629,874</u>	<u>8,811,696</u>
TOTAL NONCURRENT ASSETS	<u>6,627,982</u>	<u>6,530,456</u>	<u>8,709,933</u>	<u>8,904,972</u>
TOTAL ASSETS	<u>8,540,805</u>	<u>8,616,932</u>	<u>10,531,316</u>	<u>11,006,280</u>

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

Business-type Activities
Enterprise Funds

Totals	
2013	2012
\$ 3,501,794	\$ 3,929,108
138,250	157,328
44,503	48,630
44,293	42,573
5,366	10,145
3,734,206	4,187,784
106,427	124,182
22,813	67,106
11,281	39,801
75,000	75,000
391,219	-
5,868,533	5,868,533
15,986,316	15,860,949
363,652	340,797
(7,487,326)	(6,940,940)
15,197,394	15,204,339
15,337,915	15,435,428
19,072,121	19,623,212

CITY OF ZIMMERMAN, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	310,601		312,441,602	
	Water		Sewer	
	2013	2012	2013	2012
LIABILITIES				
CURRENT LIABILITIES				
Accrued salaries payable	\$ 5,229	\$ 4,593	\$ 8,083	\$ 7,034
Accounts payable	10,737	18,959	15,670	117,771
Accrued interest payable	12,763	13,584	29,245	31,740
Current portion of compensated absences payable	14,965	13,783	28,890	20,461
Current portion of bonds payable	94,000	92,000	336,000	329,000
TOTAL CURRENT LIABILITIES	137,694	142,919	417,888	506,006
NONCURRENT LIABILITIES				
Compensated absences payable	20,250	20,507	26,000	38,401
Bonds payable	1,336,000	1,430,000	3,390,000	3,726,000
TOTAL NONCURRENT LIABILITIES	1,356,250	1,450,507	3,416,000	3,764,401
TOTAL LIABILITIES	1,493,944	1,593,426	3,833,888	4,270,407
NET POSITION				
Net investment in capital assets	5,137,520	4,870,643	4,903,874	4,756,696
Unrestricted	1,909,341	2,152,863	1,793,554	1,979,177
TOTAL NET POSITION	\$ 7,046,861	\$ 7,023,506	\$ 6,697,428	\$ 6,735,873

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

Business-type Activities
Enterprise Funds

Totals	
2013	2012
\$ 13,312	\$ 11,627
26,407	136,730
42,008	45,324
43,855	34,244
430,000	421,000
555,582	648,925
46,250	58,908
4,726,000	5,156,000
4,772,250	5,214,908
5,327,832	5,863,833
10,041,394	9,627,339
3,702,895	4,132,040
\$ 13,744,289	\$ 13,759,379

CITY OF ZIMMERMAN, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	310,601		312,441,602	
	Water		Sewer	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ 563,725	\$ 622,935	\$ 837,285	\$ 783,954
OPERATING EXPENSES				
Personnel services	148,767	148,922	235,602	249,202
Supplies	36,573	48,140	74,939	68,539
Repair and maintenance	3,467	20,715	27,221	17,818
Professional services	6,912	123	37,232	102,769
Utilities	39,845	40,004	133,360	120,242
Insurance	14,096	12,928	14,096	13,606
Depreciation	247,335	240,905	299,051	292,398
Other	60,399	51,528	45,331	33,690
TOTAL OPERATING EXPENSES	557,394	563,265	866,832	898,264
OPERATING INCOME (LOSS)	6,331	59,670	(29,547)	(114,310)
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous revenues	4,245	21,107	13,717	31,263
Taxes	18,447	18,447	18,447	18,447
Special assessments	1,600	1,721	5,506	6,079
Connection fees	42,000	92,925	42,000	92,925
Investment earnings	20,905	32,389	23,557	35,826
Interest expense	(37,533)	(39,819)	(87,125)	(93,557)
TOTAL NONOPERATING REVENUES (EXPENSES)	49,664	126,770	16,102	90,983
INCOME (LOSS) BEFORE TRANSFERS	55,995	186,440	(13,445)	(23,327)
TRANSFERS IN	26,791	-	-	-
TRANSFERS OUT	(59,431)	(25,000)	(25,000)	(25,000)
CHANGE IN NET POSITION	23,355	161,440	(38,445)	(48,327)
NET POSITION, JANUARY 1	7,023,506	6,862,066	6,735,873	6,784,200
NET POSITION, DECEMBER 31	\$ 7,046,861	\$ 7,023,506	\$ 6,697,428	\$ 6,735,873

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

Business-type Activities
Enterprise Funds

Totals	
2013	2012
\$ 1,401,010	\$ 1,406,889
384,369	398,124
111,512	116,679
30,688	38,533
44,144	102,892
173,205	160,246
28,192	26,534
546,386	533,303
105,730	85,218
1,424,226	1,461,529
(23,216)	(54,640)
17,962	52,370
36,894	36,894
7,106	7,800
84,000	185,850
44,462	68,215
(124,658)	(133,376)
65,766	217,753
42,550	163,113
26,791	-
(84,431)	(50,000)
(15,090)	113,113
13,759,379	13,646,266
\$ 13,744,289	\$ 13,759,379

