

CITY OF JORDAN
JORDAN, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

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ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF JORDAN
JORDAN, MINNESOTA

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CITY OF JORDAN, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2011

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Peter Ewals	Mayor	12/31/12
Sally Schultz	Council	12/31/12
Mike Shaw	Council	12/31/12
Tanya Velishek	Council	12/31/12
Jeremy Goebel	Council	12/31/14
Joe Thill	Council	12/31/14
Thom Boncher	Council	12/31/14

APPOINTED

Edward Shukle	Administrator/Clerk/Treasurer
Tom Nikunen	Finance Director

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FINANCIAL SECTION

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Jordan, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jordan, Minnesota (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 2010 financial statements and, in our report dated May 25, 2011 we expressed unqualified 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Note 8 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. Adoption of the provision of this statement results in significant changes to the classifications of the components of fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

April 17, 2012
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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Management's Discussion and Analysis

As management of the City of Jordan, 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, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$30,128,388 (net assets). Of this amount, \$3,429,007 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$454,903 compared to a decrease of \$764,921 in the previous year. Increases in governmental capital grants and business-type charges for services along with overall decrease in expenses contributed to this increase in net assets in the current year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,084,445, an increase of \$1,961,331 in comparison with the prior year. The main reason for the increase was due to issuance of \$1,845,000 of refunding bonds which will be used to retire bonds in 2012. Approximately 23.5 percent of ending fund balances, \$1,662,983, is available for spending at the City's discretion. The remainder of fund balance, \$5,421,462, is not available for new spending because it is either 1) restricted (\$3,780,515), 2) committed (\$24,829), or 3) assigned (\$1,616,118).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,684,889, or 64.8 percent of total General fund expenditures.
- The City's total debt decreased by \$528,000, or 2.1 percent during the current fiscal year. The key factor in this decrease was the retirement of \$2,173,000 in long-term debt during the year and a new debt issue for \$1,645,000.

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 financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects 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.

**Figure 1
Required Components of the
City’s Annual Financial Report**

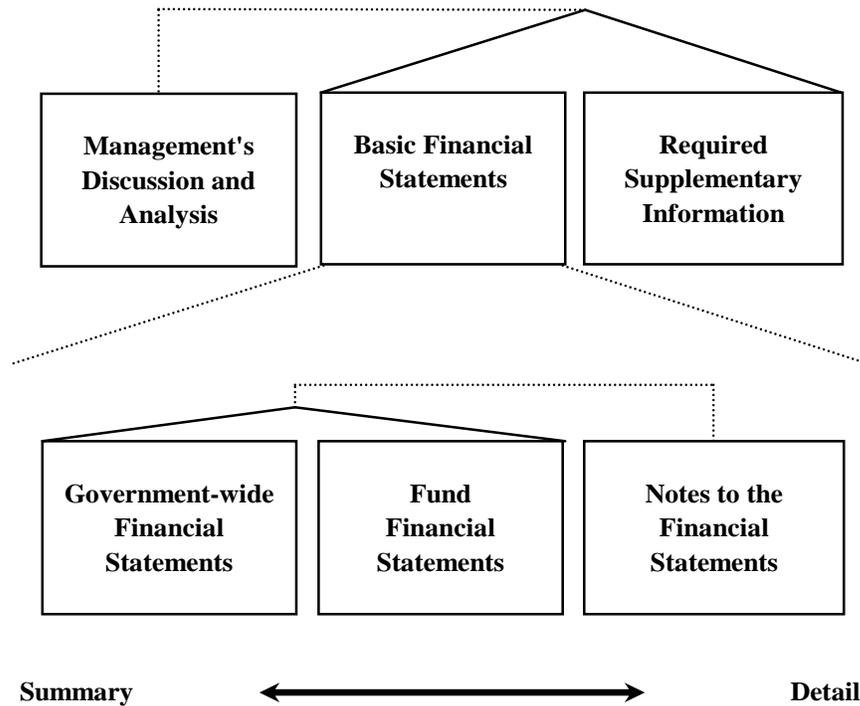


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

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

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

The *statement of net assets* presents information on all of the City’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, streets and highways, economic development, culture and recreation and miscellaneous. The business-type activities of the City include water, sewer and storm sewer operations.

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 primary government.

The government-wide financial statements can be found starting on page 29 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 two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of 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 33 individual governmental funds, 8 of which are Debt Service funds, which are reported as one fund for financial reporting purposes. 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, the Debt Service funds, the 2006-2007 Improvement Projects fund, the 2008 Improvement Projects fund, and the Fire Hall Expansion Project fund, all of which are considered to be major funds. Data from the other nonmajor 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 its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 34 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *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, sewer, and storm sewer operations.

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

The basic proprietary fund financial statements can be found starting on page 42 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 51 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 76 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$30,128,388 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (69.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Jordan's Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Current and other assets	\$ 8,612,897	\$ 6,809,308	\$ 1,803,589	\$ 3,200,744	\$ 3,657,623	\$ (456,879)
Capital assets	11,855,892	12,398,028	(542,136)	31,607,508	32,453,252	(845,744)
Total assets	20,468,789	19,207,336	1,261,453	34,808,252	36,110,875	(1,302,623)
Long-term liabilities outstanding	6,244,364	7,188,397	(944,033)	14,223,976	15,434,147	(1,210,171)
Other liabilities	3,114,689	1,509,588	1,605,101	1,565,624	1,512,594	53,030
Total liabilities	9,359,053	8,697,985	661,068	15,789,600	16,946,741	(1,157,141)
Invested in capital assets, net of related debt	4,749,228	4,269,761	479,467	16,262,148	15,970,343	291,805
Restricted	3,015,129	2,867,250	147,879	2,672,876	2,789,234	(116,358)
Unrestricted	3,345,379	3,372,340	(26,961)	83,628	404,557	(320,929)
Total net assets	\$ 11,109,736	\$ 10,509,351	600,385	\$ 19,018,652	\$ 19,164,134	\$ (145,482)

An additional portion of the City's net assets (18.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (11.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the City as a whole.

The City's total net assets increased by \$454,903 compared to a decrease of \$764,921 in the previous year. Increases in governmental capital grants and business-type charges for services along with overall decrease in expenses contributed to this increase in net assets in the current year.

Governmental activities. Governmental activities increased the City's net assets by \$600,385. Key elements of this increase are as follows:

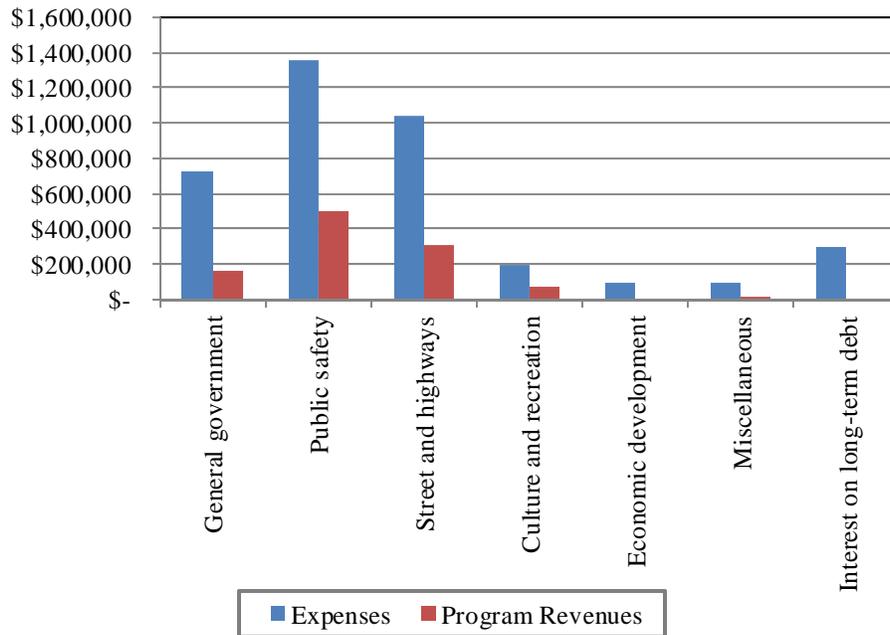
City of Jordan's Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 596,153	\$ 494,078	\$ 102,075	\$ 2,094,785	\$ 1,619,044	\$ 475,741
Operating grants and contributions	108,846	138,962	(30,116)	-	-	-
Capital grants and contributions	332,103	105,146	226,957	207,967	178,638	29,329
General revenues						
Property taxes/franchise taxes/tax increments	3,136,346	3,126,170	10,176	-	-	-
Other taxes	49,144	46,935	2,209	-	-	-
Grants and contributions not restricted to specific programs	77,110	20,325	56,785	-	-	-
Unrestricted investment earnings	82,435	108,839	(26,404)	67,684	83,890	(16,206)
Gain on sale of capital assets and other	7,498	22,229	(14,731)	78,485	71,206	7,279
Total revenues	<u>4,389,635</u>	<u>4,062,684</u>	<u>326,951</u>	<u>2,448,921</u>	<u>1,952,778</u>	<u>496,143</u>
Expenses						
General government	727,568	784,403	(56,835)	-	-	-
Public safety	1,351,534	1,295,861	55,673	-	-	-
Streets and highways	1,038,061	1,312,630	(274,569)	-	-	-
Culture and recreation	189,761	188,172	1,589	-	-	-
Economic development	94,021	65,756	28,265	-	-	-
Miscellaneous	89,935	82,554	7,381	-	-	-
Interest on long-term debt	298,370	338,034	(39,664)	-	-	-
Water	-	-	-	1,180,437	1,290,046	(109,609)
Sewer	-	-	-	1,189,106	1,184,418	4,688
Storm sewer	-	-	-	224,860	238,509	(13,649)
Total expenses	<u>3,789,250</u>	<u>4,067,410</u>	<u>(278,160)</u>	<u>2,594,403</u>	<u>2,712,973</u>	<u>(118,570)</u>
Change in net assets before transfers	600,385	(4,726)	605,111	(145,482)	(760,195)	614,713
Transfers	-	443,117	(443,117)	-	(443,117)	443,117
Change in net assets	600,385	438,391	161,994	(145,482)	(1,203,312)	1,057,830
Net assets - January 1	<u>10,509,351</u>	<u>10,070,960</u>	<u>438,391</u>	<u>19,164,134</u>	<u>20,367,446</u>	<u>(1,203,312)</u>
Net assets - December 31	<u>\$ 11,109,736</u>	<u>\$ 10,509,351</u>	<u>\$ 600,385</u>	<u>\$ 19,018,652</u>	<u>\$ 19,164,134</u>	<u>\$ (145,482)</u>

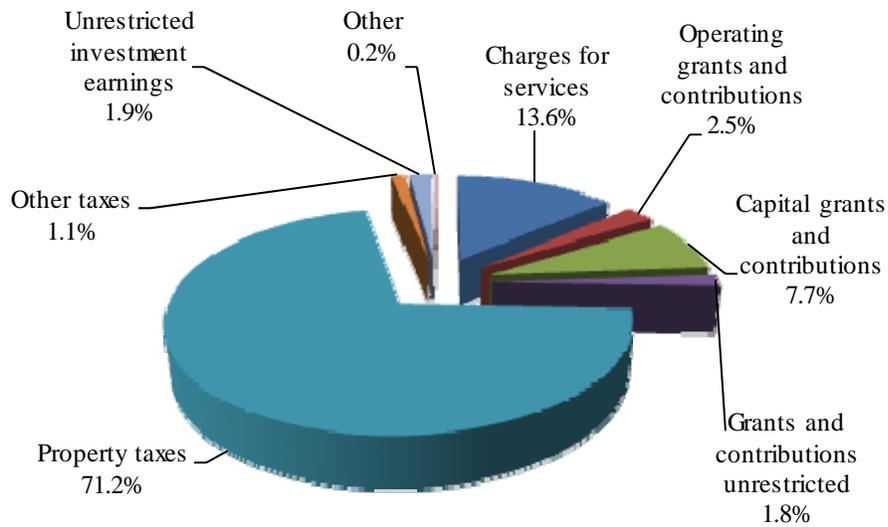
Property tax levies increased by \$60,184 (1.9 percent) during the year. Levies for debt service decreased by \$12,819 while general levies were increased by \$73,003.

