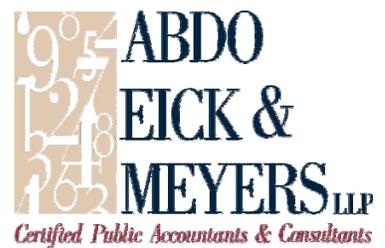




CITY OF JORDAN
JORDAN, MINNESOTA

MANAGEMENT LETTER

FOR THE YEAR ENDED
DECEMBER 31, 2011



11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

Management, Honorable Mayor, and City Council
City of Jordan, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jordan, (the City) as of and for the year ended December 31, 2011. Professional standards require that we provide you with information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 3, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Also, our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiency described in the following pages as finding 2011-1 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.



2011-1 Material audit adjustments

Condition: During our audit, adjustments were needed to record accounting and audit adjustments, two of which were material.

- A material audit entry was required to adjust investments to market value totaling \$85,506.
- A material audit entry was required to book additional accounts receivable in the General fund totaling \$59,920.

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

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

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

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

Management response:

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

Updated progress since prior year:

The number of journal entries remained at 22 in the current year.



Compliance and Other Matters

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you through various means.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The requirements of GASB statements No. 54 were adopted for the year ended December 31, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of capital asset basis is based on estimated historical cost of the capital assets and depreciation is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed two journal entries that we consider to be audit entries or corrections of management decisions. They related to the following situations:

- A material audit entry was required to adjust investments to market value.
- A material audit entry was required to record additional accounts receivable in the General fund.

We also assisted in preparing a number of year end accounting entries. These were necessary to adjust the City's records at year end to correct ending balances. The City should establish more detailed processes and procedures to reduce the total number of entries in each category. The City will receive better and timelier information if the preparation of year end entries is completed internally.



Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 17, 2012.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



Financial Position and Results of Operations

Our principal observations and recommendations are summarized on the following pages. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended December 31, 2011.

General Fund

All general governmental functions of the City which are not accounted for in separate funds are included in the General fund.

Minnesota municipalities must maintain substantial amounts of fund balance in order to meet their liquidity and working capital needs as an operating entity. That is because a substantial portion of your revenue sources (taxes and intergovernmental revenues) are received in the last two months of each six-month cycle.

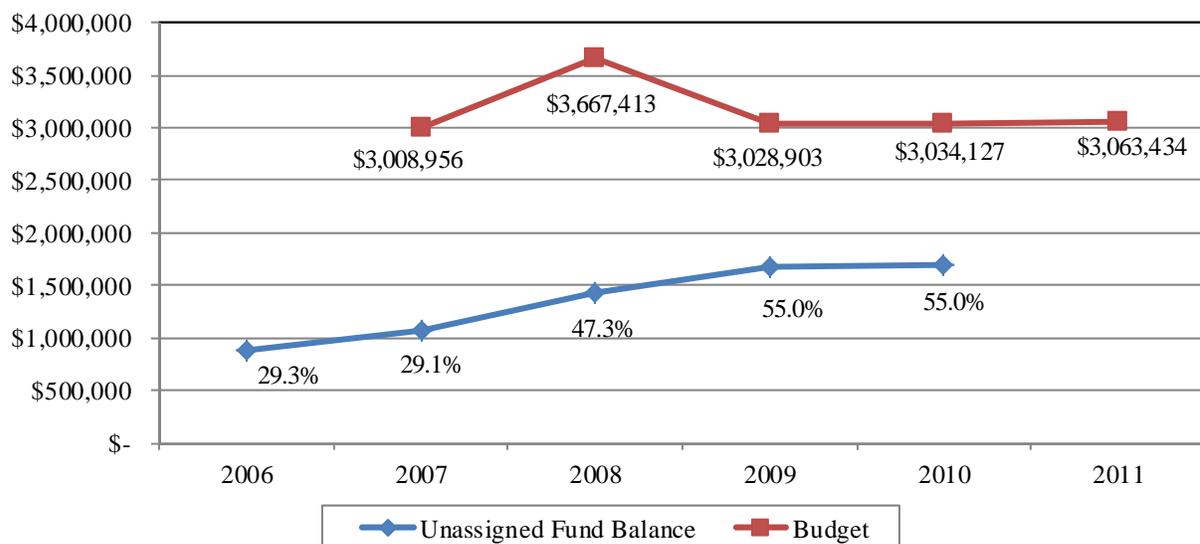
As you can see from the following information, it is necessary to maintain fund balance in order to keep pace with the increasing operating budget. *This information is also presented in graphic form below.*