CITY OF ZIMMERMAN, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	310,601		312,441,602	
	Water		Sewer	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 565,500	\$ 617,165	\$ 856,314	\$ 770,254
Other income related to operating activities	4,245	21,107	13,717	31,263
Payments to suppliers	(169,514)	(164,973)	(332,080)	(360,311)
Payments to employees	(147,206)	(147,548)	(238,525)	(247,282)
	<u>253,025</u>	<u>325,751</u>	<u>299,426</u>	<u>193,924</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Special assessments collected	7,774	3,968	19,488	12,942
Taxes received	18,447	18,447	18,447	18,447
Transfers from other funds	26,791	-	-	-
Transfers to other funds	(59,431)	(25,000)	(25,000)	(25,000)
Principal received from loans	42,573	40,920	-	-
Payment received on interfund loan	33,299	9,650	-	-
	<u>69,453</u>	<u>47,985</u>	<u>12,935</u>	<u>6,389</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(422,212)	(306,851)	(219,429)	(30,351)
Connection fees received	42,000	92,925	42,000	92,925
Proceeds from long-term debt	-	-	-	3,699
Principal paid on long-term debt	(92,000)	(90,000)	(329,000)	(292,071)
Interest paid on long-term debt	(38,354)	(40,622)	(89,620)	(95,716)
	<u>(510,566)</u>	<u>(344,548)</u>	<u>(596,049)</u>	<u>(321,514)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	20,905	32,389	23,557	35,826
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(167,183)	61,577	(260,131)	(85,375)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,970,656</u>	<u>1,909,079</u>	<u>1,958,452</u>	<u>2,043,827</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,803,473</u>	<u>\$ 1,970,656</u>	<u>\$ 1,698,321</u>	<u>\$ 1,958,452</u>

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

Business-type Activities
Enterprise Funds

Totals	
2013	2012
\$ 1,421,814	\$ 1,387,419
17,962	52,370
(501,594)	(525,284)
<u>(385,731)</u>	<u>(394,830)</u>
<u>552,451</u>	<u>519,675</u>
27,262	16,910
36,894	36,894
26,791	-
(84,431)	(50,000)
42,573	40,920
<u>33,299</u>	<u>9,650</u>
<u>82,388</u>	<u>54,374</u>
(641,641)	(337,202)
84,000	185,850
-	3,699
(421,000)	(382,071)
<u>(127,974)</u>	<u>(136,338)</u>
<u>(1,106,615)</u>	<u>(666,062)</u>
<u>44,462</u>	<u>68,215</u>
(427,314)	(23,798)
<u>3,929,108</u>	<u>3,952,906</u>
<u>\$ 3,501,794</u>	<u>\$ 3,929,108</u>

CITY OF ZIMMERMAN, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	310,601		312,441,602	
	Water		Sewer	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 6,331	\$ 59,670	\$ (29,547)	\$ (114,310)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	4,245	21,107	13,717	31,263
Depreciation	247,335	240,905	299,051	292,398
(Increase) decrease in assets				
Accounts receivable	2,361	(4,905)	16,717	(11,295)
Special assessments	(586)	(865)	2,312	(2,405)
Increase (decrease) in liabilities				
Accrued salaries payable	636	466	1,049	504
Accounts payable	(8,222)	8,465	99	(3,647)
Compensated absences payable	925	908	(3,972)	1,416
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 253,025</u>	<u>\$ 325,751</u>	<u>\$ 299,426</u>	<u>\$ 193,924</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,200</u>

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

Business-type Activities
Enterprise Funds

Totals	
2013	2012
\$ (23,216)	\$ (54,640)
17,962	52,370
546,386	533,303
19,078	(16,200)
1,726	(3,270)
1,685	970
(8,123)	4,818
(3,047)	2,324
<u>\$ 552,451</u>	<u>\$ 519,675</u>
<u>\$ -</u>	<u>\$ 102,200</u>

CITY OF ZIMMERMAN, MINNESOTA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2013

	Agency
	701,702
	Escrow
ASSETS	
Cash and temporary investments	\$ 7,417
Accounts receivable	1,876
TOTAL ASSETS	\$ 9,293
LIABILITIES	
Accounts payable	\$ 9,293

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

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 this criterion that results 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, 2013

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 *2013 Street Improvements fund* accounts for the accumulation of resources for project costs.

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.

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

D. Assets, 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.

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. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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.

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 2013. 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.

CITY OF ZIMMERMAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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 \$100,000 of committed fund balance in the General fund for future payments of compensated absences.

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.

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.

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

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

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, 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.

Net position

Net position represents the difference between assets and liabilities. 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.

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

CITY OF ZIMMERMAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

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 15th, 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 not amended in 2013.

B. Deficit fund equity

The following funds had fund equity deficits at December 31, 2013:

Fund	Amount
Major governmental	
2013 Street Improvement	\$ 225,346
Nonmajor governmental	
TIF District 8	167,024
County Road 4 Improvement Project	42,232
2nd Street East	153,235

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 or bonds.