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

Expenses and Program Revenues - Governmental Activities



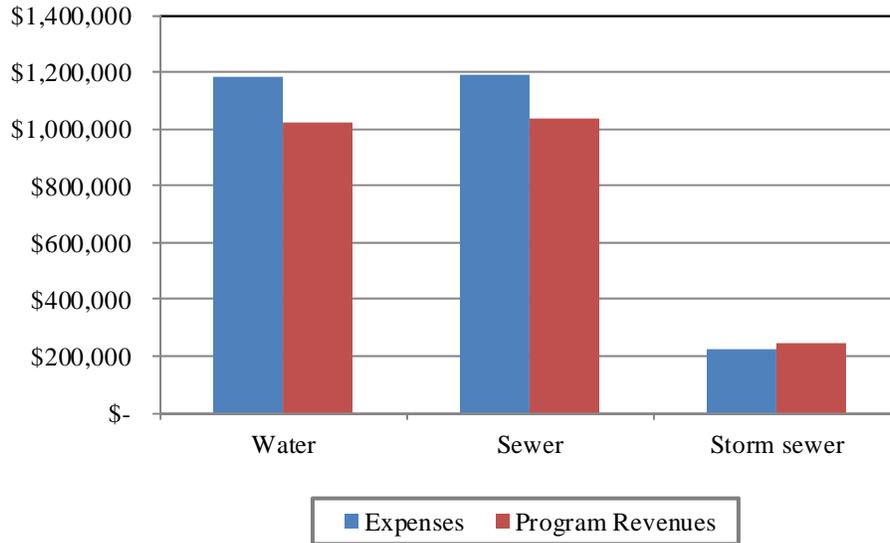
Revenues by Source - Governmental Activities



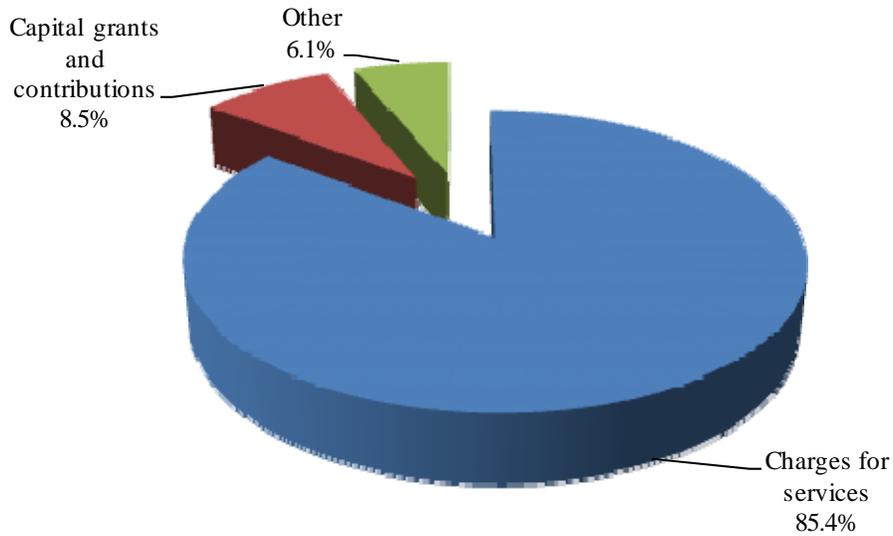
Business-type activities. Business-type activities decreased the City’s net assets by \$145,482. Key elements of this decrease are as follows:

- Charges for services for business-type activities increased by \$475,741 or 29.4 percent, while operating expenses increased by \$78,304 or 3.7 percent from the prior year.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,084,445, an increase of \$1,961,331 in comparison with the prior year. The main reason for the increase was due to issuance of \$1,845,000 of refunding bonds which will be used to retire bonds in 2012. Approximately 23.5 percent of ending fund balances, \$1,662,983, is available for spending at the City's discretion. The remainder of fund balance, \$5,421,462, is not available for new spending because it is either 1) restricted (\$3,780,515), 2) committed (\$24,829), or 3) assigned (\$1,616,118).

The *General fund* is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General fund was \$1,684,889. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 64.8 percent of fund expenditures.

The fund balance of the City's General fund decreased by \$5,230 during the current fiscal year.

The *Debt Service fund* has a total fund balance of \$3,529,656, almost all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$1,967,066. The majority of this increase is due to the issuance of refunding bonds totaling \$1,645,000 during the year which will be used to retire bonds in 2012.

The *2006-07 Improvement Projects fund* had a decrease in fund balance during the current year of \$2,500. This fund was closed during the year.

The *Fire Hall Expansion Project* began in 2007 with expenditures in the current year totaling \$24,495. This project is being funded with a \$1,805,000 bond issue. The fund balance at year end totaled \$23,943.

The *2008 Improvement Projects fund* had a decrease in fund balance during the current year of \$179,664. This fund was closed during the year.

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 assets of the enterprise funds at the end of the year amounted to \$83,628. The total decline in net assets for the funds was \$145,482. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was amended during the year to reclass expenditures. The budget called for an increase in fund balance of \$1,196. Revenues fell short of expectations by \$155,257, expenditures were under budget by \$203,532 and net transfers were \$54,701 over budget, resulting in an actual decrease in fund balance of \$5,230 in 2011.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2011, amounts to \$43,463,400 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 3.1 percent (a 4.4 percent decrease for governmental activities and a 2.6 percent decrease for business-type activities).

Additional information on the City's capital assets can be found in Note 3C starting on page 63 of this report.

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

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Land	\$ 738,279	\$ 738,279	\$ -	\$ 570,184	\$ 570,184	\$ -
Buildings	2,269,156	2,318,763	(49,607)	-	-	-
Improvement other than building	-	-	-	10,550,396	10,914,984	(364,588)
Machinery and equipment	169,916	217,086	(47,170)	60,547	66,988	(6,441)
Vehicles	560,702	546,898	13,804	-	-	-
Infrastructure	7,906,941	8,577,002	(670,061)	20,426,381	20,901,096	(474,715)
Construction in progress	210,898	-	210,898	-	-	-
Total	\$ 11,855,892	\$ 12,398,028	\$ (542,136)	\$ 31,607,508	\$ 32,453,252	\$ (845,744)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$24,213,000. Of this amount, \$75,000 is general obligation debt, \$10,480,000 is special assessment debt and \$13,658,000 is general obligation revenue debt. 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 Jordan's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
General obligation bonds	\$ 75,000	\$ 150,000	\$ (75,000)	\$ -	\$ -	\$ -
G.O. improvement bonds	8,728,427	8,038,184	690,243	1,751,573	1,921,816	(170,243)
General obligation revenue bonds	-	-	-	13,658,000	14,631,000	(973,000)
Total	\$ 8,803,427	\$ 8,188,184	\$ 615,243	\$ 15,409,573	\$ 16,552,816	\$ (1,143,243)

The City's total debt decreased by \$528,000, or 2.1 percent during the current fiscal year. The key factor in this decrease was the retirement of \$2,173,000 in long-term debt during the year and a new debt issue for \$1,645,000.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$15,493,650 (net of debt service restrictions, which is significantly in excess of the City's outstanding general obligation debt).

The City's bond rating was A1 as of the end of the year.

Additional information on the City's long-term debt can be found in Note 3E starting on page 66 of this report.

Economic Factors and Next Year's Budgets and Rates

- The February 2012 unemployment rate for Scott County is currently 6.1 percent, which is a decrease from a rate of 7.3 percent a year ago. This compares favorably to the State's average unemployment rate of 6.6 percent and the national average rate of 8.7 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2012 fiscal year.

Property taxes were held at the same level from 2011 to 2012. The taxes will provide an additional \$54,554 for the operations and a reduction of \$54,554 for debt responsibilities of the City.

Water and sewer rates have been increased slowly over the years to meet improvements demanded. Because of a reduction in capital and connections fees with the reduced growth in new housing states the rates were increased more aggressively for 2011. A 12 percent rate increase was approved for sanitary sewer. Storm sewer utility rates were increased by 20 percent for single family units and 68.2 percent for all other uses per acre. There was also a 2 percent decrease for water utilities from 2010 to 2011. The larger fee increases in sewer and storm sewer were offset by the reduction in water rates. This shift was done to stabilize the fund balances between the three major utility funds. The City has a policy of studying the rates compared to fund balances yearly as part of its budget process and with each improvement project to ensure the rates will support the budget along with any new debt. The rate increases are expected to provide for repayment of debt issues for the projects and to cover costs of operating expenses.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Jordan, 210 East First Street, Jordan, Minnesota 55352-1598.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF JORDAN, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 7,234,219	\$ 2,693,374	\$ 9,927,593
Receivables			
Delinquent taxes	95,694	-	95,694
Accounts	59,920	323,137	383,057
Notes	18,875	-	18,875
Special assessments	1,030,694	12,312	1,043,006
Intergovernmental	35,206	85,592	120,798
Unamortized bond discount and issue costs	138,289	86,329	224,618
Capital assets			
Nondepreciable	949,177	570,184	1,519,361
Depreciable, net of accumulated depreciation	10,906,715	31,037,324	41,944,039
TOTAL ASSETS	20,468,789	34,808,252	55,277,041
LIABILITIES			
Accounts and contracts payable	223,255	40,379	263,634
Due to other governments	717	-	717
Accrued interest payable	104,920	223,376	328,296
Accrued salaries payable	20,928	12,652	33,580
Unearned revenue	-	26,888	26,888
Unamortized bond premium	116,526	22,116	138,642
Noncurrent liabilities			
Due within one year	2,648,343	1,240,213	3,888,556
Due in more than one year	6,244,364	14,223,976	20,468,340
TOTAL LIABILITIES	9,359,053	15,789,600	25,148,653
NET ASSETS			
Invested in capital assets, net of related debt	4,749,228	16,262,148	21,011,376
Restricted for			
Debt service	2,764,270	1,484,370	4,248,640
Capital outlay/connections	-	1,188,506	1,188,506
Economic development	250,859	-	250,859
Unrestricted	3,345,379	83,628	3,429,007
TOTAL NET ASSETS	\$ 11,109,736	\$ 19,018,652	\$ 30,128,388

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

CITY OF JORDAN, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 727,568	\$ 159,565	\$ -	\$ -
Public safety	1,351,534	387,089	108,846	-
Streets and highways	1,038,061	40,898	-	264,403
Culture and recreation	189,761	8,562	-	67,700
Economic development	94,021	-	-	-
Miscellaneous	89,935	39	-	-
Interest on long-term debt	298,370	-	-	-
Total governmental activities	<u>3,789,250</u>	<u>596,153</u>	<u>108,846</u>	<u>332,103</u>
Business-type activities				
Water	1,180,437	968,288	-	56,524
Sewer	1,189,106	955,610	-	78,521
Storm sewer	224,860	170,887	-	72,922
Total business-type activities	<u>2,594,403</u>	<u>2,094,785</u>	<u>-</u>	<u>207,967</u>
Totals	<u>\$ 6,383,653</u>	<u>\$ 2,690,938</u>	<u>\$ 108,846</u>	<u>\$ 540,070</u>

General revenues

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

Total general revenues and transfers

Change in net assets

Net assets, January 1

Net assets, December 31

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (568,003)		\$ (568,003)
(855,599)		(855,599)
(732,760)		(732,760)
(113,499)		(113,499)
(94,021)		(94,021)
(89,896)		(89,896)
(298,370)		(298,370)
<u>(2,752,148)</u>		<u>(2,752,148)</u>
	\$ (155,625)	(155,625)
	(154,975)	(154,975)
	<u>18,949</u>	<u>18,949</u>
	<u>(291,651)</u>	<u>(291,651)</u>
<u>(2,752,148)</u>	<u>(291,651)</u>	<u>(3,043,799)</u>
2,051,115	-	2,051,115
1,016,208	-	1,016,208
69,023	-	69,023
49,144	-	49,144
77,110	-	77,110
82,435	67,684	150,119
1,503	78,485	79,988
5,995	-	5,995
<u>3,352,533</u>	<u>146,169</u>	<u>3,498,702</u>
600,385	(145,482)	454,903
<u>10,509,351</u>	<u>19,164,134</u>	<u>29,673,485</u>
<u>\$ 11,109,736</u>	<u>\$ 19,018,652</u>	<u>\$ 30,128,388</u>