Year	Unassigned Fund Balance December 31	Budget Year	General Fund Budget	Percent of Fund Balance to Budget
2007	\$ 880,440	2008	\$ 3,008,956	29.3 %
2008	1,066,162	2009	3,667,413	29.1
2009	1,432,051	2010	3,028,903	47.3
2010	1,668,244	2011	3,034,127	55.0
2011	1,684,889	2012	3,063,434	55.0

In 2010, the City has established a fund balance policy to maintain the General fund balance at 55 percent.

The following is an analysis of the General fund's unassigned fund balance for the past five years compared to the following year's budget:

Unassigned Fund Balance/Budget Comparison





The fund balance decreased by \$5,230 in 2011. The total unassigned fund balance of \$1,684,889 represents 55.0 percent of the 2012 budget. Many other organizations, including the Office of the State Auditor (the OSA) and League of Minnesota Cities (LMC) recommend that a fund balance reserve be anywhere from 35 to 50 percent of planned expenditures. We concur with those recommendations.

Although there is no legislation regulating fund balance, it is a good policy to assign intended use of fund balance. This helps address citizen concerns as to the use of fund balance and tax levels. The City should consider documenting assignments for intended use of fund balance at and above the fifty percent level. This documentation could be accomplished by an annual resolution to identify intended use of available fund balance. We recommend a minimum fund balance for working capital be approximately 40 percent to 50 percent of planned disbursements. So at the current level, the fund balance is considered about what is recommended.

The purposes and benefits of a fund balance are as follows:

- Expenditures are incurred somewhat evenly throughout the year. However, property tax and state aid revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the governmental fund expenditures.
- The City is vulnerable to legislative actions at the State and Federal level. The State continually adjusts the local government aid and property tax credit formulas. We also have seen the State mandate levy limits for cities over 2,500 in population. An adequate fund balance will provide a temporary buffer against those aid adjustments and levy limits.
- Expenditures not anticipated at the time the annual budget was adopted may need immediate Council action. These would include capital outlay, replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such expenditures.
- A strong fund balance will assist the City in maintaining, improving or obtaining its bond rating. The result will be better interest rates in future bond sales.



The 2011 General fund operations are summarized as follows:

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues	\$ 2,946,626	\$ 2,946,626	\$ 2,791,369	\$ (155,257)
Expenditures	<u>2,804,616</u>	<u>2,804,616</u>	<u>2,601,084</u>	<u>203,532</u>
Excess of revenues over expenditures	<u>142,010</u>	<u>142,010</u>	<u>190,285</u>	<u>48,275</u>
Other financing sources (uses)				
Sale of assets	1,500	1,500	210	(1,290)
Transfers in	84,686	84,686	-	(84,686)
Transfers out	<u>(227,000)</u>	<u>(227,000)</u>	<u>(195,725)</u>	<u>31,275</u>
Total other financing uses	<u>(140,814)</u>	<u>(140,814)</u>	<u>(195,515)</u>	<u>(54,701)</u>
Net change in fund balances	<u>\$ 1,196</u>	<u>\$ 1,196</u>	(5,230)	<u>\$ (6,426)</u>
Fund balances, January 1			<u>1,690,119</u>	
Fund balances, December 31			<u>\$ 1,684,889</u>	

Some of the larger budget variances are as follows:

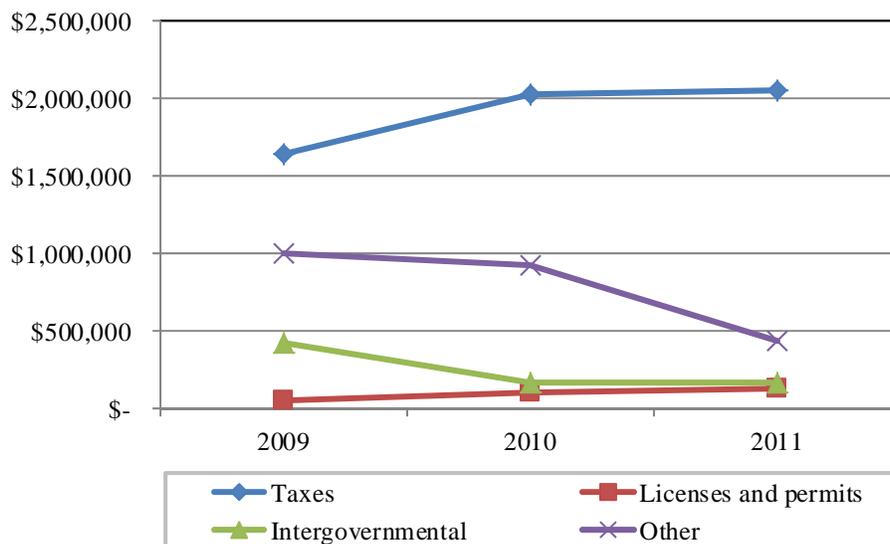
- Licenses and permits exceeded budget by \$102,497.
- Taxes were \$181,461 over budget.
- Total intergovernmental revenues were \$282,041 under budget.
- Expenditures overall were under budget by \$203,532.
- Transfers in were under budget by \$84,686 while transfers out were under budget by \$31,275.



A comparison of General fund revenues and transfers for the last three years is presented below:

Source	2009	2010	2011	Percent of Total	Per Capita
Taxes	\$ 1,650,582	\$ 2,028,655	\$ 2,051,573	73.6 %	\$ 375
Special assessments	5,039	11,747	18,094	0.6	3
Licenses and permits	60,972	102,669	136,797	4.9	25
Intergovernmental	425,909	172,570	165,420	5.9	30
Charges for services	400,238	309,821	357,069	12.8	65
Fines and forfeits	54,889	76,669	96,017	3.4	18
Investment earnings	40,333	40,218	(35,104)	(1.3)	(6)
Miscellaneous	5,481	46,369	1,503	0.1	-
Transfers in	493,782	443,995	-	-	-
Total revenues and transfers	\$ 3,137,225	\$ 3,232,713	\$ 2,791,369	100.0 %	\$ 510

General Fund Revenues by Source

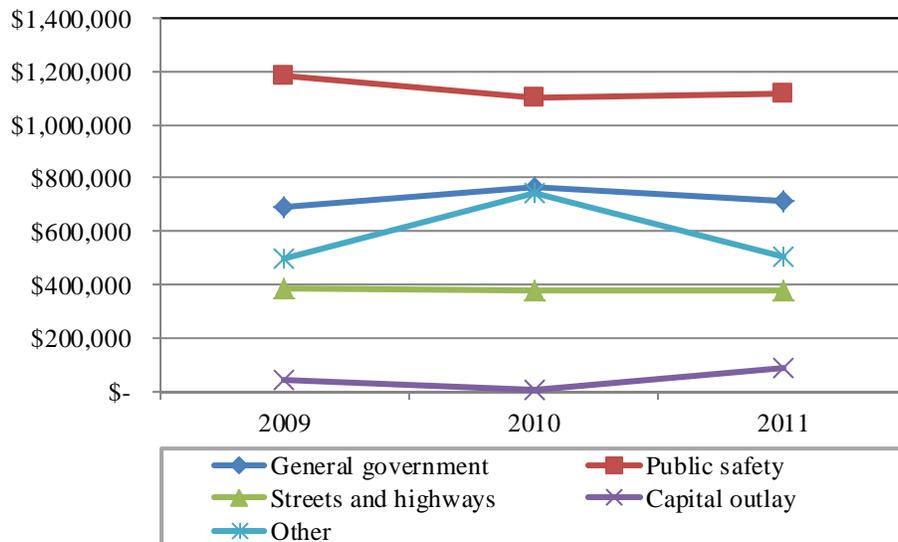




A comparison of General fund expenditures and transfers for the last three years is presented below:

Program	2009	2010	2011	Percent of Total	Per Capita	Peer Group Per Capita
Current						
General government	\$ 693,007	\$ 765,820	\$ 714,791	25.6 %	\$ 131	\$ 123
Public safety	1,185,457	1,100,002	1,114,846	39.9	202	204
Streets and highways	383,515	380,160	376,096	13.4	69	108
Culture and recreation	161,118	143,587	139,934	5.0	26	47
Miscellaneous	130,594	82,554	89,935	3.2	16	15
Total current	2,553,691	2,472,123	2,435,602	87.1	444	497
Capital outlay	43,558	8,234	84,798	3.0	16	18
Debt service	87,204	86,115	80,684	2.9	15	n/a
Transfers out	119,769	430,008	195,725	7.0	36	n/a
Total expenditures and transfers	\$ 2,804,222	\$ 2,996,480	\$ 2,796,809	100.0 %	\$ 511	\$ 515

General Fund Expenditures by Program





Special Revenue Funds

Special revenue funds have revenue from specific sources to be used for specific purpose. Listed below are the special revenue funds of the City along with the fund balances for 2011 and 2010 and the net change:

Fund	Fund Balances (Deficits)		Increase (Decrease)
	December 31,		
	2011	2010	
Economic Development Authority	\$ 382,487	\$ 355,429	\$ 27,058
Contributions and Donations	28,608	22,935	5,673
Police Forfeiture	5,275	3,399	1,876
Police DARE Program	4,976	4,237	739
Police Car Seat	3,986	3,883	103
Municipal State Aid	7,401	65,727	(58,326)
Broadway Market TIF Project	(666)	(1,465)	799
Jordan Center TIF Project	4,869	2,524	2,345
Jordan Valley Townhomes TIF	5,309	2,196	3,113
Total	\$ 442,245	\$ 458,865	\$ (16,620)

Debt Service Funds

Debt Service funds are a type of governmental fund to account for the accumulation of resources for the payment of interest and principal on debt (other than enterprise fund debt).

Debt Service funds may have one or a combination of the following revenue sources pledged to retire debt as follows:

- Property taxes - Primarily for general City benefit projects such as parks and municipal buildings. Property taxes may also be used to fund special assessment bonds which are not fully assessed.
- Tax increments - Pledged exclusively for tax increment/economic development districts.
- Capitalized interest portion of bond proceeds - After the sale of bonds, the project may not produce revenue (tax increments or special assessments) for a period of one to two years. Bonds are issued with this timing difference considered in the form of capitalized interest.
- Special assessments - Charges to benefited properties for various improvements.

In addition to the above pledged assets, other funding sources may be received by Debt Service funds as follows:

- Residual project proceeds from the related capital project fund
- Investment earnings
- State or Federal grants
- Transfers from other funds



The following is a summary of Debt Service fund assets and outstanding debt as of December 31, 2011:

<u>Debt Description</u>	<u>Total Cash and Investments</u>	<u>Total Assets</u>	<u>Outstanding Debt</u>	<u>Maturity Date</u>
G.O. Special Assessment Bonds				
G.O. Refunding Bonds of 2002B	\$ 8,588	\$ 8,588	\$ -	Matured
G.O. Improvement Refunding Bonds of 2004B	200	656	-	Matured
G.O. Improvement Bonds of 2004A	698,037	1,216,426	1,503,427	2020
G.O. Improvement Bonds of 2008	164,644	242,879	1,160,000	2024
G.O. Refunding Bonds of 2008A	277,073	299,925	755,000	2018
G.O. Capital Improvement Bonds of 2008C	112,436	112,436	1,675,000	2029
G.O. Refunding Bonds of 2011A	<u>2,269,341</u>	<u>2,664,480</u>	<u>3,635,000</u>	2020
Total G.O. Special Assessment Bonds	<u>\$ 3,530,319</u>	<u>\$ 4,545,390</u>	<u>\$ 8,728,427</u>	
Future Interest on Debt			<u>\$ 1,534,499</u>	

The City's outstanding debt is required to be funded by various resources such as special assessments, tax increments, property taxes, transfers from enterprise funds, etc. Special assessments and tax increments are usually certified once to the County for collection, but tax levies need to be certified annually. We recommend management pay particular attention to annual tax levies and transfers listed in each bond issue book to ensure proper funding of debt service.



Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. The table below compares 2011 fund balances (deficits) with 2010:

Fund	Fund Balances (Deficits)		Increase (Decrease)
	December 31,		
	2011	2010	
Major			
2006 - 2007 Capital Improvements	\$ -	\$ (36,130)	\$ 36,130
2008 Improvement Projects	-	78,771	(78,771)
Firehall Expansion	23,943	47,579	(23,636)
Nonmajor			
Capital Projects Revolving	140,305	103,017	37,288
Emergency Siren	1,957	1,907	50
Fire Vehicle	(21,240)	41,865	(63,105)
Development District No. 1	7,207	7,019	188
190th Street Construction Project	151,692	147,748	3,944
Street Equipment Fee	36,043	27,994	8,049
CR 61 and CR 66 Construction	512,014	522,562	(10,548)
Park Equipment Improvement	97,179	87,256	9,923
Park Improvement	149,430	127,212	22,218
Park Capital	94,096	69,055	25,041
2010 Basketball Court	756	13,990	(13,234)
City Facilities Capital	234,273	171,695	62,578
Total	<u>\$ 1,427,655</u>	<u>\$ 1,411,540</u>	<u>\$ 16,115</u>

The City should analyze project's status each year and close those that are completed. Any deficits should be evaluated to ensure they are consistent with financing expectations.



Enterprise Funds

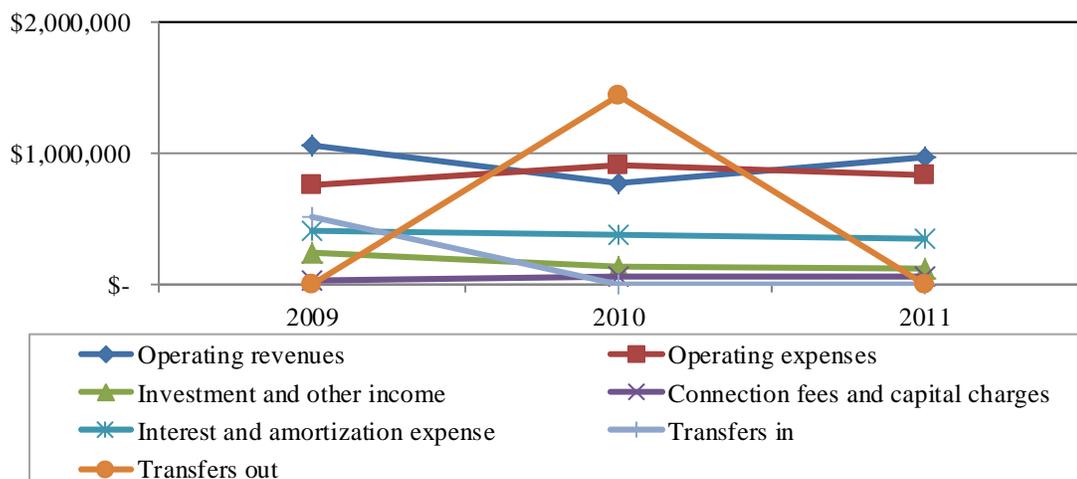
Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water Utility Fund

A comparison of Water Utility fund operations for the past three years is as follows:

	2009		2010		2011	
	Total	Percent	Total	Percent	Total	Percent
Operating revenues	\$ 1,053,250	100.0 %	\$ 774,537	100.0 %	\$ 968,288	100.0 %
Operating expenses	(763,579)	(72.5)	(912,096)	(117.8)	(826,045)	(85.3)
Operating income (loss)	289,671	27.5	(137,559)	(17.8)	142,243	14.7
Investment and other income	247,231	23.5	132,001	17.0	118,837	12.3
Connection fees and capital charges	26,314	2.5	60,783	7.8	56,493	5.7
Interest and amortization expense	(405,429)	(38.5)	(377,950)	(48.8)	(354,392)	(36.6)
Income (loss) before transfers	157,787	15.0	(322,725)	(41.8)	(36,819)	(3.9)
Transfers in	512,939	48.7	-	-	-	-
Transfers out	-	-	(1,443,117)	(186.3)	-	-
Change in net assets	<u>\$ 670,726</u>	<u>63.7 %</u>	<u>\$ (1,765,842)</u>	<u>(228.1) %</u>	<u>\$ (36,819)</u>	<u>(3.9) %</u>
Cash and temporary investments	<u>\$ 3,807,287</u>		<u>\$ 1,960,471</u>		<u>\$ 1,737,503</u>	
Bonds payable	<u>\$ 9,724,693</u>		<u>\$ 9,174,880</u>		<u>\$ 8,606,220</u>	

Water Utility Fund Operations



Operating income increased in 2011. The cash and investment balance on the fund decreased in 2011. Even though there is a healthy cash balance, it is important to monitor rates to ensure they are sufficient to maintain reserves, pay debt and keep up with increasing system costs.