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
DECEMBER 31, 2013

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 \$2,094,083 and the bank balance was \$2,153,339. Of the bank balance, \$530,008 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 51 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. As of December 31, 2013, the City’s Sweep account, with a balance of \$985,784, was subject to increased custodial credit risk as the balance is collateralized by securities held by the Bank but not in the City’s name.
- *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. As of December 31, 2013, the City had invested 5 percent or more of its total investment portfolio in the following issuers:
 - Certificate of deposit for \$248,967 with GE Capital Financial Inc.
 - Certificate of deposit for \$249,833 with Discover Bank Greenwood, Delaware.
 - Certificate of deposit for \$248,112 with GE Money Bank, Utah.
 - Certificate of deposit for \$227,700 with Union Bank, San Francisco.
 - Certificate of deposit for \$249,776 with Ally Bank, Utah.
 - Certificate of deposit for \$241,655 with State Bank of India, Illinois.
 - Certificate of deposit for \$250,361 with Goldman Sachs Bank, New York.
 - Certificate of deposit for \$225,079 with Oriental bank & Trust.
 - Certificate of deposit for \$247,933 with Merrick bank, Utah.
 - Certificate of deposit for \$240,627 with BMO Harris bank, Illinois.

The City’s remaining investments are exempt from consideration of concentration of credit risk.

CITY OF ZIMMERMAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

- *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.

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	\$ 13,195
Sweep account	N/A	less than 6 months	985,784
Nonpooled investments			
Negotiable CDs	N/A	less than 6 months	248,967
Negotiable CDs	N/A	less than 1 year	396,318
Negotiable CDs	N/A	1 to 3 years	1,345,766
Negotiable CDs	N/A	more than 3 years	<u>716,260</u>
Total investments			<u><u>\$ 3,706,290</u></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	\$ 2,094,083
Investments	<u>3,706,290</u>
Total	<u><u>\$ 5,800,373</u></u>
Cash and temporary investments	
Statement of Net Position	\$ 5,792,956
Statement of Fiduciary Net Position	<u>7,417</u>
Total	<u><u>\$ 5,800,373</u></u>

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013, the outstanding balance is \$85,480.

The Water fund loaned \$210,000 with an interest rate of 4.00 percent to the Zimmerman Livonia Fire District for the purchase of a fire truck, maturing February 1, 2015. As of December 31, 2013, the outstanding balance is \$67,106.

The NSP Grant fund loaned \$324,637 in 2010 to local homebuyers through the Neighborhood Stabilization Program for down payment assistance and rehabilitation. The note is deferred for 5 years, at which time the note is forgiven if the owner has complied with the note agreements by occupying the home for the 5 years. The amount of the loan receivable and the allowance for uncollectible accounts for the forgivable amount is \$312,137 at December 31, 2013.

C. Capital assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 969,473	\$ -	\$ -	\$ 969,473
Construction in progress	440,075	760,007	(445,075)	755,007
 Total capital assets not being depreciated	 1,409,548	 760,007	 (445,075)	 1,724,480
Capital assets being depreciated				
Buildings	917,627	-	-	917,627
Infrastructure	8,742,423	445,075	-	9,187,498
Improvements other than buildings	102,851	648,040	-	750,891
Machinery and equipment	1,077,936	11,666	(21,777)	1,067,825
 Total capital assets being depreciated	 10,840,837	 1,104,781	 (21,777)	 11,923,841
Less accumulated depreciation for				
Buildings	(423,507)	(19,228)	-	(442,735)
Infrastructure	(3,744,252)	(281,594)	-	(4,025,846)
Improvements other than buildings	(53,834)	(13,786)	-	(67,620)
Machinery and equipment	(622,747)	(74,760)	21,415	(676,092)
 Total accumulated depreciation	 (4,844,340)	 (389,368)	 21,415	 (5,212,293)
 Total capital assets being depreciated, net	 5,996,497	 715,413	 (362)	 6,711,548
 Governmental activities capital assets, net	 \$ 7,406,045	 \$ 1,475,420	 \$ (445,437)	 \$ 8,436,028

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Construction in progress	-	391,219	-	391,219
Total capital assets not being depreciated	75,000	391,219	-	466,219
Capital assets being depreciated				
Buildings	5,868,533	-	-	5,868,533
Infrastructure	15,860,949	125,367	-	15,986,316
Machinery and equipment	340,797	22,855	-	363,652
Total capital assets being depreciated	22,070,279	148,222	-	22,218,501
Less accumulated depreciation for				
Buildings	(2,001,918)	(146,713)	-	(2,148,631)
Infrastructure	(4,798,038)	(378,241)	-	(5,176,279)
Machinery and equipment	(140,984)	(21,432)	-	(162,416)
Total accumulated depreciation	(6,940,940)	(546,386)	-	(7,487,326)
Total capital assets being depreciated, net	15,129,339	(398,164)	-	14,731,175
Business-type activities capital assets, net	\$ 15,204,339	\$ (6,945)	\$ -	\$ 15,197,394

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

Governmental activities	
General government	\$ 32,034
Public safety	18,688
Public works	288,096
Culture and recreation	50,550
Total depreciation expense - governmental activities	\$ 389,368
Business-type activities	
Water	\$ 247,335
Sewer	299,051
Total depreciation expense - business-type activities	\$ 546,386

CITY OF ZIMMERMAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitment

The City has an active construction project as of December 31, 2013. At year end, the City's commitment with the contractor is as follows:

Project	Spent to date	Remaining Commitment
2013 Street Improvement Project	<u>\$ 843,648</u>	<u>\$ 80,481</u>

D. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Due from/to other funds			
Governmental	Governmental		
Nonmajor governmental	Nonmajor governmental	Finance projects	\$ 27,390
Business-type	Governmental		
Water	Nonmajor governmental	Finance loan	5,366
Total due from/to other funds			32,756
Advances to/from other funds			
Governmental	Governmental		
Nonmajor governmental	Nonmajor governmental	Cash flow purposes	16,505
Nonmajor governmental	Nonmajor governmental	Finance projects	302,234
Business-type	Governmental		
Water	Nonmajor governmental	Finance loan	11,281
Total advances to/from other funds			330,020
Interfund activity eliminated from government-wide statements			(346,129)
Total internal balances government-wide statements			\$ 16,647

Nonmajor governmental funds are scheduled to make annual payments of \$32,705 at an annual rate of 3.00 percent until maturity in 2019 related to the financing of projects. Nonmajor governmental funds are scheduled to make annual payments of \$3,000 to the Water fund until maturity in 2016 at an annual rate of 5.08 percent consistent with the loan receivable.