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FUND FINANCIAL STATEMENTS

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF JORDAN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Debt Service</u>	<u>2006-2007 Improvement Projects</u>
ASSETS			
Cash and temporary investments	\$ 1,794,988	\$ 3,530,319	\$ -
Receivables			
Delinquent taxes	95,694	-	-
Accounts	59,920	-	-
Notes	-	-	-
Special assessments	16,160	1,014,534	-
Intergovernmental	34,669	537	-
	<u>34,669</u>	<u>537</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 2,001,431</u></u>	<u><u>\$ 4,545,390</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 183,394	\$ 1,200	\$ -
Due to other governments	717	-	-
Accrued salaries payable	20,577	-	-
Deferred revenue	111,854	1,014,534	-
	<u>111,854</u>	<u>1,014,534</u>	<u>-</u>
TOTAL LIABILITIES	<u>316,542</u>	<u>1,015,734</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Restricted for			
Debt service	-	3,529,656	-
Economic development	-	-	-
Committed for			
Special projects	-	-	-
Drug and alcohol enforcement	-	-	-
DARE program	-	-	-
Car seat program	-	-	-
Assigned for			
Economic development	-	-	-
Road maintenance	-	-	-
Special projects	-	-	-
Drug and alcohol enforcement	-	-	-
DARE program	-	-	-
Car seat program	-	-	-
Tax increment activity	-	-	-
Capital outlay	-	-	-
Unassigned	1,684,889	-	-
	<u>1,684,889</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>1,684,889</u>	<u>3,529,656</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,001,431</u></u>	<u><u>\$ 4,545,390</u></u>	<u><u>\$ -</u></u>

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

2008 Improvement Projects	Firehall Expansion Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 26,035	\$ 1,882,877	\$ 7,234,219
-	-	-	95,694
-	-	-	59,920
-	-	18,875	18,875
-	-	-	1,030,694
-	-	-	35,206
<u>\$ -</u>	<u>\$ 26,035</u>	<u>\$ 1,901,752</u>	<u>\$ 8,474,608</u>
\$ -	\$ 2,092	\$ 36,569	\$ 223,255
-	-	-	717
-	-	351	20,928
-	-	18,875	1,145,263
-	2,092	55,795	1,390,163
-	-	-	3,529,656
-	-	250,859	250,859
-	-	21,336	21,336
-	-	1,794	1,794
-	-	665	665
-	-	1,034	1,034
-	-	131,628	131,628
-	-	7,401	7,401
-	-	7,272	7,272
-	-	3,481	3,481
-	-	4,311	4,311
-	-	2,952	2,952
-	-	10,178	10,178
-	23,943	1,424,952	1,448,895
-	-	(21,906)	1,662,983
-	23,943	1,845,957	7,084,445
<u>\$ -</u>	<u>\$ 26,035</u>	<u>\$ 1,901,752</u>	<u>\$ 8,474,608</u>

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CITY OF JORDAN, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Total fund balances - governmental funds	\$ 7,084,445
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	11,855,892
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Compensated absences payable	(89,280)
Bonds payable	(8,803,427)
Bond discounts/issue costs, net of accumulated amortization	138,289
Premium on bonds issued, net of accumulated amortization	(116,526)
Long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes receivable	95,694
Loans receivable	18,875
Special assessments receivable	1,030,694
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(104,920)</u>
Total net assets - governmental activities	<u><u>\$ 11,109,736</u></u>

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

CITY OF JORDAN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Debt Service	2006-2007 Improvement Projects
REVENUES			
Taxes	\$ 2,051,573	\$ 1,016,208	\$ -
Special assessments	18,094	240,525	-
Licenses and permits	136,797	-	-
Intergovernmental	165,420	-	-
Charges for services	357,069	-	-
Fines and forfeits	96,017	-	-
Investment earnings	(35,104)	63,304	-
Miscellaneous	1,503	-	-
TOTAL REVENUES	<u>2,791,369</u>	<u>1,320,037</u>	<u>-</u>
EXPENDITURES			
Current			
General government	714,791	-	-
Public safety	1,114,846	-	-
Streets and highways	376,096	-	-
Culture and recreation	139,934	-	-
Economic development	-	-	-
Miscellaneous	89,935	-	-
Capital outlay			
General government	9,937	-	-
Public safety	61,027	-	-
Streets and highways	-	-	2,500
Culture and recreation	5,000	-	-
Miscellaneous	8,834	-	-
Debt service			
Principal	75,000	954,757	-
Interest and other	5,684	338,883	-
TOTAL EXPENDITURES	<u>2,601,084</u>	<u>1,293,640</u>	<u>2,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>190,285</u>	<u>26,397</u>	<u>(2,500)</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	210	-	-
Transfers in	-	612,440	38,630
Debt issued	-	1,645,000	-
Premium on bonds issued	-	73,364	-
Transfers out	(195,725)	(390,135)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(195,515)</u>	<u>1,940,669</u>	<u>38,630</u>
NET CHANGE IN FUND BALANCES	(5,230)	1,967,066	36,130
FUND BALANCES (DEFICITS), JANUARY 1	<u>1,690,119</u>	<u>1,562,590</u>	<u>(36,130)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,684,889</u>	<u>\$ 3,529,656</u>	<u>\$ -</u>

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

2008 Improvement Projects	Firehall Expansion Project	Other Governmental Funds	Totals
\$ -	\$ -	\$ 128,238	\$ 3,196,019
-	-	-	258,619
-	-	-	136,797
175,000	-	-	340,420
-	-	7,149	364,218
-	-	6,270	102,287
4,664	859	48,712	82,435
-	-	88,236	89,739
<u>179,664</u>	<u>859</u>	<u>278,605</u>	<u>4,570,534</u>
-	-	-	714,791
-	-	20,057	1,134,903
-	-	119,054	495,150
-	-	-	139,934
-	-	105,917	105,917
-	-	-	89,935
-	-	-	9,937
-	24,495	87,384	172,906
-	-	23,865	26,365
-	-	55,566	60,566
-	-	-	8,834
-	-	-	1,029,757
-	-	-	344,567
<u>-</u>	<u>24,495</u>	<u>411,843</u>	<u>4,333,562</u>
<u>179,664</u>	<u>(23,636)</u>	<u>(133,238)</u>	<u>236,972</u>
-	-	5,785	5,995
326	-	193,225	844,621
-	-	-	1,645,000
-	-	-	73,364
(258,761)	-	-	(844,621)
<u>(258,435)</u>	<u>-</u>	<u>199,010</u>	<u>1,724,359</u>
(78,771)	(23,636)	65,772	1,961,331
<u>78,771</u>	<u>47,579</u>	<u>1,780,185</u>	<u>5,123,114</u>
<u>\$ -</u>	<u>\$ 23,943</u>	<u>\$ 1,845,957</u>	<u>\$ 7,084,445</u>

CITY OF JORDAN, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - governmental funds \$ 1,961,331

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	411,781
Depreciation expense	(953,917)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	1,029,757
Debt issued	(1,645,000)
Discount on bonds issued	(11,622)
Bond issuance costs	42,036
Premium on bonds issued	(68,568)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

10,987

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	(10,529)
Special assessments	(176,365)

Some expenditures reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Loans made	14,476
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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.

Loans written off	(2,580)
Compensated absences	(1,402)

Change in net assets - governmental activities	\$ 600,385
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The notes to the financial statements are an integral part of this statement.

CITY OF JORDAN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,870,112	\$ 1,870,112	\$ 2,051,573	\$ 181,461
Special assessments	6,500	6,500	18,094	11,594
Licenses and permits	34,300	34,300	136,797	102,497
Intergovernmental	488,961	488,961	165,420	(323,541)
Charges for services	384,257	384,257	357,069	(27,188)
Fines and forfeits	60,000	60,000	96,017	36,017
Investment earnings	65,000	65,000	(35,104)	(100,104)
Miscellaneous	37,496	37,496	1,503	(35,993)
TOTAL REVENUES	2,946,626	2,946,626	2,791,369	(155,257)
EXPENDITURES				
Current				
General government	662,061	663,873	714,791	(50,918)
Public safety	1,144,979	1,149,371	1,114,846	34,525
Streets and highways	386,091	387,472	376,096	11,376
Culture and recreation	143,488	143,726	139,934	3,792
Miscellaneous	192,713	154,690	89,935	64,755
Capital outlay				
General government	11,000	11,000	9,937	1,063
Public safety	33,000	63,200	61,027	2,173
Culture and recreation	5,000	5,000	5,000	-
Miscellaneous	5,500	5,500	8,834	(3,334)
Debt service				
Principal	148,000	148,000	75,000	73,000
Interest and other	72,784	72,784	5,684	67,100
TOTAL EXPENDITURES	2,804,616	2,804,616	2,601,084	203,532
EXCESS OF REVENUES OVER EXPENDITURES	142,010	142,010	190,285	48,275
OTHER FINANCING SOURCES (USES)				
Sale of assets	1,500	1,500	210	(1,290)
Transfers in	84,686	84,686	-	(84,686)
Transfers out	(227,000)	(227,000)	(195,725)	31,275
TOTAL OTHER FINANCING USES	(140,814)	(140,814)	(195,515)	(54,701)
NET CHANGE IN FUND BALANCES	1,196	1,196	(5,230)	(6,426)
FUND BALANCES, JANUARY 1	1,690,119	1,690,119	1,690,119	-
FUND BALANCES, DECEMBER 31	\$ 1,691,315	\$ 1,691,315	\$ 1,684,889	\$ (6,426)

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

CITY OF JORDAN, MINNESOTA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601/460/461		602/462/463	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,737,503	\$ 1,960,471	\$ 627,855	\$ 758,202
Receivables				
Accounts	139,959	133,169	155,531	147,986
Intergovernmental	42,752	96,411	42,773	96,411
TOTAL CURRENT ASSETS	1,920,214	2,190,051	826,159	1,002,599
NONCURRENT ASSETS				
Special assessments receivable - deferred	6,156	6,775	6,156	6,775
Unamortized bond discount	57,638	62,874	9,546	10,517
Capital assets, at cost				
Land	33,097	33,097	1,450	1,450
Buildings and improvements	10,896	10,896	45,069	45,069
Improvements other than buildings	5,541,538	5,524,353	11,369,176	11,369,176
Infrastructure	11,850,083	11,850,083	5,139,756	5,139,756
Machinery and equipment	189,025	184,956	227,173	219,911
Less accumulated depreciation	(3,587,658)	(3,220,499)	(5,498,940)	(5,128,035)
Total capital assets (net of accumulated depreciation)	14,036,981	14,382,886	11,283,684	11,647,327
TOTAL NONCURRENT ASSETS	14,100,775	14,452,535	11,299,386	11,664,619
TOTAL ASSETS	16,020,989	16,642,586	12,125,545	12,667,218
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	15,879	15,408	24,500	15,277
Due to other governments	-	11,023	-	-
Accrued interest payable	142,550	151,746	47,636	51,486
Accrued salaries payable	5,063	3,951	7,589	6,868
Compensated absences payable - current	22,722	21,872	31,894	27,063
Unearned revenue	26,888	24,876	-	-
Bonds payable - current	601,464	568,660	423,603	413,938
TOTAL CURRENT LIABILITIES	814,566	797,536	535,222	514,632
NONCURRENT LIABILITIES				
Unamortized bond premium	3,097	3,441	6,413	7,126
Bonds payable - noncurrent	8,004,756	8,606,220	4,391,353	4,814,956
TOTAL NONCURRENT LIABILITIES	8,007,853	8,609,661	4,397,766	4,822,082
TOTAL LIABILITIES	8,822,419	9,407,197	4,932,988	5,336,714
NET ASSETS				
Invested in capital assets, net of related debt	5,485,302	5,267,439	6,471,861	6,421,824
Restricted for				
Debt service	935,966	926,212	548,404	549,108
Capital outlay/connections	693,674	637,181	172,292	359,572
Unrestricted	83,628	404,557	-	-
TOTAL NET ASSETS	\$ 7,198,570	\$ 7,235,389	\$ 7,192,557	\$ 7,330,504