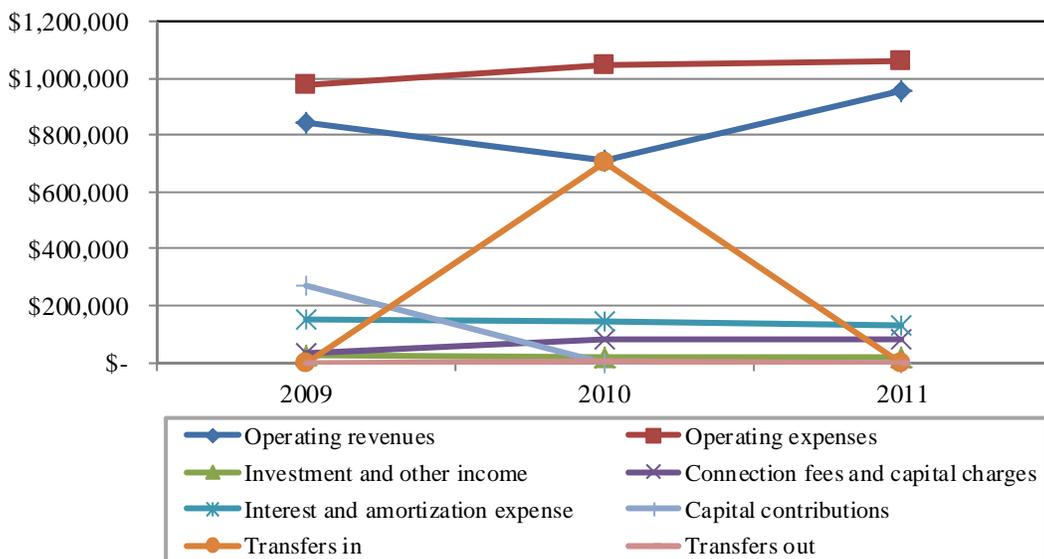


Sewer Utility Fund

A comparison of Sewer Utility fund operations for the past three years is as follows:

	2009		2010		2011	
	Total	Percent	Total	Percent	Total	Percent
Operating revenues	\$ 842,821	100.0 %	\$ 712,771	100.0 %	\$ 955,610	100.0 %
Operating expenses	(973,462)	(114.9)	(1,042,972)	(146.2)	(1,057,477)	(110.7)
Operating loss	(130,641)	(14.9)	(330,201)	(46.2)	(101,867)	(10.7)
Investment and other income	26,274	3.1	16,371	2.3	17,059	1.8
Connection fees and capital charges	34,944	4.1	80,415	11.3	78,490	8.2
Interest and amortization expense	(154,066)	(18.3)	(141,446)	(19.8)	(131,629)	(13.8)
Loss before contributions and transfers	(223,489)	(26.0)	(374,861)	(52.4)	(137,947)	(14.5)
Capital contributions	270,085	32.0	-	-	-	-
Transfers in	-	-	700,000	98.2	-	-
Transfers out	-	-	(4,745)	(0.7)	-	-
Change in net assets	<u>\$ 46,596</u>	<u>6.0 %</u>	<u>\$ 320,394</u>	<u>45.1 %</u>	<u>\$ (137,947)</u>	<u>(14.5) %</u>
Cash and temporary investments	<u>\$ 309,870</u>		<u>\$ 758,202</u>		<u>\$ 627,855</u>	
Bonds payable	<u>\$ 5,628,078</u>		<u>\$ 5,228,894</u>		<u>\$ 4,814,956</u>	

Sewer Utility Fund Operations



Although operating losses have been incurred for the years presented, depreciation has been a significant component of the total expenses. Since cash is not required for this expense, the fund has been able to generate positive cash flow from operations.