TIF District 8 received an advance from TIF District 2 for cash flow and to finance projects and is scheduled to make payments as future tax increment is received. The advance carries a 4.00 percent interest rate.

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The following interfund transfers were made during 2013:

Fund	Transfer in				
	General	2013 Street Improvement	Nonmajor Governmental	Water	Total
Transfer out					
Nonmajor governmental	\$ -	\$ 4,293	\$ 52,767	\$ 26,791	\$ 83,851
Water	25,000	-	34,431	-	59,431
Sewer	25,000	-	-	-	25,000
Total transfers in	<u>\$ 50,000</u>	<u>\$ 4,293</u>	<u>\$ 87,198</u>	<u>\$ 26,791</u>	<u>\$ 168,282</u>

- The Water and Sewer funds transferred \$25,000 each to the General fund for administrative overhead costs.
- The Permanent Improvement fund, a nonmajor governmental fund, transferred \$52,767 to the 2nd Avenue N. Improvement Project fund, a nonmajor governmental fund, to eliminate the deficit balance.
- Nonmajor governmental funds transferred \$4,293 to the 2013 Street Improvement fund for project costs.
- The TIF District 1 fund, a nonmajor governmental fund, transferred \$26,791 of qualified expenses to the Water fund. As a result of the transfer, the Water fund then reduced the interfund loan receivable amount due from the EDA fund, a nonmajor governmental fund. An additional transfer of \$7,640 was made from the Water fund to nonmajor governmental funds to assist with a portion of capital project costs.

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 23 and 50 percent of revenues from the Water and Sewer funds, respectively. For 2013, principal and interest paid and total operating revenues for the Water fund were \$130,354 and \$563,725, respectively. For 2013, principal and interest paid and total operating revenues for the Sewer fund were \$418,620 and \$837,285, 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	\$ 1,725,000
G.O. Water Revenue Note, Series 2007	2,009,068	2.52	02/27/07	08/20/26	1,430,000
G.O. Sewer Revenue Note, Series 2009	2,221,070	2.37	10/05/09	08/20/29	<u>2,001,000</u>
Total G.O. revenue bonds					<u>\$ 5,156,000</u>

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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
2014	\$ 430,000	\$ 118,610	\$ 548,610
2015	441,000	109,045	550,045
2016	449,000	99,232	548,232
2017	460,000	89,240	549,240
2018	470,000	78,999	548,999
2019 - 2023	1,695,000	249,689	1,944,689
2024 - 2028	1,063,000	86,270	1,149,270
2029	148,000	3,505	151,505
Total	<u>\$ 5,156,000</u>	<u>\$ 834,590</u>	<u>\$ 5,990,590</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 109,833	\$ 41,902	\$ (39,325)	\$ 112,410	\$ 42,421
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 5,577,000	\$ -	\$ (421,000)	\$ 5,156,000	\$ 430,000
Compensated absences payable	93,152	31,197	(34,244)	90,105	43,855
Business-type activities long-term liabilities	<u>\$ 5,670,152</u>	<u>\$ 31,197</u>	<u>\$ (455,244)</u>	<u>\$ 5,246,105</u>	<u>\$ 473,855</u>

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota statutes, chapters 353 and 356.

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. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement 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 GERF's Coordinated and Basic Plan members. The retiring member receives the higher of 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 10 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 10 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. GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree -- no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF 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 2013. In 2013, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.25 percent for Coordinated Plan GERF members. The City's contributions to the GERF for the years ending December 31, 2013, 2012 and 2011 were \$44,587, \$43,755, and \$42,716, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF ZIMMERMAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

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 2013 was \$235,842 which accounted for 13.7 percent of General fund revenues.

CITY OF ZIMMERMAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 5: OTHER INFORMATION - CONTINUED

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.

As provided for in the joint powers agreement, in the event of termination, all equipment initially contributed by the City will be returned and all proceeds from the sale of remaining personal and real property as well as cash held by the District would be divided among the members based on percentage of ownership.

For accounting and reporting purposes the District uses the cash basis of accounting and does not record capital assets. The City's share of the amounts reported would not be meaningful in the accrual basis governmental activities, nor is it practical for the City to determine accrual basis amounts. Also, 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 basic financial statements of the District are as follows:

Statement of Balances Arising from Cash Transactions
 December 31, 2011

Assets		
Cash		<u>\$ 120,254</u>
Cash fund balances		
Unassigned		<u>\$ 120,254</u>

Statement of Receipts, Disbursements and Changes in Cash Balances
 For the Year Ended December 31, 2011

Receipts		\$ 423,662
Disbursements		<u>425,700</u>
Net change in cash fund balances		(2,038)
Cash fund balance, January 1		<u>122,292</u>
Cash fund balance, December 31		<u>\$ 120,254</u>

The City's contribution of the budget for contracted services in 2013 totaled \$132,128. In 2010, the City also issued a \$210,000 loan payable to the District as described in note 3B.