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

Business-type Activities - Enterprise Funds

651/465			
Storm Sewer Utility		Totals	
2011	2010	2011	2010
\$ 328,016	\$ 330,636	\$ 2,693,374	\$ 3,049,309
27,647	26,306	323,137	307,461
67	-	85,592	192,822
<u>355,730</u>	<u>356,942</u>	<u>3,102,103</u>	<u>3,549,592</u>
-	-	12,312	13,550
<u>19,145</u>	<u>21,090</u>	<u>86,329</u>	<u>94,481</u>
535,637	535,637	570,184	570,184
-	-	55,965	55,965
43,403	43,403	16,954,117	16,936,932
6,745,736	6,745,736	23,735,575	23,735,575
-	-	416,198	404,867
<u>(1,037,933)</u>	<u>(901,737)</u>	<u>(10,124,531)</u>	<u>(9,250,271)</u>
<u>6,286,843</u>	<u>6,423,039</u>	<u>31,607,508</u>	<u>32,453,252</u>
<u>6,305,988</u>	<u>6,444,129</u>	<u>31,706,149</u>	<u>32,561,283</u>
<u>6,661,718</u>	<u>6,801,071</u>	<u>34,808,252</u>	<u>36,110,875</u>
-	4,340	40,379	35,025
-	-	-	11,023
33,190	35,441	223,376	238,673
-	-	12,652	10,819
-	-	54,616	48,935
-	-	26,888	24,876
<u>160,530</u>	<u>160,645</u>	<u>1,185,597</u>	<u>1,143,243</u>
<u>193,720</u>	<u>200,426</u>	<u>1,543,508</u>	<u>1,512,594</u>
12,606	14,007	22,116	24,574
<u>1,827,867</u>	<u>1,988,397</u>	<u>14,223,976</u>	<u>15,409,573</u>
<u>1,840,473</u>	<u>2,002,404</u>	<u>14,246,092</u>	<u>15,434,147</u>
<u>2,034,193</u>	<u>2,202,830</u>	<u>15,789,600</u>	<u>16,946,741</u>
4,304,985	4,281,080	16,262,148	15,970,343
-	-	1,484,370	1,475,320
322,540	317,161	1,188,506	1,313,914
-	-	83,628	404,557
<u>\$ 4,627,525</u>	<u>\$ 4,598,241</u>	<u>\$ 19,018,652</u>	<u>\$ 19,164,134</u>

CITY OF JORDAN, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601/460/461		602/462/463	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for services	\$ 968,288	\$ 774,537	\$ 955,610	\$ 712,771
OPERATING EXPENSES				
Personal services	208,976	316,285	345,195	262,076
Supplies	80,241	60,117	141,236	124,465
Other services and charges	80,954	155,439	104,840	196,221
Insurance	17,774	10,426	13,231	13,753
Utilities	70,541	63,655	81,712	78,216
Depreciation	367,559	306,174	371,263	368,241
TOTAL OPERATING EXPENSES	826,045	912,096	1,057,477	1,042,972
OPERATING INCOME (LOSS)	142,243	(137,559)	(101,867)	(330,201)
NONOPERATING REVENUES (EXPENSES)				
Investment income	40,321	60,785	17,028	16,261
Rental income	78,485	71,156	-	-
Special assessments	31	60	31	60
Connection fees	25,452	36,352	37,499	49,104
Capital charges	31,041	24,431	40,991	31,311
Other income	-	-	-	50
Interest expense	(349,500)	(373,058)	(131,371)	(141,188)
Amortization expense	(4,892)	(4,892)	(258)	(258)
TOTAL NONOPERATING REVENUES (EXPENSES)	(179,062)	(185,166)	(36,080)	(44,660)
INCOME (LOSS) BEFORE TRANSFERS	(36,819)	(322,725)	(137,947)	(374,861)
TRANSFERS IN	-	-	-	700,000
TRANSFERS OUT	-	(1,443,117)	-	(4,745)
CHANGE IN NET ASSETS	(36,819)	(1,765,842)	(137,947)	320,394
NET ASSETS, JANUARY 1	7,235,389	9,001,231	7,330,504	7,010,110
NET ASSETS, DECEMBER 31	\$ 7,198,570	\$ 7,235,389	\$ 7,192,557	\$ 7,330,504

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

Business-type Activities - Enterprise Funds

651/465

Storm Sewer Utility		Totals	
2011	2010	2011	2010
\$ 170,887	\$ 131,736	\$ 2,094,785	\$ 1,619,044
-	-	554,171	578,361
-	-	221,477	184,582
9,006	25,320	194,800	376,980
-	-	31,005	24,179
-	-	152,253	141,871
136,196	126,640	875,018	801,055
145,202	151,960	2,028,724	2,107,028
25,685	(20,224)	66,061	(487,984)
10,335	6,844	67,684	83,890
-	-	78,485	71,156
-	-	62	120
-	-	62,951	85,456
72,922	37,320	144,954	93,062
-	-	-	50
(79,114)	(86,005)	(559,985)	(600,251)
(544)	(544)	(5,694)	(5,694)
3,599	(42,385)	(211,543)	(272,211)
29,284	(62,609)	(145,482)	(760,195)
-	304,745	-	1,004,745
-	-	-	(1,447,862)
29,284	242,136	(145,482)	(1,203,312)
4,598,241	4,356,105	19,164,134	20,367,446
<u>\$ 4,627,525</u>	<u>\$ 4,598,241</u>	<u>\$ 19,018,652</u>	<u>\$ 19,164,134</u>

CITY OF JORDAN, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601/460/461		602/462/463	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 961,498	\$ 917,742	\$ 948,065	\$ 789,266
Payments to suppliers and vendors	(206,403)	(200,482)	(278,158)	(340,000)
Payments to and on behalf of employees	(207,014)	(301,107)	(339,643)	(246,239)
Other receipts	80,528	72,844	31	110
NET CASH PROVIDED BY OPERATING ACTIVITIES	628,609	488,997	330,295	203,137
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	(1,443,117)	-	(4,745)
Transfers from other funds	-	-	-	700,000
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-	(1,443,117)	-	695,255
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(21,654)	(83,428)	(7,620)	(2,994)
Connection fees received	26,071	36,942	38,118	49,694
Capital charges received	31,041	24,431	40,991	31,311
Local grants received	-	-	-	-
Principal paid on long-term debt	(568,660)	(549,813)	(413,938)	(399,184)
Interest and fees paid on long-term debt	(358,696)	(381,613)	(135,221)	(145,148)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(891,898)	(953,481)	(477,670)	(466,321)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	40,321	60,785	17,028	16,261
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(222,968)	(1,846,816)	(130,347)	448,332
CASH AND CASH EQUIVALENTS, JANUARY 1	1,960,471	3,807,287	758,202	309,870
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,737,503	\$ 1,960,471	\$ 627,855	\$ 758,202

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

Business-type Activities - Enterprise Funds

651/465

Storm Sewer Utility		Totals	
2011	2010	2011	2010
\$ 169,546	\$ 130,587	\$ 2,079,109	\$ 1,837,595
(13,413)	(20,980)	(497,974)	(561,462)
-	-	(546,657)	(547,346)
-	-	80,559	72,954
<u>156,133</u>	<u>109,607</u>	<u>1,115,037</u>	<u>801,741</u>
-	-	-	(1,447,862)
-	304,745	-	1,004,745
-	304,745	-	(443,117)
-	(10,585)	(29,274)	(97,007)
-	-	64,189	86,636
72,922	37,320	144,954	93,062
-	-	-	-
(160,645)	(151,928)	(1,143,243)	(1,100,925)
(81,365)	(88,115)	(575,282)	(614,876)
<u>(169,088)</u>	<u>(213,308)</u>	<u>(1,538,656)</u>	<u>(1,633,110)</u>
<u>10,335</u>	<u>6,844</u>	<u>67,684</u>	<u>83,890</u>
(2,620)	207,888	(355,935)	(1,190,596)
<u>330,636</u>	<u>122,748</u>	<u>3,049,309</u>	<u>4,239,905</u>
<u>\$ 328,016</u>	<u>\$ 330,636</u>	<u>\$ 2,693,374</u>	<u>\$ 3,049,309</u>

CITY OF JORDAN, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601/460/461		602/462/463	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 142,243	\$ (137,559)	\$ (101,867)	\$ (330,201)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Other income related to operations	78,516	71,216	31	110
Depreciation	367,559	306,174	371,263	368,241
(Increase) decrease in assets				
Accounts receivable	(6,790)	143,205	(7,545)	76,495
Due from other governments	53,659	(3,619)	53,638	(3,619)
Write-off of construction in progress	-	79,428	-	87,349
Increase (decrease) in liabilities				
Accounts payable	471	6,418	9,223	(11,075)
Due to other governments	(11,023)	6,928	-	-
Accrued wages payable	1,112	343	721	3,183
Compensated absences payable	850	14,835	4,831	12,654
Unearned revenue	2,012	1,628	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 628,609</u>	<u>\$ 488,997</u>	<u>\$ 330,295</u>	<u>\$ 203,137</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Bond discount/premium amortization	\$ 4,892	\$ 4,892	\$ 258	\$ 258
Prior year construction in progress written off	-	79,428	-	87,349

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

Business-type Activities - Enterprise Funds

651/465

Storm Sewer Utility		Totals	
2011	2010	2011	2010
\$ 25,685	\$ (20,224)	\$ 66,061	\$ (487,984)
-	-	78,547	71,326
136,196	126,640	875,018	801,055
(1,341)	(1,149)	(15,676)	218,551
(67)	-	107,230	(7,238)
-	-	-	166,777
(4,340)	4,340	5,354	(317)
-	-	(11,023)	6,928
-	-	1,833	3,526
-	-	5,681	27,489
-	-	2,012	1,628
<u>\$ 156,133</u>	<u>\$ 109,607</u>	<u>\$ 1,115,037</u>	<u>\$ 801,741</u>

\$ 544	\$ 544	\$ 5,694	\$ 5,694
-	-	-	166,777

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CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Jordan, (the City) operates under “Optional Plan A” as defined in the Minnesota statutes. The City is governed by an elected Mayor and a six-member Council. The Council exercises legislative authority and determines all matters of policy. The 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. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. 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 blended component unit has a December 31 year end.

Blended component unit

Jordan Economic Development Authority. The Jordan Economic Development Authority, (the EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The seven member Board consists of two Council members and three other Council approved members, and the EDA director. The EDA may not exercise any of the powers enumerated by the authorizing Minnesota statutes without prior approval of the City Council. The activities are blended and reported in a separate special revenue fund. No separate financial statements are issued for the EDA.

Other agencies. The Jordan Housing and Redevelopment Authority (the HRA) is considered to be part of the primary government. The HRA was created pursuant to chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out housing and redevelopment projects. The governing Board is appointed by the City Council, the Council reviews and approves HRA tax levies, and the City provides major community development financing for HRA activities. Debt issued for HRA activities are City general obligations. There has been no HRA activity within the City for the past few years. The HRA is now included with the Economic Development Authority fund of this report.

B. Government-wide and fund financial statements

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

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

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

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

Deferred 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 deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

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.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

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 *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *2006-2007 Improvement Projects fund* accounts for costs related to major street projects with construction starting in 2006.

The *2008 Improvement Projects fund* accounts for costs related to major street projects with constructions starting in 2008.

The *Fire Hall Expansion Project fund* accounts for costs related to the expansion of the fire hall.

The City reports the following major proprietary funds:

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

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

The *Storm Sewer Utility fund* accounts for the costs associated with the City's storm sewer system, which are financed by the storm sewer surcharge, and ensures that user charges are sufficient to pay for those costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities and net assets or equity

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. 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.

Investments for the City are reported at fair value.

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

The Minnesota Municipal Money Market Fund and broker money market investment pools operate in accordance with appropriate State laws and regulations. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M Fund can be obtained by contracting Investment Advisor and Marketing at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment policy

The City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. The City's investment program shall be operated in conformance with federal, state, and other legal requirements, including Minnesota statute 118A.

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

- ***Credit Risk.*** 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 and the City's investment policy limit the City's investments.
- ***Custodial Credit Risk.*** The 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's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- ***Concentration of Credit Risk.*** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- ***Interest Rate Risk.*** The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio.

There are three main objectives of all investment activities that are prioritized as follows:

- **Safety** Safety of principal is the foremost objective of the City. Each investment transaction shall seek to first insure that capital losses are avoided. The objective will be mitigating credit risk and interest rate risk.

Credit Risk is the risk of loss due to failure of the security issuer or backer.

Interest Rate Risk is the risk that the market value of securities in the portfolio will fail due to changes in general interest rates.

- **Liquidity** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonable anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
- **Yield** The investment portfolio of the City of Jordan shall be designed to attain a market-average rate of return through budgetary and economic cycles, taking into consideration the city's investment risk constraints, cash flow characteristics of the portfolio and prudent investment principles.

Subject to requirements of the above objectives, it is the policy of the City of Jordan to offer financial institutions and companies within the City of Jordan the opportunity to bid on investments; however the City of Jordan will seek the best investment yields.

In accordance with Minnesota statute 118A.03 on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota, (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2011. All trade receivables are shown net of an allowance for uncollectible accounts. All enterprise fund trade receivables are considered collectible because the City annually certifies delinquent accounts to the County for collection.

Special assessments

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

CITY OF JORDAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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 value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

<u>Asset</u>	<u>Threshold</u>
Land and land improvements	\$ 10,000
Other improvements	25,000
Buildings and building improvements	10,000
Machinery and equipment	1,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

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

<u>Assets</u>	<u>Years</u>
Land improvements	15 - 20
Buildings and improvements	7 - 40
System improvements/infrastructure	15 - 50
Machinery and equipment	6 - 15
Vehicles	5 - 6
Other assets	3 - 15

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Salaried employees and hourly employees with tenure at the City of 15 years are eligible to be paid 30 percent of their accumulated sick pay at retirement. All vacation pay and a portion of sick 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.

Postemployment benefits other than pensions

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

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the City's fiscal year 2009. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. During 2009, the City calculated its OPEB liability using the alternative measurement method and determined that the calculated liability was immaterial. At this point, the City anticipates it will not incur material future explicit or implicit OPEB costs for its employees and, therefore, no liability will be recorded.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 another financing source. 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 JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

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

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of 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 unassigned fund balance of 55 percent of budgeted operating expenditures for cash-flow timing needs.

Net assets

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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 JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 fiscal year end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator/Clerk/Treasurer so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The 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 Administrator/Clerk/Treasurer. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. Budget amendments were made during the year to reclass expenditures.

B. Deficit fund equity

The following funds had fund equity deficits at December 31, 2011:

<u>Fund</u>	<u>Amount</u>
Special revenue	
Broadway market TIF project	\$ 666
Capital projects	
Fire vehicle	21,240

The above deficits will be eliminated through transfers from other funds and future tax increment collections.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral 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.

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.

At year end, the City's carrying amount of deposits was \$4,989,352 and the bank balance was \$5,240,842. Of the bank balance, \$5,053,499 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2011, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

<u>Types of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Pooled investments			
Minnesota Municipal Money			
Market (4M) Fund	Not rated	less than 6 months	\$ 22,789
Broker Money Market Accounts	Not rated	less than 6 months	<u>3,240,822</u>
Total pooled investments			<u>3,263,611</u>
Non-pooled investments			
Government Securities	Aaa	more than 3 years	526,864
Municipal Bonds	A1	1-3 years	413,355
Municipal Bonds	AA2	1-3 years	<u>734,411</u>
Total on-pooled investments			<u>1,674,630</u>
Total investments			<u><u>\$ 4,938,241</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 N/A indicates not applicable or available.

Cash and investments summary

A reconciliation of cash and investments as shown on the Statement of Net Assets for the City follows:

Deposits	\$ 4,989,352
Investments	<u>4,938,241</u>
Total	<u><u>\$ 9,927,593</u></u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Fund	Unavailable
Delinquent taxes receivable	
General	\$ 95,694
Special assessments receivable	
General	16,160
Debt service	1,014,534
Loans receivable	
Nonmajor governmental	18,875
Total	\$ 1,145,263

C. Capital assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 738,279	\$ -	\$ -	\$ 738,279
Construction in progress	-	210,898	-	210,898
Total capital assets not being depreciated	738,279	210,898	-	949,177
Capital assets being depreciated				
Buildings and improvements	2,809,284	28,702	-	2,837,986
Infrastructure and improvements	13,579,396	-	-	13,579,396
Machinery and equipment	778,981	27,188	-	806,169
Vehicles	2,089,753	152,700	(40,137)	2,202,316
Total capital assets being depreciated	19,257,414	208,590	(40,137)	19,425,867
Less accumulated depreciation for				
Buildings and improvements	(490,521)	(78,309)	-	(568,830)
Infrastructure and improvements	(5,002,394)	(670,061)	-	(5,672,455)
Machinery and equipment	(561,895)	(74,358)	-	(636,253)
Vehicles	(1,542,855)	(131,189)	32,430	(1,641,614)
Total accumulated depreciation	(7,597,665)	(953,917)	32,430	(8,519,152)
Total capital assets being depreciated, net	11,659,749	(745,327)	(7,707)	10,906,715
Governmental activities capital assets, net	\$ 12,398,028	\$ (534,429)	\$ (7,707)	\$ 11,855,892

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 570,184	\$ -	\$ -	\$ 570,184
Capital assets being depreciated				
Buildings	55,965	-	-	55,965
Improvements other than buildings	16,936,932	17,185	-	16,954,117
Infrastructure	23,735,575	-	-	23,735,575
Machinery and equipment	404,867	13,331	(2,000)	416,198
Total capital assets being depreciated	41,133,339	30,516	(2,000)	41,161,855
Less accumulated depreciation for				
Buildings	(55,965)	-	-	(55,965)
Improvements other than buildings	(6,021,948)	(381,773)	-	(6,403,721)
Infrastructure	(2,834,479)	(474,715)	-	(3,309,194)
Machinery and equipment	(337,879)	(18,530)	758	(355,651)
Total accumulated depreciation	(9,250,271)	(875,018)	758	(10,124,531)
Total capital assets being depreciated, net	31,883,068	(844,502)	(1,242)	31,037,324
Business-type activities capital assets, net	\$ 32,453,252	\$ (844,502)	\$ (1,242)	\$ 31,607,508

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

Governmental activities		
General government		\$ 11,903
Public safety		197,511
Streets and highways		690,229
Culture and recreation		54,274
Total depreciation expense - governmental activities		\$ 953,917
Business-type activities		
Water		\$ 367,559
Sewer		371,263
Storm sewer		136,196
Total depreciation expense - business-type activities		\$ 875,018

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund transfers

The composition of interfund transfers for the year ended December 31, 2011 is as follows:

	Transfer in		
		2006-2007	2008
	Debt Service Fund	Improvement Projects Fund	Improvement Projects Fund
Transfer out			
General fund	\$ 2,500	\$ -	\$ -
Debt Service fund	351,179	38,630	326
2008 Improvement Projects fund	258,761	-	-
Total transfers out	\$ 612,440	\$ 38,630	\$ 326

	Transfer in	
	Nonmajor Governmental Funds	Total
Transfer out		
General fund	\$ 193,225	\$ 195,725
Debt Service fund	-	390,135
2008 Improvement Projects fund	-	258,761
Total transfers out	\$ 193,225	\$ 844,621

For the year ended December 31, 2011 the City made the following transfers:

- \$351,179 was transferred between Debt Service funds to close three funds.
- \$258,087 was transferred from the 2008 Improvement Projects fund to close the fund to a Debt Service fund.
- \$38,630 was transferred from the 2006-2007 Improvement Projects fund to close the fund to a Debt Service fund.
- \$18,000 was transferred from the General fund to the Fire Vehicle nonmajor governmental fund for future capital expenditures.
- \$59,239 was transferred from the General fund to the Municipal State Aid nonmajor governmental fund related to State funding received.
- \$2,500 was transferred from the General fund to the Debt Service fund to eliminate fund deficits.
- \$115,986 was transferred from the General fund to nonmajor capital projects funds per the City's fund balance policy to maintain the General fund balance at 55 percent.

CITY OF JORDAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Equipment Certificates of 2007	\$ 375,000	4.25 %	03/27/07	12/01/12	<u>\$ 75,000</u>

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

<u>Year Ending December 31,</u>	General Obligation Bonds		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 75,000</u>	<u>\$ 2,430</u>	<u>\$ 77,430</u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. special assessment (improvement) bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
G.O. Improvement					
Bonds of 2004A	\$ 4,935,000 *	3.20 - 4.35 %	05/01/04	02/01/20	\$ 1,503,427
G.O. Capital Improvement					
Bonds of 2008A	1,805,000	3.00 - 4.00	6/1/2008	02/01/29	1,675,000
G.O. Imp Refunding					
Bonds of 2008A	1,630,000	2.30 - 3.50	05/01/08	02/01/18	755,000
G.O Improvement Bonds of 2008B	1,275,000	2.50 - 4.40	08/01/08	02/01/24	1,160,000
G.O. Refunding					
Bonds of 2011A	3,635,000	2.50 - 3.00	08/01/12	02/01/20	<u>3,635,000</u>
 Total Governmental					 8,728,427
Business-type					
G.O. Improvement					
Bonds of 2004A	4,935,000 *	3.20 - 4.35	05/01/04	02/01/20	<u>1,751,573</u>
 Total G.O. Special Assessment Bonds					 <u>\$ 10,480,000</u>

* Total amount of issuance, outstanding portions reported under G.O. Revenue and G.O. Special Assessment.

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

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 2,542,403	\$ 223,154	\$ 2,765,557	\$ 167,597	\$ 65,753	\$ 233,350
2013	776,774	215,092	991,866	173,226	59,783	233,009
2014	711,608	189,919	901,527	178,392	53,448	231,840
2015	728,185	166,207	894,392	186,815	46,684	233,499
2016	745,213	141,647	886,860	194,787	39,377	234,164
2017 - 2021	1,999,244	423,905	2,423,149	850,756	74,267	925,023
2022 - 2026	850,000	151,675	1,001,675	-	-	-
2027 - 2029	375,000	22,900	397,900	-	-	-
 Total	 <u>\$ 8,728,427</u>	 <u>\$ 1,534,499</u>	 <u>\$ 10,262,926</u>	 <u>\$ 1,751,573</u>	 <u>\$ 339,312</u>	 <u>\$ 2,090,885</u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
PFA Loan Payable of 1998	\$ 307,917	3.54 %	11/02/98	08/20/18	\$ 138,000
PFA Loan Payable of 2000	6,849,212	2.20	05/30/00	08/20/21	3,882,000
PFA Loan Payable of 2003	1,068,000	2.82	06/30/03	08/20/23	703,000
G.O. Water Revenue Bonds of 2005A	1,140,000	2.75 - 4.30	05/01/05	02/01/21	825,000
G.O PIR Bonds of 2008B/Sewer	210,000	2.50 - 4.40	08/01/08	02/01/24	195,000
G.O PIR Bonds of 2008B/Water	230,000	2.50 - 4.40	08/01/08	02/01/24	210,000
G.O PIR Bonds of 2008B/Storm	315,000	2.50 - 4.40	08/01/08	02/01/24	290,000
G.O. Utility Revenue Bonds of 2007A	8,610,000	4.00 - 4.25	09/01/07	02/01/23	<u>7,415,000</u>
Total G.O. Revenue Bonds					<u>\$ 13,658,000</u>

* Total amount of issuance, outstanding portions reported under G.O. Revenue and G.O. Special Assessment.

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2012	\$ 1,018,000	\$ 470,291	\$ 1,488,291
2013	1,047,000	435,214	1,482,214
2014	1,088,000	398,623	1,486,623
2015	1,118,000	360,550	1,478,550
2016	1,164,000	320,953	1,484,953
2017 - 2021	6,374,000	967,271	7,341,271
2022 - 2024	1,849,000	82,296	1,931,296
Total	<u>\$ 13,658,000</u>	<u>\$ 3,035,198</u>	<u>\$ 16,693,198</u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Transfers/ Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$ 150,000	\$ -	\$ (75,000)	\$ 75,000	\$ 75,000
General obligation special assessment bonds	<u>8,038,184</u>	<u>1,645,000</u>	<u>(954,757)</u>	<u>8,728,427</u>	<u>2,542,403</u>
Total bonds payable	8,188,184	1,645,000	(1,029,757)	8,803,427	2,617,403
Compensated absences payable	<u>87,878</u>	<u>62,312</u>	<u>(60,910)</u>	<u>89,280</u>	<u>30,940</u>
Governmental activity long-term liabilities	<u>\$ 8,276,062</u>	<u>\$ 1,707,312</u>	<u>\$ (1,090,667)</u>	<u>\$ 8,892,707</u>	<u>\$ 2,648,343</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 14,631,000	\$ -	\$ (973,000)	\$ 13,658,000	\$ 1,018,000
General obligation special assessment bonds	<u>1,921,816</u>	<u>-</u>	<u>(170,243)</u>	<u>1,751,573</u>	<u>167,597</u>
Total bonds payable	16,552,816	-	(1,143,243)	15,409,573	1,185,597
Compensated absences payable	<u>48,935</u>	<u>38,119</u>	<u>(32,438)</u>	<u>54,616</u>	<u>54,616</u>
Business-type activity long-term liabilities	<u>\$ 16,601,751</u>	<u>\$ 38,119</u>	<u>\$ (1,175,681)</u>	<u>\$ 15,464,189</u>	<u>\$ 1,240,213</u>

Current refundings

On November 15, 2011, the City issued General Obligation Improvement Refunding Bonds, Series 2011A for \$1,645,000. The Refunding Bonds were issued with a net interest cost of 1.7378443 percent to refund the 2013 through 2020 maturities of the City's General Obligation Current Refunding Bonds, Series 2004B. The refunded bonds earned an average coupon rate of 2.8898490 percent. It is estimated that the City will reduce its aggregate debt service payments by approximately \$76,199 over the eight years and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$71,324.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City of Jordan are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are 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. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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 PERA'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. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service.

For all PEPFF members and 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 55 for PEPFF members and 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 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 and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

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. GERS 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 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members, and 14.40 percent for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2011, 2010 and 2009 were \$56,669, \$53,595, and \$55,948, respectively. The City's contributions to the PEPFF for the years ending December 31, 2011, 2010 and 2009 were \$70,709, \$67,675, and \$79,154, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

C. Defined contribution plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specify the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2011, 2010 and 2009 were \$960, \$700, and \$724, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

CITY OF JORDAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

A. Plan description

All members of the Jordan Fire Department, (the Department) are covered by a defined benefit plan administered by the Jordan Firefighters' Relief Association, (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to Jordan Firefighters' Relief Association, Jordan, Minnesota 55352.

Funding policy

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and 10 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$	72,509
Contributions made		
City (required)		42,359
State aid		30,150
Actuarial valuation date		12/31/11
Actuarial cost method		Entry age normal
Amortization method		Level dollar closed
Remaining amortization period		
Normal cost		20 years
Prior service cost		10 years
Asset valuation method		Market
Actuarial assumptions		
Investment rate of return		5%
Projected salary increases		N/A
Inflation rate		N/A
Cost of living adjustments		None

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 72,509	100.0 %	\$ -
12/31/10	73,529	100.0	-
12/31/09	64,593	100.0	-

CITY OF JORDAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED

Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of Unfunded Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/11	\$ - *	\$ - *	-	-	\$ 1,900
12/31/10	645,295	748,429	(103,134)	86.2	1,900
12/31/09	657,465	812,235	(154,770)	80.9	1,900

* Information not available at the time of the audit.

Note 6: OTHER INFORMATION

A. Risk management

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

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

B. Contingent liabilities

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

C. Legal debt margin

The City's statutory debt limit is three percent of estimated market value within the City of \$401,299,800. The City currently has \$75,000 of debt subject to this limit, leaving a debt margin of \$15,493,650 (net of debt service reserves). Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by Minnesota statute.

CITY OF JORDAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2011

Note 6: OTHER INFORMATION - CONTINUED

D. Joint venture

The City is a member of a joint powers agreement consisting of seven member cities. Other members include the cities of Shakopee, Savage, Prior Lake, Elko, New Market, New Prague, and Belle Plaine. Each City shall appoint one individual to serve on the Scott Joint Prosecution Association Board (the Board) and the cities of New Market and Elko may each appoint a representative to serve on the Board with each of the representatives having one-half vote. Each member city contributes funds to cover their city's proportionate share of the costs of performing prosecution services. Contributions made by member cities for 2011 were as follows:

<u>City of</u>	<u>Amount Contributed</u>	<u>Percent</u>
Savage	\$ 52,521	23.2 %
Shakopee	84,856	37.6
Prior Lake	34,270	15.2
Jordan	25,191	11.1
Belle Plaine	15,151	6.7
New Prague	10,575	4.7
Elko New Market	<u>3,373</u>	<u>1.5</u>
Total	<u>\$ 225,937</u>	<u>100.0 %</u>

E. 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.

Note 7: SUBSEQUENT EVENTS

During February 2012, the City approved the issuance of \$2,140,000 G.O. Improvement Refunding Bonds, Series 2012A. This issuance will be used to refund the 2004A G.O. Improvement Bond issue.

Note 8: ACCOUNTING CHANGE

GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented this standard for fiscal year end December 31, 2011. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1.

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

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF JORDAN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Funds
ASSETS			
Cash and temporary investments	\$ 475,209	\$ 1,407,668	\$ 1,882,877
Receivables			
Notes	18,875	-	18,875
	\$ 494,084	\$ 1,407,668	\$ 1,901,752
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 32,613	\$ 3,956	\$ 36,569
Accrued salaries payable	351	-	351
Deferred revenue	18,875	-	18,875
	51,839	3,956	55,795
FUND BALANCES (DEFICITS)			
Restricted for			
Economic development	250,859	-	250,859
Committed for			
Special projects	21,336	-	21,336
Drug and alcohol enforcement	1,794	-	1,794
DARE program	665	-	665
Car seat program	1,034	-	1,034
Assigned for			
Economic development	131,628	-	131,628
Road maintenance	7,401	-	7,401
Special projects	7,272	-	7,272
Drug and alcohol enforcement	3,481	-	3,481
DARE program	4,311	-	4,311
Car seat program	2,952	-	2,952
Tax increment activity	10,178	-	10,178
Capital outlay	-	1,424,952	1,424,952
Unassigned	(666)	(21,240)	(21,906)
	442,245	1,403,712	1,845,957
TOTAL FUND BALANCES	\$ 442,245	\$ 1,403,712	\$ 1,845,957
TOTAL LIABILITIES AND FUND BALANCES	\$ 494,084	\$ 1,407,668	\$ 1,901,752

CITY OF JORDAN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Funds
REVENUES			
Taxes	\$ 128,238	\$ -	\$ 128,238
Charges for services	-	7,149	7,149
Fines and forfeits	6,270	-	6,270
Investment earnings	13,870	34,842	48,712
Miscellaneous	20,536	67,700	88,236
TOTAL REVENUES	168,914	109,691	278,605
EXPENDITURES			
Current			
Public safety	20,057	-	20,057
Streets and highways	118,799	255	119,054
Economic development	105,917	-	105,917
Capital outlay			
Public safety	-	87,384	87,384
Streets and highways	-	23,865	23,865
Culture and recreation	-	55,566	55,566
TOTAL EXPENDITURES	244,773	167,070	411,843
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(75,859)	(57,379)	(133,238)
OTHER FINANCING SOURCES			
Sale of capital assets	-	5,785	5,785
Transfers in	59,239	133,986	193,225
TOTAL OTHER FINANCING SOURCES	59,239	139,771	199,010
NET CHANGE IN FUND BALANCES	(16,620)	82,392	65,772
FUND BALANCES, JANUARY 1	458,865	1,321,320	1,780,185
FUND BALANCES, DECEMBER 31	\$ 442,245	\$ 1,403,712	\$ 1,845,957

CITY OF JORDAN, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	603	204	215	216
	Economic Development Authority	Contributions and Donations	Police Forfeiture	Police Dare Program
ASSETS				
Cash and temporary investments	\$ 384,390	\$ 28,608	\$ 5,275	\$ 4,976
Receivables				
Notes	18,875	-	-	-
TOTAL ASSETS	<u>\$ 403,265</u>	<u>\$ 28,608</u>	<u>\$ 5,275</u>	<u>\$ 4,976</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,552	\$ -	\$ -	\$ -
Accrued salaries payable	351	-	-	-
Deferred revenue	18,875	-	-	-
TOTAL LIABILITIES	<u>20,778</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Restricted for				
Economic development	250,859	-	-	-
Committed for				
Special projects	-	21,336	-	-
Drug and alcohol enforcement	-	-	1,794	-
DARE program	-	-	-	665
Car seat program	-	-	-	-
Assigned for				
Economic development	131,628	-	-	-
Road maintenance	-	-	-	-
Special projects	-	7,272	-	-
Drug and alcohol enforcement	-	-	3,481	-
DARE program	-	-	-	4,311
Tax increment activity	-	-	-	-
Car seat program	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>382,487</u>	<u>28,608</u>	<u>5,275</u>	<u>4,976</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 403,265</u>	<u>\$ 28,608</u>	<u>\$ 5,275</u>	<u>\$ 4,976</u>

217	212	427	442	443	
Police Car Seat	Municipal State Aid	Broadway Market TIF Project	Jordan Center TIF Project	Jordan Valley Townhomes TIF	Totals
\$ 3,986	\$ 7,401	\$ 4,879	\$ 16,095	\$ 19,599	\$ 475,209
-	-	-	-	-	18,875
<u>\$ 3,986</u>	<u>\$ 7,401</u>	<u>\$ 4,879</u>	<u>\$ 16,095</u>	<u>\$ 19,599</u>	<u>\$ 494,084</u>
\$ -	\$ -	\$ 5,545	\$ 11,226	\$ 14,290	\$ 32,613
-	-	-	-	-	351
-	-	-	-	-	18,875
-	-	5,545	11,226	14,290	51,839
-	-	-	-	-	251,637
-	-	-	-	-	21,336
-	-	-	-	-	1,794
-	-	-	-	-	665
1,034	-	-	-	-	1,034
-	-	-	-	-	130,850
-	7,401	-	-	-	7,401
-	-	-	-	-	7,272
-	-	-	-	-	3,481
-	-	-	-	-	4,311
-	-	-	4,869	5,309	10,178
2,952	-	-	-	-	2,952
-	-	(666)	-	-	(666)
<u>3,986</u>	<u>7,401</u>	<u>(666)</u>	<u>4,869</u>	<u>5,309</u>	<u>442,245</u>
<u>\$ 3,986</u>	<u>\$ 7,401</u>	<u>\$ 4,879</u>	<u>\$ 16,095</u>	<u>\$ 19,599</u>	<u>\$ 494,084</u>

CITY OF JORDAN, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED DECEMBER 31, 2011

	603	204	215	216
	Economic Development Authority	Contributions and Donations	Police Forfeiture	Police Dare Program
REVENUES				
Taxes				
Property taxes	\$ 59,215	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Fines and forfeits	-	-	6,270	-
Investment earnings	9,960	698	82	759
Miscellaneous				
Contributions and donations	-	20,536	-	-
TOTAL REVENUES	69,175	21,234	6,352	759
EXPENDITURES				
Current				
Public safety	-	15,561	4,476	20
Streets and highways	-	-	-	-
Economic development	42,117	-	-	-
TOTAL EXPENDITURES	42,117	15,561	4,476	20
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,058	5,673	1,876	739
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
NET CHANGE IN FUND BALANCES	27,058	5,673	1,876	739
FUND BALANCES (DEFICITS), JANUARY 1	355,429	22,935	3,399	4,237
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 382,487	\$ 28,608	\$ 5,275	\$ 4,976

217	212	427	442	443	
Police Car Seat	Municipal State Aid	Broadway Market TIF Project	Jordan Center TIF Project	Jordan Valley Townhomes TIF	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,215
-	-	12,322	24,946	31,755	69,023
-	-	-	-	-	6,270
103	1,234	127	410	497	13,870
-	-	-	-	-	20,536
<u>103</u>	<u>1,234</u>	<u>12,449</u>	<u>25,356</u>	<u>32,252</u>	<u>168,914</u>
-	-	-	-	-	20,057
-	118,799	-	-	-	118,799
-	-	11,650	23,011	29,139	105,917
-	118,799	11,650	23,011	29,139	244,773
103	(117,565)	799	2,345	3,113	(75,859)
-	59,239	-	-	-	59,239
103	(58,326)	799	2,345	3,113	(16,620)
3,883	65,727	(1,465)	2,524	2,196	458,865
<u>\$ 3,986</u>	<u>\$ 7,401</u>	<u>\$ (666)</u>	<u>\$ 4,869</u>	<u>\$ 5,309</u>	<u>\$ 442,245</u>

CITY OF JORDAN, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	401	230	425	450	423
	Capital Projects Revolving	Emergency Siren	Fire Vehicle	Development District No. 1	190th Street Construction Project
ASSETS					
Cash and temporary investments (deficits)	\$ 140,305	\$ 1,957	\$ (21,240)	\$ 7,207	\$ 151,692
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES (DEFICITS)					
Assigned for					
Capital outlay	140,305	1,957	-	7,207	151,692
Unassigned	-	-	(21,240)	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>140,305</u>	<u>1,957</u>	<u>(21,240)</u>	<u>7,207</u>	<u>151,692</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 140,305</u>	<u>\$ 1,957</u>	<u>\$ (21,240)</u>	<u>\$ 7,207</u>	<u>\$ 151,692</u>

464	424	454	452	453	455	456	
Street Equipment Fee	CR 61 and CR 66 Construction	Park Equipment Improvement	Park Improvement	Park Capital	2010 Basketball Court	City Facilities Capital	Totals
<u>\$ 36,043</u>	<u>\$ 512,014</u>	<u>\$ 97,494</u>	<u>\$ 153,071</u>	<u>\$ 94,096</u>	<u>\$ 756</u>	<u>\$ 234,273</u>	<u>\$ 1,407,668</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ 3,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,956</u>
36,043	512,014	97,179	149,430	94,096	756	234,273	1,424,952
-	-	-	-	-	-	-	(21,240)
<u>36,043</u>	<u>512,014</u>	<u>97,179</u>	<u>149,430</u>	<u>94,096</u>	<u>756</u>	<u>234,273</u>	<u>1,403,712</u>
<u>\$ 36,043</u>	<u>\$ 512,014</u>	<u>\$ 97,494</u>	<u>\$ 153,071</u>	<u>\$ 94,096</u>	<u>\$ 756</u>	<u>\$ 234,273</u>	<u>\$ 1,407,668</u>

CITY OF JORDAN, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED DECEMBER 31, 2011

	401	230	425	450	423
	Capital Projects Revolving	Emergency Siren	Fire Vehicle	Development District No. 1	190th Street Construction Project
REVENUES					
Charges for services					
Streets and highways	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	2,747	50	494	188	3,944
Miscellaneous					
Contributions and donations	-	-	-	-	-
TOTAL REVENUES	2,747	50	494	188	3,944
EXPENDITURES					
Current					
Streets and highways	255	-	-	-	-
Capital outlay					
Public safety	-	-	87,384	-	-
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	-	-	-
TOTAL EXPENDITURES	255	-	87,384	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,492	50	(86,890)	188	3,944
OTHER FINANCING SOURCES					
Sale of capital assets	-	-	5,785	-	-
Transfers in	34,796	-	18,000	-	-
TOTAL OTHER FINANCING SOURCES	34,796	-	23,785	-	-
NET CHANGE IN FUND BALANCES	37,288	50	(63,105)	188	3,944
FUND BALANCES, JANUARY 1	103,017	1,907	41,865	7,019	147,748
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 140,305</u>	<u>\$ 1,957</u>	<u>\$ (21,240)</u>	<u>\$ 7,207</u>	<u>\$ 151,692</u>

464	424	454	452	453	455	456	
Street Equipment Fee	CR 61 and CR 66 Construction	Park Equipment Improvement	Park Improvement	Park Capital	2010 Basketball Court	City Facilities Capital	Totals
\$ 7,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,149
900	13,317	2,653	4,072	1,844	48	4,585	34,842
-	-	24,200	43,500	-	-	-	67,700
8,049	13,317	26,853	47,572	1,844	48	4,585	109,691
-	-	-	-	-	-	-	255
-	-	-	-	-	-	-	87,384
-	23,865	-	-	-	-	-	23,865
-	-	16,930	25,354	-	13,282	-	55,566
-	23,865	16,930	25,354	-	13,282	-	167,070
8,049	(10,548)	9,923	22,218	1,844	(13,234)	4,585	(57,379)
-	-	-	-	-	-	-	5,785
-	-	-	-	23,197	-	57,993	133,986
-	-	-	-	23,197	-	57,993	139,771
8,049	(10,548)	9,923	22,218	25,041	(13,234)	62,578	82,392
27,994	522,562	87,256	127,212	69,055	13,990	171,695	1,321,320
<u>\$ 36,043</u>	<u>\$ 512,014</u>	<u>\$ 97,179</u>	<u>\$ 149,430</u>	<u>\$ 94,096</u>	<u>\$ 756</u>	<u>\$ 234,273</u>	<u>\$ 1,403,712</u>

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CITY OF JORDAN, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash and temporary investments	\$ 1,794,988	\$ 1,795,245
Receivables		
Delinquent taxes	95,694	106,223
Accounts	59,920	53,602
Special assessments		
Delinquent	2,113	7,725
Deferred	14,047	19,107
Intergovernmental	34,669	39,318
Prepaid items	-	21,875
TOTAL ASSETS	\$ 2,001,431	\$ 2,043,095
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 183,394	\$ 191,874
Accrued salaries payable	20,577	23,897
Due to other governments	717	8,425
Deposits payable	-	2,304
Deferred revenue	111,854	126,476
TOTAL LIABILITIES	316,542	352,976
FUND BALANCES		
Nonspendable for		
Prepaid items	-	21,875
Unassigned	1,684,889	1,668,244
TOTAL FUND BALANCES	1,684,889	1,690,119
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,001,431	\$ 2,043,095

CITY OF JORDAN, 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, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			2010	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 1,824,112	\$ 1,824,112	\$ 2,002,429	\$ 178,317	\$ 1,981,720
Cable franchise fees	46,000	46,000	49,144	3,144	46,935
Total taxes	1,870,112	1,870,112	2,051,573	181,461	2,028,655
Special assessments	6,500	6,500	18,094	11,594	11,747
Licenses and permits					
Business	20,050	20,050	19,100	(950)	18,555
Nonbusiness	14,250	14,250	117,697	103,447	84,114
Total licenses and permits	34,300	34,300	136,797	102,497	102,669
Intergovernmental					
Federal					
FEMA grant	41,500	41,500	1,409	(40,091)	-
State					
Property tax credits and aids	124,265	124,265	7,078	(117,187)	8,629
Fire aid	28,000	28,000	-	(28,000)	30,585
Police aid	57,000	57,000	-	(57,000)	52,947
Municipal state aid - streets	225,000	225,000	59,239	(165,761)	55,198
Other state aids	13,196	13,196	97,694	84,498	25,211
Total State	447,461	447,461	164,011	(283,450)	172,570
Total intergovernmental	488,961	488,961	165,420	(323,541)	172,570
Charges for services					
General government	158,843	158,843	138,495	(20,348)	106,469
Public safety	180,650	180,650	169,075	(11,575)	167,330
Streets and highways	43,664	43,664	40,897	(2,767)	34,730
Sanitation	-	-	1	1	-
Culture and recreation	500	500	8,562	8,062	1,050
Other	600	600	39	(561)	242
Total charges for services	384,257	384,257	357,069	(27,188)	309,821
Fines and forfeits	60,000	60,000	96,017	36,017	76,669
Investment earnings	65,000	65,000	(35,104)	(100,104)	40,218
Miscellaneous					
Other	14,596	14,596	290	(14,306)	1,223
Rents	12,900	12,900	1,150	(11,750)	7,900
Contributions and donations	-	-	-	-	24,140
Refunds and reimbursements	-	-	63	63	106
TIF development revenue	10,000	10,000	-	(10,000)	13,000
Total miscellaneous	37,496	37,496	1,503	(35,993)	46,369
TOTAL REVENUES	2,946,626	2,946,626	2,791,369	(155,257)	2,788,718

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			Variance with Final Budget	2010
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 29,270	\$ 29,270	\$ 29,428	\$ (158)	\$ 29,112
Supplies	350	350	810	(460)	167
Other services and charges	23,850	23,850	20,776	3,074	21,874
Total Mayor and Council	<u>53,470</u>	<u>53,470</u>	<u>51,014</u>	<u>2,456</u>	<u>51,153</u>
City administration					
Personal services	77,826	77,883	78,311	(428)	77,322
Supplies	2,350	2,350	2,414	(64)	977
Other services and charges	11,600	11,600	8,857	2,743	7,064
Total city administration	<u>91,776</u>	<u>91,833</u>	<u>89,582</u>	<u>2,251</u>	<u>85,363</u>
Elections					
Personal services	-	-	-	-	2,719
Supplies	-	-	-	-	52
Other services	-	-	-	-	816
Total elections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,587</u>
Financial administration					
Personal services	39,677	40,030	40,463	(433)	40,092
Supplies	1,850	1,850	1,728	122	985
Other services and charges	61,875	61,875	65,020	(3,145)	59,024
Total financial administration	<u>103,402</u>	<u>103,755</u>	<u>107,211</u>	<u>(3,456)</u>	<u>100,101</u>
Legal					
Other services	138,000	138,000	202,318	(64,318)	228,986
Deputy registrar					
Personal services	90,751	91,465	89,796	1,669	88,564
Supplies	650	650	564	86	259
Other services and charges	2,750	2,750	1,809	941	2,510
Total deputy registrar	<u>94,151</u>	<u>94,865</u>	<u>92,169</u>	<u>2,696</u>	<u>91,333</u>
Planning and zoning					
Personal services	88,837	89,525	85,557	3,968	81,875
Supplies	550	550	264	286	-
Other services and charges	57,925	57,925	60,224	(2,299)	95,842
Total planning and zoning	<u>147,312</u>	<u>148,000</u>	<u>146,045</u>	<u>1,955</u>	<u>177,717</u>
General government building					
Supplies	1,950	1,950	1,259	691	1,540
Other services and charges	32,000	32,000	25,193	6,807	26,040
Total general government building	<u>33,950</u>	<u>33,950</u>	<u>26,452</u>	<u>7,498</u>	<u>27,580</u>
Total general government	<u>662,061</u>	<u>663,873</u>	<u>714,791</u>	<u>(50,918)</u>	<u>765,820</u>

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011			Variance with Final Budget	2010
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police					
Personal services	\$ 740,624	\$ 748,016	\$ 745,301	\$ 2,715	\$ 756,849
Supplies	42,200	42,200	46,696	(4,496)	36,992
Other services and charges	37,500	37,500	32,679	4,821	35,166
Total police	820,324	827,716	824,676	3,040	829,007
Fire					
Personal services	130,555	130,555	132,264	(1,709)	127,825
Supplies	31,050	31,050	33,694	(2,644)	33,207
Other services and charges	80,700	80,700	81,609	(909)	77,542
Total fire	242,305	242,305	247,567	(5,262)	238,574
Building inspection					
Supplies	200	200	-	200	-
Other services	55,000	55,000	21,173	33,827	13,810
Total building inspection	55,200	55,200	21,173	34,027	13,810
Civil defense					
Other services and charges	15,000	12,000	9,606	2,394	6,998
Animal control					
Supplies	150	150	-	150	97
Other services	12,000	12,000	11,824	176	11,516
Total animal control	12,150	12,150	11,824	326	11,613
Total public safety	1,144,979	1,149,371	1,114,846	34,525	1,100,002
Streets and highways					
Street maintenance					
Personal services	175,391	176,772	178,195	(1,423)	176,073
Supplies	71,500	71,500	68,230	3,270	76,453
Other services and charges	139,200	139,200	129,671	9,529	127,634
Total streets and highways	386,091	387,472	376,096	11,376	380,160
Culture and recreation					
Parks					
Personal services	43,131	43,369	43,198	171	41,438
Supplies	25,000	25,000	22,387	2,613	19,307
Other services and charges	43,700	43,700	42,034	1,666	47,097
Total parks	111,831	112,069	107,619	4,450	107,842
Recreation					
Other charges	21,157	21,157	21,709	(552)	25,566

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Library					
Supplies	\$ 300	\$ 300	\$ 162	\$ 138	\$ 331
Other services and charges	10,200	10,200	10,444	(244)	9,848
Total library	10,500	10,500	10,606	(106)	10,179
Total culture and recreation	143,488	143,726	139,934	3,792	143,587
Miscellaneous					
Unallocated					
Supplies	7,600	7,600	7,246	354	13,485
Other services and charges	185,113	147,090	82,689	64,401	69,069
Total miscellaneous	192,713	154,690	89,935	64,755	82,554
Total current	2,529,332	2,499,132	2,435,602	63,530	2,472,123
Capital outlay					
General government	11,000	11,000	9,937	1,063	5,234
Public safety	33,000	63,200	61,027	2,173	-
Culture and recreation	5,000	5,000	5,000	-	3,000
Miscellaneous	5,500	5,500	8,834	(3,334)	-
Total capital outlay	54,500	84,700	84,798	(98)	8,234
Debt service					
Principal	148,000	148,000	75,000	73,000	75,000
Interest	72,784	72,784	5,684	67,100	11,115
Total debt service	220,784	220,784	80,684	140,100	86,115
TOTAL EXPENDITURES	2,804,616	2,804,616	2,601,084	203,532	2,566,472
EXCESS OF REVENUES OVER EXPENDITURES	142,010	142,010	190,285	48,275	222,246
OTHER FINANCING SOURCES (USES)					
Sale of assets	1,500	1,500	210	(1,290)	20
Transfers in	84,686	84,686	-	(84,686)	443,995
Transfers out	(227,000)	(227,000)	(195,725)	31,275	(430,008)
TOTAL OTHER FINANCING SOURCES (USES)	(140,814)	(140,814)	(195,515)	(54,701)	14,007
NET CHANGE IN FUND BALANCES	1,196	1,196	(5,230)	(6,426)	236,253
FUND BALANCES, JANUARY 1	1,690,119	1,690,119	1,690,119	-	1,453,866
FUND BALANCES, DECEMBER 31	\$ 1,691,315	\$ 1,691,315	\$ 1,684,889	\$ (6,426)	\$ 1,690,119

CITY OF JORDAN, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011
(With Comparative Totals for December 31, 2010)

	320	322	324	325
	2002B G.O. Refunding Bonds	2003A G.O. Refunding Bonds	2004A G.O. Improvement Bonds	2004B G.O. Refunding Bonds
ASSETS				
Cash and temporary investments	\$ 8,588	\$ -	\$ 698,037	\$ 200
Receivables				
Special assessments				
Delinquent	-	-	192	-
Deferred	-	-	518,197	-
Intergovernmental	-	-	-	456
	<u>-</u>	<u>-</u>	<u>-</u>	<u>456</u>
TOTAL ASSETS	<u>\$ 8,588</u>	<u>\$ -</u>	<u>\$ 1,216,426</u>	<u>\$ 656</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 200	\$ -	\$ 200	\$ 200
Deferred revenue	-	-	518,389	-
	<u>-</u>	<u>-</u>	<u>518,389</u>	<u>-</u>
TOTAL LIABILITIES	<u>200</u>	<u>-</u>	<u>518,589</u>	<u>200</u>
FUND BALANCES				
Restricted for				
Debt service	8,388	-	697,837	456
	<u>8,388</u>	<u>-</u>	<u>697,837</u>	<u>456</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,588</u>	<u>\$ -</u>	<u>\$ 1,216,426</u>	<u>\$ 656</u>

327	328	329	330	Totals	
2008 G.O. Improvement Bonds	2008 G.O. Refunding Bonds	2008 G.O. Capital Improvement Bonds	2011 G.O. Refunding Bonds	2011	2010
\$ 164,644	\$ 277,073	\$ 112,436	\$ 2,269,341	\$ 3,530,319	\$ 1,567,121
517	989	-	31,248	32,946	17,174
77,637	21,863	-	363,891	981,588	1,169,632
81	-	-	-	537	776
<u>\$ 242,879</u>	<u>\$ 299,925</u>	<u>\$ 112,436</u>	<u>\$ 2,664,480</u>	<u>\$ 4,545,390</u>	<u>\$ 2,754,703</u>
\$ 200	\$ 200	\$ 200	\$ -	1,200	\$ 5,307
78,154	22,852	-	395,139	1,014,534	1,186,806
78,354	23,052	200	395,139	1,015,734	1,192,113
<u>164,525</u>	<u>276,873</u>	<u>112,236</u>	<u>2,269,341</u>	<u>3,529,656</u>	<u>1,562,590</u>
<u>\$ 242,879</u>	<u>\$ 299,925</u>	<u>\$ 112,436</u>	<u>\$ 2,664,480</u>	<u>\$ 4,545,390</u>	<u>\$ 2,754,703</u>

CITY OF JORDAN, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	320	322	324	325
	2002B G.O. Refunding Bonds	2003A G.O. Refunding Bonds	2004A G.O. Improvement Bonds	2004B G.O. Refunding Bonds
REVENUES				
Taxes				
Property taxes	\$ 32,890	\$ -	\$ 109,605	\$ 275,898
Special assessments	19,137	192	118,114	84,651
Investment earnings	871	-	15,902	6,840
TOTAL REVENUES	<u>52,898</u>	<u>192</u>	<u>243,621</u>	<u>367,389</u>
EXPENDITURES				
Debt service				
Principal	61,612	-	138,145	300,000
Interest and other	2,860	-	61,796	84,603
TOTAL EXPENDITURES	<u>64,472</u>	<u>-</u>	<u>199,941</u>	<u>384,603</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,574)</u>	<u>192</u>	<u>43,680</u>	<u>(17,214)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	340	2	-	3,407
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers out	(13,077)	-	-	(336,853)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,737)</u>	<u>2</u>	<u>-</u>	<u>(333,446)</u>
NET CHANGE IN FUND BALANCES	(24,311)	194	43,680	(350,660)
FUND BALANCES (DEFICITS), JANUARY 1	<u>32,699</u>	<u>(194)</u>	<u>654,157</u>	<u>351,116</u>
FUND BALANCES, DECEMBER 31	<u>\$ 8,388</u>	<u>\$ -</u>	<u>\$ 697,837</u>	<u>\$ 456</u>

327 2008 G.O. Improvement Bonds	328 2008 G.O. Refunding Bonds	329 2008 G.O. Capital Improvement Bonds	330 2011 G.O. Refunding Bonds	Totals	
				2011	2010
\$ 101,573	\$ 359,724	\$ 136,518	\$ -	\$ 1,016,208	\$ 1,025,633
10,257	8,174	-	-	240,525	251,080
3,690	7,282	4,192	24,527	63,304	36,417
<u>115,520</u>	<u>375,180</u>	<u>140,710</u>	<u>24,527</u>	<u>1,320,037</u>	<u>1,313,130</u>
70,000	320,000	65,000	-	954,757	916,075
48,719	65,735	33,134	42,036	338,883	329,921
<u>118,719</u>	<u>385,735</u>	<u>98,134</u>	<u>42,036</u>	<u>1,293,640</u>	<u>1,245,996</u>
(3,199)	(10,555)	42,576	(17,509)	26,397	67,134
-	-	-	608,691	612,440	13,420
-	-	-	1,645,000	1,645,000	-
-	-	-	73,364	73,364	-
-	-	-	(40,205)	(390,135)	(878)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,286,850</u>	<u>1,940,669</u>	<u>12,542</u>
(3,199)	(10,555)	42,576	2,269,341	1,967,066	79,676
167,724	287,428	69,660	-	1,562,590	1,482,914
<u>\$ 164,525</u>	<u>\$ 276,873</u>	<u>\$ 112,236</u>	<u>\$ 2,269,341</u>	<u>\$ 3,529,656</u>	<u>\$ 1,562,590</u>

CITY OF JORDAN, MINNESOTA
SUMMARY FINANCIAL REPORT
GOVERNMENTAL FUNDS
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Total 2011	Total 2010	Percent Increase (Decrease)
REVENUES			
Taxes	\$ 3,196,019	\$ 3,180,526	0.49 %
Special assessments	258,619	263,027	(1.68)
Licenses and permits	136,797	102,669	33.24
Intergovernmental	340,420	172,570	97.26
Charges for services	364,218	315,733	15.36
Fines and forfeits	102,287	81,568	25.40
Investment earnings	82,435	108,839	(24.26)
Miscellaneous	89,739	93,923	(4.45)
TOTAL REVENUES	\$ 4,570,534	\$ 4,318,855	5.83 %
Per capita	\$ 836	\$ 799	4.51 %
EXPENDITURES			
Current			
General government	\$ 714,791	\$ 765,820	(6.66) %
Public safety	1,134,903	1,124,680	0.91
Streets and highways	495,150	393,515	25.83
Culture and recreation	139,934	143,687	(2.61)
Economic development	105,917	72,735	45.62
Miscellaneous	89,935	82,554	8.94
Capital outlay			
General government	9,937	5,234	89.85
Public safety	172,906	45,447	280.46
Streets and highways	26,365	156,514	(83.15)
Culture and recreation	60,566	104,498	(42.04)
Miscellaneous	8,834	-	100.00
Debt service			
Principal	1,029,757	991,075	3.90
Interest and other charges	344,567	341,036	1.04
TOTAL EXPENDITURES	\$ 4,333,562	\$ 4,226,795	2.53 %
Per capita	\$ 792	\$ 782	1.25 %
Total long-term indebtedness	\$ 8,803,427	\$ 8,188,184	7.51 %
Per capita	1,609	1,516	6.18
General fund balance - December 31	\$ 1,684,889	\$ 1,690,119	(0.31) %
Per capita	308	313	(1.55)

The purpose of this report is to provide a summary of financial information concerning the City of Jordan to interested citizens. The complete financial statements may be examined at 210 East 1st Street. Questions about this report should be directed to Tom Nikunen, Clerk-Treasurer at 952-492-2535.

OTHER REQUIRED REPORTS

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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

REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Jordan, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jordan, Minnesota (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 17, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

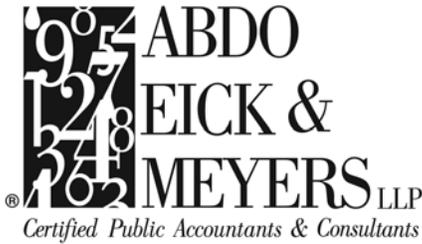
The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the members of the Council, management and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than those specified parties.

April 17, 2012
Mankato, Minnesota

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



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

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

Honorable Mayor and City Council
City of 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 City of Jordan, Minnesota (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 17, 2012. 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.

Internal Control Over Financial Reporting

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 in the accompanying Schedule of Findings and Responses, 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 accompanying Schedule of Findings and Responses 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.



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*.

We also noted certain matters that we reported to management of the City in a separate letter dated April 17, 2012.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

April 17, 2012
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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CITY OF JORDAN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Finding</u>	<u>Description</u>
2011-1	Material audit adjustments
<i>Condition:</i>	During our audit, adjustments were needed to record accounting and audit adjustments, two of which were material. <ul style="list-style-type: none">• 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.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting 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. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management response:</i>	Management will review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.
<i>Updated progress since prior year:</i>	The number of journal entries remained at 22 in the current year.