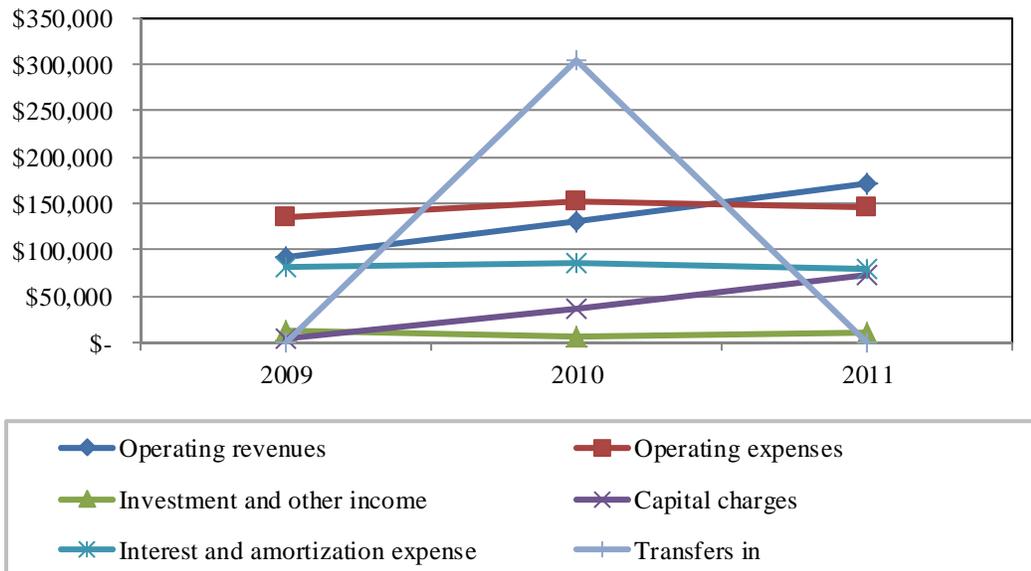


Storm Sewer Utility Fund

A comparison of Storm Sewer Utility fund operations for the past three years is as follows:

	2009		2010		2011	
	Total	Percent	Total	Percent	Total	Percent
Operating revenues	\$ 93,160	100.0 %	\$ 131,736	100.0 %	\$ 170,887	100.0 %
Operating expenses	(135,138)	(145.1)	(151,960)	(115.4)	(145,202)	(85.0)
Operating income (loss)	(41,978)	(45.1)	(20,224)	(15.4)	25,685	15.0
Investment and other income	14,169	15.2	6,844	5.2	10,335	6.0
Capital charges	5,724	6.1	37,320	28.3	72,922	42.7
Interest and amortization expense	(81,475)	(87.5)	(86,549)	(65.7)	(79,658)	(46.6)
Income (loss) before transfers	(103,560)	(111.3)	(62,609)	(47.6)	29,284	17.1
Transfers in	-	-	304,745	231.3	-	-
Change in net assets	<u>\$ (103,560)</u>	<u>(111.3) %</u>	<u>\$ 242,136</u>	<u>183.7 %</u>	<u>\$ 29,284</u>	<u>17.1 %</u>
Cash and temporary investments	<u>\$ 122,748</u>		<u>\$ 330,636</u>		<u>\$ 328,016</u>	
Bonds payable	<u>\$ 2,300,970</u>		<u>\$ 2,149,042</u>		<u>\$ 1,988,397</u>	

Storm Sewer Utility Fund Operations



The Storm Water fund had operating income in 2011. Cash and investments decreased slightly in 2011. We recommend that the City review rates to ensure they are sufficient to maintain reserves, pay scheduled debt related transfers, and keep up with increasing system costs.



Government-wide and Other Ratios

Ratio Analysis

The following captures a few ratios from the City's financial statements that give some additional information for trend and peer group analysis. The peer group average is derived from information available on the website of the Office of the State Auditor. The peer group averages used for the City was 4th class (2,500 - 10,000). The majority of these ratios facilitate the use of economic resources focus and accrual basis of accounting at the government-wide level. A combination of liquidity (ability to pay its most immediate obligations), solvency (ability to pay its long-term obligations), funding (comparison of financial amounts and economic indicators to measure changes in financial capacity over time) and common-size (comparison of financial data with other cities regardless of size) ratios are shown below.