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

CITY OF ZIMMERMAN
ZIMMERMAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF ZIMMERMAN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 45,791	\$ 807,051	\$ 852,842
Receivables			
Taxes	746	5,642	6,388
Loans	397,617	-	397,617
Less allowance for uncollectible	(312,137)	-	(312,137)
Due from other funds	-	27,390	27,390
Advances to other funds	-	318,739	318,739
	<u>\$ 132,017</u>	<u>\$ 1,158,822</u>	<u>\$ 1,290,839</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 633	\$ 42,232	\$ 42,865
Due to other funds	5,366	27,390	32,756
Advances from other funds	11,281	318,739	330,020
	<u>17,280</u>	<u>388,361</u>	<u>405,641</u>
TOTAL LIABILITIES			
FUND BALANCES			
Restricted for economic development	-	504,257	504,257
Committed to economic development	114,737	-	114,737
Assigned to capital improvements	-	628,695	628,695
Unassigned	-	(362,491)	(362,491)
	<u>114,737</u>	<u>770,461</u>	<u>885,198</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 132,017</u>	<u>\$ 1,158,822</u>	<u>\$ 1,290,839</u>

CITY OF ZIMMERMAN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 4,267	\$ 276,661	\$ 280,928
Charges for services	43,569	7,059	50,628
Investment earnings	421	13,373	13,794
Miscellaneous	-	70,266	70,266
TOTAL REVENUES	48,257	367,359	415,616
EXPENDITURES			
Current			
Economic development	23,761	-	23,761
Capital outlay			
General government	-	7,804	7,804
Public works	-	5,671	5,671
Culture and recreation	-	161,811	161,811
Economic development	-	146,395	146,395
Debt service			
Interest and other	2,770	13,172	15,942
TOTAL EXPENDITURES	26,531	334,853	361,384
EXCESS OF REVENUES OVER EXPENDITURES	21,726	32,506	54,232
OTHER FINANCING SOURCES (USES)			
Transfers in	26,791	60,407	87,198
Transfers out	-	(83,851)	(83,851)
TOTAL OTHER FINANCING SOURCES (USES)	26,791	(23,444)	3,347
NET CHANGE IN FUND BALANCES	48,517	9,062	57,579
FUND BALANCES, JANUARY 1	66,220	761,399	827,619
FUND BALANCES, DECEMBER 31	\$ 114,737	\$ 770,461	\$ 885,198

CITY OF ZIMMERMAN, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	205	228 Economic Development Authority	Total
	<u>NSP Grant</u>	<u>Authority</u>	<u>Total</u>
ASSETS			
Cash and temporary investments	\$ -	\$ 45,791	\$ 45,791
Receivables			
Taxes	-	746	746
Loans	312,137	85,480	397,617
Less allowance for uncollectible	<u>(312,137)</u>	<u>-</u>	<u>(312,137)</u>
 TOTAL ASSETS	 <u><u>\$ -</u></u>	 <u><u>\$ 132,017</u></u>	 <u><u>\$ 132,017</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ 633	\$ 633
Due to other funds	-	5,366	5,366
Advances from other funds	<u>-</u>	<u>11,281</u>	<u>11,281</u>
 TOTAL LIABILITIES	 -	 17,280	 17,280
FUND BALANCES			
Committed to economic development	<u>-</u>	<u>114,737</u>	<u>114,737</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ -</u></u>	 <u><u>\$ 132,017</u></u>	 <u><u>\$ 132,017</u></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, 2013

	205	228 Economic Development	
	<u>NSP Grant</u>	<u>Authority</u>	<u>Total</u>
REVENUES			
Property taxes	\$ -	\$ 4,267	\$ 4,267
Charges for services	-	43,569	43,569
Investment earnings	-	421	421
	<u>-</u>	<u>48,257</u>	<u>48,257</u>
TOTAL REVENUES	<u>-</u>	<u>48,257</u>	<u>48,257</u>
EXPENDITURES			
Current			
Economic development	-	23,761	23,761
Debt service			
Interest and other	-	2,770	2,770
	<u>-</u>	<u>26,531</u>	<u>26,531</u>
TOTAL EXPENDITURES	<u>-</u>	<u>26,531</u>	<u>26,531</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	21,726	21,726
OTHER FINANCING SOURCES			
Transfers in	-	26,791	26,791
NET CHANGE IN FUND BALANCES	-	48,517	48,517
FUND BALANCES, JANUARY 1	<u>-</u>	<u>66,220</u>	<u>66,220</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ 114,737</u>	<u>\$ 114,737</u>

CITY OF ZIMMERMAN, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	226	371	372	377	378
	Parks	TIF District 1	TIF District 2	TIF District 7	TIF District 8
ASSETS					
Cash and temporary investments	\$ 69,206	\$ -	\$ 71,564	\$ 112,933	\$ -
Taxes receivable	-	-	491	-	1,934
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	168,958	-	-
TOTAL ASSETS	\$ 69,206	\$ -	\$ 241,013	\$ 112,933	\$ 1,934
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	168,958
TOTAL LIABILITIES	-	-	-	-	168,958
FUND BALANCES					
Restricted for economic development	-	-	241,013	112,933	-
Assigned to capital improvements	69,206	-	-	-	-
Unassigned	-	-	-	-	(167,024)
TOTAL FUND BALANCES	69,206	-	241,013	112,933	(167,024)
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,206	\$ -	\$ 241,013	\$ 112,933	\$ 1,934

379	410	442	450	504	510	515	
TIF District 9	Municipal Building	County Road 4 Improvement Project	2nd Avenue N. Improvement Project	Permanent Improvement	Improvement Project 2001	2nd Street East	Total
\$ 147,094	\$ 8,612	\$ -	\$ -	\$ 86,788	\$ 286,918	\$ 23,936	\$ 807,051
3,217	-	-	-	-	-	-	5,642
-	-	-	-	27,390	-	-	27,390
-	-	-	-	149,781	-	-	318,739
<u>\$ 150,311</u>	<u>\$ 8,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,959</u>	<u>\$ 286,918</u>	<u>\$ 23,936</u>	<u>\$ 1,158,822</u>
\$ -	\$ -	\$ 42,232	\$ -	\$ -	\$ -	\$ -	\$ 42,232
-	-	-	-	-	-	27,390	27,390
-	-	-	-	-	-	149,781	318,739
-	-	42,232	-	-	-	177,171	388,361
150,311	-	-	-	-	-	-	504,257
-	8,612	-	-	263,959	286,918	-	628,695
-	-	(42,232)	-	-	-	(153,235)	(362,491)
<u>150,311</u>	<u>8,612</u>	<u>(42,232)</u>	<u>-</u>	<u>263,959</u>	<u>286,918</u>	<u>(153,235)</u>	<u>770,461</u>
<u>\$ 150,311</u>	<u>\$ 8,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,959</u>	<u>\$ 286,918</u>	<u>\$ 23,936</u>	<u>\$ 1,158,822</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, 2013

	226	371	372	377	378
	Park	TIF District 1	TIF District 2	TIF District 7	TIF District 8
REVENUES					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	89,622	62,308	35,398	14,527
Charges for services	-	-	7,059	-	-
Investment earnings	796	99	254	962	71
Miscellaneous	70,266	-	-	-	-
TOTAL REVENUES	71,062	89,721	69,621	36,360	14,598
EXPENDITURES					
Capital outlay					
General government	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	161,811	-	-	-	-
Economic development	-	85,248	6,034	44,998	-
Debt service					
Interest and other	-	-	-	-	7,059
TOTAL EXPENDITURES	161,811	85,248	6,034	44,998	7,059
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(90,749)	4,473	63,587	(8,638)	7,539
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(26,791)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(26,791)	-	-	-
NET CHANGE IN FUND BALANCES	(90,749)	(22,318)	63,587	(8,638)	7,539
FUND BALANCES, JANUARY 1	159,955	22,318	177,426	121,571	(174,563)
FUND BALANCES, DECEMBER 31	\$ 69,206	\$ -	\$ 241,013	\$ 112,933	\$ (167,024)

379	410	442	450	504	510	515	
TIF District 9	Municipal Building	County Road 4 Improvement Project	2nd Avenue N. Improvement Project	Permanent Improvement	2001 Improvement Project	2nd Street East	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,164	\$ 32,106	\$ 69,270
5,536	-	-	-	-	-	-	207,391
-	-	-	-	-	-	-	7,059
1,302	99	-	-	7,051	2,349	390	13,373
-	-	-	-	-	-	-	70,266
<u>6,838</u>	<u>99</u>	<u>-</u>	<u>-</u>	<u>7,051</u>	<u>39,513</u>	<u>32,496</u>	<u>367,359</u>
-	7,804	-	-	-	-	-	7,804
-	-	5,671	-	-	-	-	5,671
-	-	-	-	-	-	-	161,811
10,115	-	-	-	-	-	-	146,395
-	-	-	-	-	-	6,113	13,172
<u>10,115</u>	<u>7,804</u>	<u>5,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,113</u>	<u>334,853</u>
<u>(3,277)</u>	<u>(7,705)</u>	<u>(5,671)</u>	<u>-</u>	<u>7,051</u>	<u>39,513</u>	<u>26,383</u>	<u>32,506</u>
-	-	7,640	52,767	-	-	-	60,407
-	-	-	-	(57,060)	-	-	(83,851)
-	-	7,640	52,767	(57,060)	-	-	(23,444)
(3,277)	(7,705)	1,969	52,767	(50,009)	39,513	26,383	9,062
<u>153,588</u>	<u>16,317</u>	<u>(44,201)</u>	<u>(52,767)</u>	<u>313,968</u>	<u>247,405</u>	<u>(179,618)</u>	<u>761,399</u>
<u>\$ 150,311</u>	<u>\$ 8,612</u>	<u>\$ (42,232)</u>	<u>\$ -</u>	<u>\$ 263,959</u>	<u>\$ 286,918</u>	<u>\$ (153,235)</u>	<u>\$ 770,461</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, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 1,147,573	\$ 1,147,573	\$ 1,148,010	\$ 437	\$ 1,168,686
Cable franchise fees	35,000	35,000	30,831	(4,169)	25,201
Total	1,182,573	1,182,573	1,178,841	(3,732)	1,193,887
Licenses and permits					
Business	17,750	17,750	17,438	(312)	12,920
Nonbusiness	33,000	33,000	41,952	8,952	27,968
Total	50,750	50,750	59,390	8,640	40,888
Intergovernmental					
State					
Property tax credits	-	-	85	85	248
Local government aid	235,842	235,842	235,842	-	235,842
Fire aid	49,000	49,000	65,181	16,181	51,482
Other	9,400	9,400	9,741	341	10,308
County - other	500	500	5,215	4,715	344
Total	294,742	294,742	316,064	21,322	298,224
Charges for services					
General government	34,750	34,750	45,207	10,457	32,691
Public safety	64,800	64,800	64,800	-	63,400
Culture and recreation	18,750	18,750	15,618	(3,132)	18,145
Total	118,300	118,300	125,625	7,325	114,236
Fines and forfeitures	20,250	20,250	19,080	(1,170)	17,928
Investment earnings	30,000	30,000	13,600	(16,400)	16,650
Miscellaneous					
Refunds and reimbursements	-	-	12,881	12,881	19,371
Other	2,500	2,500	1,183	(1,317)	1,221
Total	2,500	2,500	14,064	11,564	20,592
TOTAL REVENUES	1,699,115	1,699,115	1,726,664	27,549	1,702,405

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, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and City Council					
Personnel services	\$ 15,975	\$ 15,975	\$ 14,614	\$ 1,361	\$ 14,614
Supplies	1,000	1,000	1,502	(502)	503
Other services and charges	13,900	13,900	11,197	2,703	13,092
Total	30,875	30,875	27,313	3,562	28,209
Administrator					
Personnel services	102,800	102,800	103,701	(901)	102,742
Supplies	1,250	1,250	495	755	269
Other services and charges	3,600	3,600	2,247	1,353	2,103
Total	107,650	107,650	106,443	1,207	105,114
Clerk/Treasurer					
Personnel services	74,875	74,875	69,506	5,369	74,469
Supplies	1,750	1,750	1,411	339	1,208
Other services and charges	14,835	14,835	13,858	977	15,315
Total	91,460	91,460	84,775	6,685	90,992
Elections					
Personnel services	-	-	-	-	7,283
Supplies	250	250	-	250	630
Other services and charges	650	650	495	155	2,673
Total	900	900	495	405	10,586
Finance					
Personnel services	41,750	41,750	42,035	(285)	41,641
Supplies	2,000	2,000	674	1,326	1,321
Other services and charges	37,950	37,950	46,244	(8,294)	35,452
Total	81,700	81,700	88,953	(7,253)	78,414
Assessing					
Other services and charges	14,150	14,150	13,900	250	12,860
City attorney					
Other services and charges	20,000	20,000	17,214	2,786	17,122

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, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
Planning and zoning					
Supplies	\$ 350	\$ 350	\$ 177	\$ 173	\$ 316
Other services and charges	5,250	5,250	3,461	1,789	2,493
Total	5,600	5,600	3,638	1,962	2,809
Government buildings					
Supplies	750	750	564	186	1,446
Other services and charges	29,200	29,200	22,337	6,863	26,800
Total	29,950	29,950	22,901	7,049	28,246
Total general government	382,285	382,285	365,632	16,653	374,352
Public safety					
Police protection					
Contracted services	591,580	591,580	590,033	1,547	564,222
Fire protection					
2% fire state aid	49,000	49,000	65,181	(16,181)	51,482
Other services and charges	142,000	142,000	133,473	8,527	142,873
Total	191,000	191,000	198,654	(7,654)	194,355
Building inspection					
Supplies	1,100	1,100	-	1,100	311
Other services and charges	16,550	16,550	17,478	(928)	15,943
Total	17,650	17,650	17,478	172	16,254
Total public safety	800,230	800,230	806,165	(5,935)	774,831
Public works					
Streets and highways					
Personnel services	120,325	120,325	120,140	185	120,266
Supplies	66,500	66,500	63,933	2,567	59,986
Other services and charges	184,250	184,250	132,437	51,813	159,451
Total	371,075	371,075	316,510	54,565	339,703

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, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	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	\$ 2,417	\$ 1,583	\$ 2,255
Total public works	375,075	375,075	318,927	56,148	341,958
Culture and recreation					
Parks and recreation					
Personnel services	115,325	115,325	115,454	(129)	115,111
Supplies	21,750	21,750	12,461	9,289	11,514
Other services and charges	39,100	39,100	37,511	1,589	33,418
Total culture and recreation	176,175	176,175	165,426	10,749	160,043
Miscellaneous	3,600	3,600	2,378	1,222	3,052
Total current expenditures	1,737,365	1,737,365	1,658,528	78,837	1,654,236
Capital outlay					
General government	1,250	1,250	-	1,250	-
Public safety	500	500	-	500	1,598
Public works	2,500	2,500	5,975	(3,475)	254
Culture and Recreation	-	-	-	-	5,289
Total capital outlay	4,250	4,250	5,975	(1,725)	7,141
TOTAL EXPENDITURES	1,741,615	1,741,615	1,664,503	77,112	1,661,377
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(42,500)	(42,500)	62,161	104,661	41,028
OTHER FINANCING SOURCES					
Transfers in	70,000	70,000	50,000	(20,000)	50,000
Sale of capital assets	-	-	1,591	1,591	500
TOTAL OTHER FINANCING SOURCES	70,000	70,000	51,591	(18,409)	50,500
NET CHANGE IN FUND BALANCES	27,500	27,500	113,752	86,252	91,528
FUND BALANCES, JANUARY 1	1,282,986	1,282,986	1,282,986	-	1,191,458
FUND BALANCES, DECEMBER 31	\$ 1,310,486	\$ 1,310,486	\$ 1,396,738	\$ 86,252	\$ 1,282,986

CITY OF ZIMMERMAN, MINNESOTA
 AGENCY FUNDS
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 DECEMBER 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
Developer costs				
ASSETS				
Cash and temporary investments	\$ 1,917	\$ -	\$ -	\$ 1,917
Accounts receivable	1,876	-	-	1,876
	<u>\$ 3,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,793</u>
TOTAL ASSETS	<u>\$ 3,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,793</u>
LIABILITIES				
Accounts payable	\$ 3,793	\$ -	\$ -	\$ 3,793
	<u>\$ 3,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,793</u>
LIABILITIES	<u>\$ 3,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,793</u>
Landscape/driveway escrow				
ASSETS				
Cash and temporary investments	\$ 3,000	\$ 4,000	\$ (1,500)	\$ 5,500
	<u>\$ 3,000</u>	<u>\$ 4,000</u>	<u>\$ (1,500)</u>	<u>\$ 5,500</u>
LIABILITIES				
Accounts payable	\$ 3,000	\$ 4,000	\$ (1,500)	\$ 5,500
	<u>\$ 3,000</u>	<u>\$ 4,000</u>	<u>\$ (1,500)</u>	<u>\$ 5,500</u>
LIABILITIES	<u>\$ 3,000</u>	<u>\$ 4,000</u>	<u>\$ (1,500)</u>	<u>\$ 5,500</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and temporary investments	\$ 4,917	\$ 4,000	\$ (1,500)	\$ 7,417
Accounts receivable	1,876	-	-	1,876
	<u>\$ 6,793</u>	<u>\$ 4,000</u>	<u>\$ (1,500)</u>	<u>\$ 9,293</u>
TOTAL ASSETS	<u>\$ 6,793</u>	<u>\$ 4,000</u>	<u>\$ (1,500)</u>	<u>\$ 9,293</u>
LIABILITIES				
Accounts payable	\$ 6,793	\$ 4,000	\$ (1,500)	\$ 9,293
	<u>\$ 6,793</u>	<u>\$ 4,000</u>	<u>\$ (1,500)</u>	<u>\$ 9,293</u>
LIABILITIES	<u>\$ 6,793</u>	<u>\$ 4,000</u>	<u>\$ (1,500)</u>	<u>\$ 9,293</u>

CITY OF ZIMMERMAN, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Total		Percent Increase (Decrease)
	2013	2012	
REVENUES			
Taxes	\$ 1,459,769	\$ 1,506,340	(3.09) %
Licenses and permits	59,390	40,888	45.25
Intergovernmental	813,578	828,504	(1.80)
Charges for services	176,253	134,688	30.86
Fines and forfeitures	19,080	17,928	6.43
Special assessments	26,478	-	100.00
Investment earnings	28,770	35,336	(18.58)
Miscellaneous	90,860	36,744	147.28
TOTAL REVENUES	<u>\$ 2,674,178</u>	<u>\$ 2,600,428</u>	2.84 %
Per Capita	\$ 510	\$ 497	2.70 %
EXPENDITURES			
Current			
General government	\$ 365,632	\$ 374,352	(2.33) %
Public safety	806,165	774,831	4.04
Public works	318,927	341,958	(6.74)
Culture and recreation	165,426	160,043	3.36
Economic development	23,761	5,789	310.45
Miscellaneous	2,378	3,052	(22.08)
Capital outlay			
General government	7,804	4,857	60.68
Public safety	-	1,598	(100.00)
Public works	773,183	575,084	34.45
Culture and recreation	161,811	229,798	(29.59)
Economic development	146,395	576,014	(74.58)
Debt service			
Interest and other	15,942	17,901	(10.94)
TOTAL EXPENDITURES	<u>\$ 2,787,424</u>	<u>\$ 3,065,277</u>	(9.06) %
Per Capita	\$ 532	\$ 586	(9.19) %
General Fund Balance - December 31	\$ 1,396,738	\$ 1,282,986	8.87 %
Per Capita	266	245	8.72

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, 2013

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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, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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 Political Subdivisions*. 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.

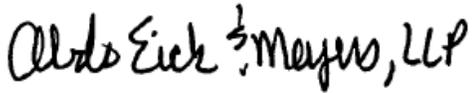
ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 7, 2014

The City's Responses to the Findings

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

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 7, 2014

CITY OF ZIMMERMAN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

Finding Description

2013-001 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.

CITY OF ZIMMERMAN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Finding</u>	<u>Description</u>
2013-002	Material audit adjustment
<i>Condition:</i>	During our audit, an adjustment was needed to record an additional retainage payable at year end related to the 2013 Street Improvement Project.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.
<i>Cause:</i>	The year-end trial balance did not reflect all necessary accounting entries.
<i>Effect:</i>	This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control.
<i>Recommendation:</i>	We recommend that management review the related journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management response:</i>	Management understands the finding, and concurs that complete reconciliations of all accounts, including journal entries to adjust balances to these reconciliations needs to be done prior to the start of the audit. Staff strives to make sure this is done. It should be noted that the number of necessary adjustments has been significantly reduced over the past few years as staff has taken a more active role in the audit process.