Ratio	Calculation	Source	2008	2009	2010	2011
Debt service coverage	Net cash provided by operations/ enterprise fund debt payments	Enterprise funds	1.4	0.6	0.5	0.6
			<i>1.6</i>	<i>2.6</i>	<i>1.0</i>	<i>N/A</i>
Debt per capita	Bonded debt/population	Government-wide	\$ 4,741	\$ 5,899	\$ 6,084	\$ 4,106
			<i>\$ 2,677</i>	<i>\$ 2,713</i>	<i>\$ 3,125</i>	<i>N/A</i>
Taxes per capita	Tax revenues/population	Government-wide	\$ 409	\$ 449	\$ 520	\$ 582
			<i>\$ 401</i>	<i>\$ 399</i>	<i>\$ 407</i>	<i>N/A</i>
Current expenditures per capita	Governmental fund current expenditures / population	Governmental funds	\$ 453	\$ 506	\$ 506	\$ 490
			<i>\$ 663</i>	<i>\$ 625</i>	<i>\$ 624</i>	<i>N/A</i>
Capital expenditures per capita	Governmental fund capital expenditures / population	Governmental funds	\$ 16	\$ 475	\$ 499	\$ 51
			<i>\$ 323</i>	<i>\$ 310</i>	<i>\$ 265</i>	<i>N/A</i>
Capital assets % left to depreciate - Governmental	Net capital assets/ gross capital assets	Government-wide	77%	70%	68%	58%
			<i>70%</i>	<i>68%</i>	<i>61%</i>	<i>N/A</i>
Capital assets % left to depreciate - Business-type	Net capital assets/ gross capital assets	Government-wide	79%	80%	80%	76%
			<i>67%</i>	<i>67%</i>	<i>59%</i>	<i>N/A</i>

Represents City of Jordan

Represents Peer Group Average



Debt Service Coverage Ratio (Solvency Ratio)

The debt coverage ratio is a comparison of cash generated by operations to total debt service payments (principal and interest) of enterprise funds. This ratio indicates if there are sufficient cash flows from operations to meet debt service obligations. Except in cases where other nonoperating revenues (i.e. taxes, assessments, transfers from other funds, etc.) are used to fund debt service payments, an acceptable ratio would be above 1.

Bonded Debt per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total bonded debt by the population of the city and represents the amount of bonded debt obligation for each citizen of the city at the end of the year. The higher the amount, the more resources are needed in the future to retire these obligations through taxes, assessments or user fees.

Taxes per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total tax revenues by the population of the city and represents the amount of taxes for each citizen of the city for the year. The higher this amount is, the more reliant the city is on taxes to fund its operations.

Current Expenditures per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total current governmental expenditures by the population of the City and represents the amount of governmental expenditure for each citizen of the City during the year. Since this is generally based on ongoing expenditures, we would expect consistent annual per capita results.

Capital Outlay per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total governmental capital outlay expenditures by the population of the City and represents the amount of capital expenditure for each citizen of the City during the year. Since projects are not always recurring, the per capita amount will fluctuate from year to year.

Capital Assets Percentage (Common-size Ratio)

This percentage represents the percent of governmental or business-type capital assets that are left to be depreciated. The lower this percentage, the older the city's capital assets are and may need major repairs or replacements in the near future. A higher percentage may indicate newer assets being constructed or purchased and may coincide with higher debt ratios or bonded debt per capita.



Current and Future Statute and Accounting Standard Changes

GASB Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements*

Summary

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement also provides guidance for governments that are operators in a service concession arrangement.

This Statement requires disclosures about a service concession arrangement including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements.

GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*

Summary

The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14 and the related financial reporting requirements of Statement No. 34, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

This Statement clarifies the reporting of equity interests in legally separate organizations as well. It requires a primary government to report its equity interest in a component unit as an asset.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.



Current and Future Statute and Accounting Standard Changes - Continued

GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

Summary

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations.
2. Accounting Principles Board Opinions.
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

How the Changes in This Statement Will Improve Financial Reporting

The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

Summary

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.



Current and Future Statute and Accounting Standard Changes - Continued

GASB Statement No. 64 - Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53

Summary

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or swap counterparty's credit support provider, is replaced.

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This report is intended solely for the information and use of the members of the Council, management, and others within the administration of the City and is not intended to be and should not be used by anyone other than those specified parties.

The comments and recommendations in this report are purely constructive in nature, and should be read in this context. Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service, and for the courtesy and cooperation extended to us by your staff.

April 17, 2012
Mankato, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants