CITY OF JORDAN
JORDAN, MINNESOTA

ANNUAL FINANCIAL REPORT

YEAR ENDED
DECEMBER 31, 2008

CITY OF JORDAN, MINNESOTA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2008
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INTRODUCTORY SECTION

CITY OF JORDAN
JORDAN, MINNESOTA

YEAR ENDED
DECEMBER 31, 2008

CITY OF JORDAN, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2008

ELECTED

Name	Title	Term Expires
Ronald Jabs	Mayor	12/31/08
Sally Schultz	Council	12/31/08
Mike Shaw	Council	12/31/08
Barry Ullman	Council	12/31/08
Jeremy Goebel	Council	12/31/10
David Hanson	Council	12/31/10
Jeanne Marnoff	Council	12/31/10

APPOINTED

Edward Shukle	Administrator/Clerk/Treasurer
Tom Nikunen	Finance Director

FINANCIAL SECTION

CITY OF JORDAN
JORDAN, MINNESOTA

YEAR ENDED
DECEMBER 31, 2008

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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
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, 2008, 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 2007 financial statements and, in our report dated April 11, 2008 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, 2008, 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.

The management's discussion and analysis on pages IV through XV is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009 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 important for assessing the results of our audit.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abdo, Eick & Meyers, LLP

April 17, 2009
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, 2008.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $30,262,160 (net assets). Of this amount, $4,108,926 (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 $553,020 compared to an increase of $2,427,670 in the previous year. Almost all of this increase for the current year is attributable to capital grants and contributions totaling $1,626,227.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $10,293,755, an increase of $2,558,663 in comparison with the prior year. The majority of this increase is due to bonds issued for the 2008 Improvement Projects that have not been totally spent as of year end. Approximately 46.7 percent of this total amount, $4,804,363, is available for spending at the City's discretion, but has been designated for specific purposes.

- At the end of the current fiscal year, unreserved fund balance for the General fund was $1,066,162, or 36.5 percent of total General fund expenditures. While these funds are not legally reserved, they are designated for future purposes.

- The City's total debt increased by $1,985,000, or 6.5 percent during the current fiscal year. The key factor in this increase was the issuance of $5,465,000 in various bonds offset by the retirement of $3,480,000 in long-term debt during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The 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

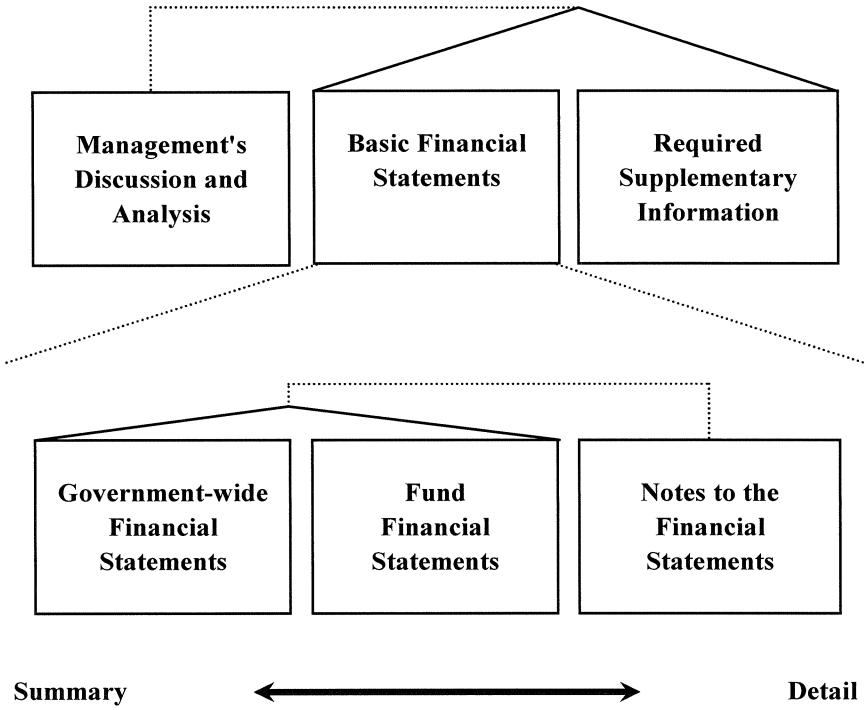


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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	• Statement of Net Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• 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 on pages 1 - 3 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 34 individual governmental funds, 9 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, the Fire Hall Expansion Project fund, and the 2004 Improvement Projects 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 on pages 4 - 10 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 on pages 11 - 18 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 on pages 19 - 41 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 on pages 42 - 62 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 $30,262,160 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (67.7 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.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 12,886,892	$ 9,825,794	$ 7,906,295	$ 11,930,614	$ 20,793,187	$ 21,756,408
Capital assets	12,509,326	11,819,651	31,197,491	28,111,743	43,706,817	39,931,394
Total assets	25,396,218	21,645,445	39,103,786	40,042,357	64,500,004	61,687,802
Long-term liabilities outstanding	10,244,361	9,264,547	17,475,005	18,613,742	27,719,366	27,878,289
Other liabilities	4,643,381	2,340,707	1,875,097	1,759,666	6,518,478	4,100,373
Total liabilities	14,887,742	11,605,254	19,350,102	20,373,408	34,237,844	31,978,662
Invested in capital assets, net of related debt	4,027,618	3,368,848	16,433,488	16,071,743	20,461,106	19,440,591
Restricted	3,985,507	4,458,383	1,706,621	1,687,078	5,692,128	6,145,461
Unrestricted	2,495,351	2,212,960	1,613,575	1,910,128	4,108,926	4,123,088
Total net assets	$ 10,508,476	$ 10,040,191	$ 19,753,684	$ 19,668,949	$ 30,262,160	$ 29,709,140

An additional portion of the City's net assets (18.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (13.5 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 net assets increased by $553,020 during the current fiscal year. Almost all of this increase is attributable to capital grants the total growth in the net assets of the City. Key elements of this increase are as follows:

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007

Changes in Net Assets - Continued

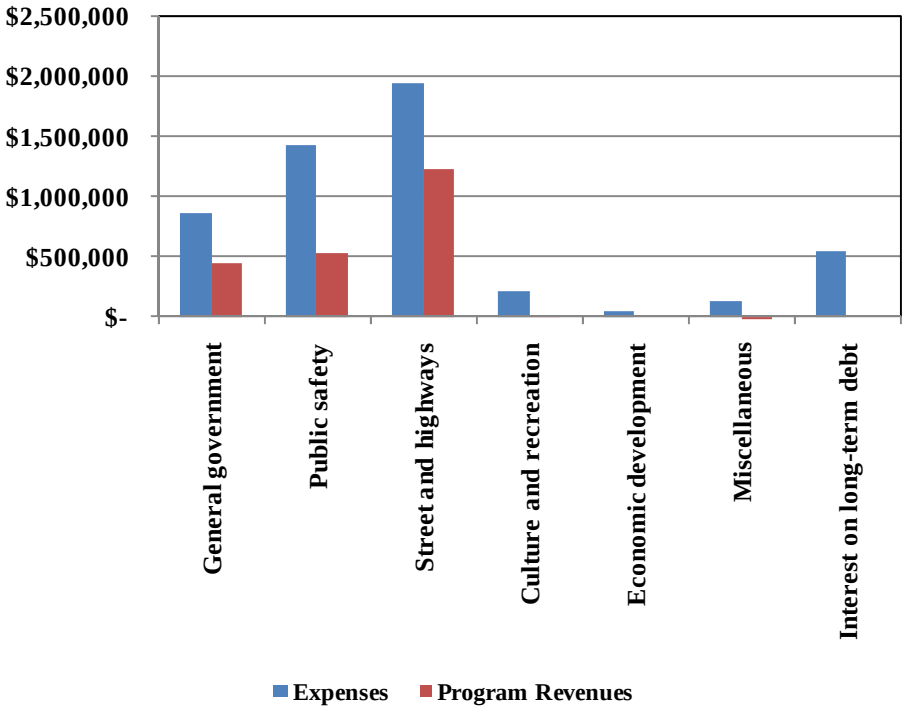
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Expenses						
General government	$ 870,166	$ 915,111	$ -	$ -	$ 870,166	$ 915,111
Public safety	1,433,500	1,304,251	-	-	1,433,500	1,304,251
Streets and highways	1,952,477	975,114	-	-	1,952,477	975,114
Culture and recreation	211,546	194,174	-	-	211,546	194,174
Economic development	50,113	27,051	-	-	50,113	27,051
Miscellaneous	130,857	174,516	-	-	130,857	174,516
Interest on long-term debt	546,016	500,587	-	-	546,016	500,587
Water	-	-	1,046,957	804,541	1,046,957	804,541
Sewer	-	-	1,059,769	1,039,114	1,059,769	1,039,114
Storm sewer	-	-	206,620	182,925	206,620	182,925
Total expenses	5,194,675	4,090,804	2,313,346	2,026,580	7,508,021	6,117,384
Increase in net assets before transfers	468,285	1,223,593	84,735	1,204,077	553,020	2,427,670
Transfers	-	198,611	-	(198,611)	-	-
Change in net assets	468,285	1,422,204	84,735	1,005,466	553,020	2,427,670
Net assets - January 1	10,040,191	8,617,987	19,668,949	18,663,483	29,709,140	27,281,470
Net assets - December 31	$ 10,508,476	$ 10,040,191	$ 19,753,684	$ 19,668,949	$ 30,262,160	$ 29,709,140

Property tax levies increased by $427,310 (18.3 percent) during the year. The increase is the product of increased expenses in the General fund resulting in $467,885 in property taxes for governmental services and a decrease of $40,575 for debt service.

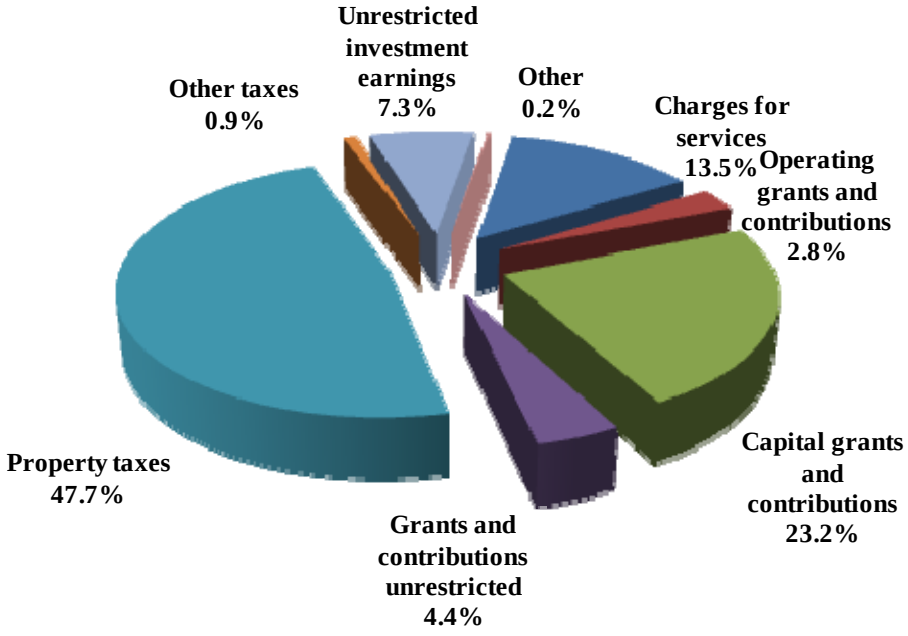
Streets and highway increased by $977,363. The increase was due to the street project for Highway 282 / Highway 21. The City received a grant from MNDOT for $927,090 for their share of the project cost.

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

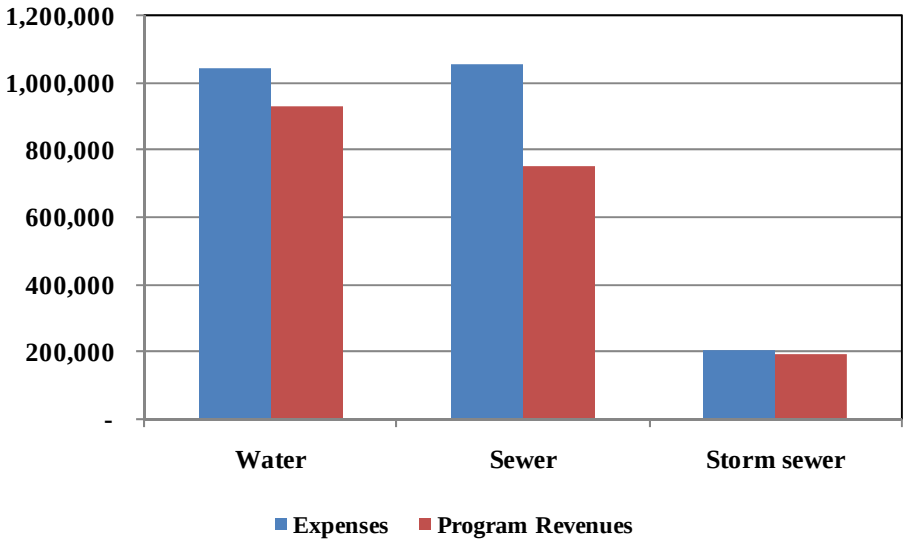


Business-type activities. Business-type activities increased the City's net assets by $84,735, accounting for 15.3 percent of the total growth in the City's net assets. Key elements of this increase are as follows:

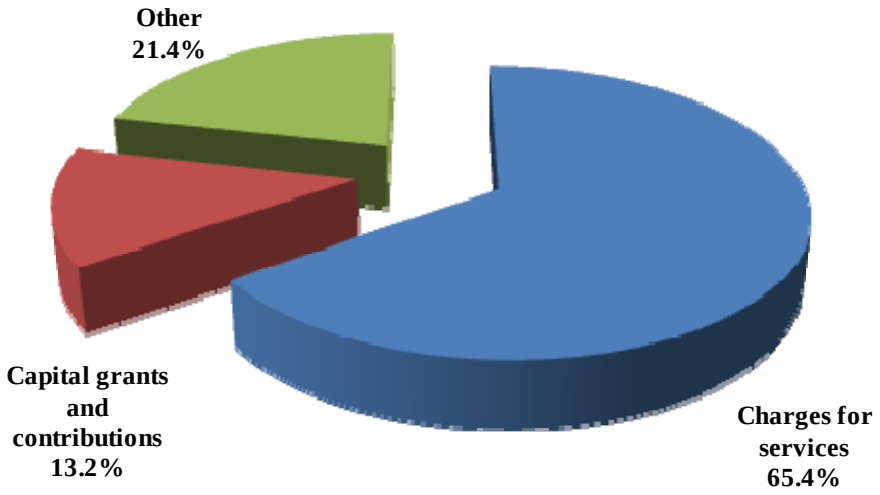
- Charges for services for business-type activities decreased by $32,199 or 2.0 percent, while operating expenses increased by $59,661 or 3.8 percent from the prior year.

- Capital contributions were a major revenue source for the utility funds during the current fiscal year, producing $316,438 in revenue. This increase is the direct result of capital contributions from customers for plant infrastructure and connection fees. In addition, a contribution of capital assets from developers of $232,665 increased net assets.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $10,293,755, an increase of $2,558,663 in comparison with the prior year. The majority of this increase is due to bonds issued for the 2008 Improvement Projects that have not been totally spent as of year end. Approximately 46.7 percent of this total amount $4,804,363 constitutes *unreserved fund balance*, which is available for spending at the City's discretion.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was $1,066,162. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 36.5 percent of fund expenditures.

The fund balance of the City's General fund increased by $188,635 during the current fiscal year. The increase in fund balance is due to an increase in the levy to add to the fund balance and reduced spending in the General fund. The fund balance increase was achieved even though there was a reduction in revenues from permits, fees and charges and the State Aid reductions. This is the reason for the reduction in budgeted spending. The building permit revenue has been adjusted to a more conservative number for 2008 and 2009. The city will continue to watch building growth cautiously and adjust its budget to ensure General fund reserve growth and stability. The City Council as adopted a policy goal to keep the fund balance between 40 percent and 50 percent of the next year's budget to ensure a proper level of funds on hand during the year.

The Debt Service fund has a total fund balance of $5,381,202, almost all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was $126,327.

The 2004 Improvement Projects fund had a net increase in fund balance during the current year of $0, which related to transfers in for cost over-runs.

The Fire Hall Expansion Project began in 2007 with expenditures in the current year totaling $1,356,557. This project is being funded with a $1,805,000 bond issue. The fund balance at year end totaled $413,446.

The 2008 Improvement Project began in 2007 with expenditures in the current year totaling $897,348. This project is being funded with a $2,030,000 bond issue together with State construction aids. The fund balance at year end totaled $1,908,535.

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 $1,613,575. The total growth in net assets for the funds was $84,735. 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 not amended during the year. The budget called for an increase in fund balance of $47,957. Revenues fell short of expectations by $641,841, expenditures were under budget by $299,185 and transfers in were $483,334 over budget, resulting in an actual increase in fund balance of $188,635 in 2008.

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, 2008, amounts to $43,706,817 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 9.5 percent (a 5.8 percent increase for governmental activities and a 11.0 percent increase for business-type activities).

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

- 2008 Improvement Project
- Fire Hall Expansion Project

Additional information on the City's capital assets can be found in Note 3D on pages 30 - 32 of this report.

Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 738,279	$ 738,279	$ 570,184	$ 570,184	$ 1,308,463	$ 1,308,463
Buildings	640,031	655,886	-	-	640,031	655,886
Improvement other than building	-	-	11,632,011	12,012,656	11,632,011	12,012,656
Machinery and equipment	337,266	249,304	100,264	96,363	437,530	345,667
Vehicles	805,364	883,459	-	-	805,364	883,459
Infrastructure	8,267,246	8,868,805	14,061,074	14,151,869	22,328,320	23,020,674
Construction in progress	1,721,140	423,918	4,833,958	1,280,671	6,555,098	1,704,589
Total	$ 12,509,326	$ 11,819,651	$ 31,197,491	$ 28,111,743	$ 43,706,817	$ 39,931,394

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $32,342,000. Of this amount, $13,428,258 is special assessment debt and $18,613,742 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.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	$ 300,000	$ 375,000	$ -	$ -	$ 300,000	$ 375,000
G.O. improvement bonds	13,428,258	10,536,734	-	-	13,428,258	10,536,734
General obligation revenue bonds	-	-	18,613,742	19,445,266	18,613,742	19,445,266
Total	$ 13,728,258	$ 10,911,734	$ 18,613,742	$ 19,445,266	$ 32,342,000	$ 30,357,000

The City's total debt increased by $1,985,000, or 6.5 percent during the current fiscal year. The key factor in this increase was the issuance of $5,465,000 in various bonds offset by the retirement of $3,480,000 in long-term debt during the year.

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 $13,503,171, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3F on pages 32 - 36 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Scott County is currently 6.6 percent, which is an increase from a rate of 4.4 percent a year ago. This compares to the State's average unemployment rate of 6.8 percent and the national average rate of 7.2 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 2009 fiscal year.

Property taxes will increase in 2009 by approximately 9.0 percent. The tax increase will provide an additional $247,496 for the operations and 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 2009.
A 15 percent rate increase was approved for sanitary sewer. Storm sewer utility rates were increased by 35 percent and a 2 percent increase for water utilities from 2008 to 2009. The City has a policy of studying the rates 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 additional 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF JORDAN
JORDAN, MINNESOTA

YEAR ENDED
DECEMBER 31, 2008

CITY OF JORDAN, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,524,911	$ 408,091	$ 1,933,002
Investments	6,697,469	6,968,621	13,666,090
Receivables:			
Delinquent taxes	84,230	-	84,230
Accounts	116,136	392,485	508,621
Special assessments	1,602,025	30,110	1,632,135
Intergovernmental	74,540	3,801	78,341
Prepaid items	53,762	-	53,762
Unamortized bond discount and issue costs	138,720	103,187	241,907
Restricted assets	2,595,099	-	2,595,099
Capital assets not being depreciated:			
Land	738,279	570,184	1,308,463
Construction in progress	1,721,140	4,833,958	6,555,098
Capital assets net of accumulated depreciation:			
Buildings	640,031	-	640,031
Improvements other than buildings	-	11,632,011	11,632,011
Infrastructure	8,267,246	14,061,074	22,328,320
Machinery and equipment	337,266	100,264	437,530
Vehicles	805,364	-	805,364
TOTAL ASSETS	25,396,218	39,103,786	64,500,004
LIABILITIES			
Accounts and contracts payable	705,908	372,337	1,078,245
Due to other governments	7,521	15,508	23,029
Accrued interest payable	231,917	259,672	491,589
Accrued salaries payable	49,454	17,923	67,377
Deposits payable	500	-	500
Unearned revenue	-	22,295	22,295
Unamortized bond premium	57,550	29,490	87,040
Noncurrent liabilities:			
Due within one year	3,590,531	1,157,872	4,748,403
Due in more than one year	10,244,361	17,475,005	27,719,366
TOTAL LIABILITIES	14,887,742	19,350,102	34,237,844
NET ASSETS			
Invested in capital assets, net of related debt	4,027,618	16,433,488	20,461,106
Restricted for:			
Debt service	3,985,507	620,132	4,605,639
Capital outlay/connections	-	1,086,489	1,086,489
Unrestricted	2,495,351	1,613,575	4,108,926
TOTAL NET ASSETS	$ 10,508,476	$ 19,753,684	$ 30,262,160

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

CITY OF JORDAN, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 870,166	$ 448,185	$ -	$ -
Public safety	1,433,500	277,767	156,069	102,072
Streets and highways	1,952,477	36,088	-	1,198,515
Culture and recreation	211,546	1,045	-	9,202
Economic development	50,113	-	-	-
Miscellaneous	130,857	670	-	-
Interest on long-term debt	546,016	-	-	-
Total governmental activities	5,194,675	763,755	156,069	1,309,789
Business-type activities:				
Water	1,046,957	843,375	-	89,854
Sewer	1,059,769	650,803	-	105,768
Storm sewer	206,620	74,694	-	120,816
Total business-type activities	2,313,346	1,568,872	-	316,438
Totals	$ 7,508,021	$ 2,332,627	$ 156,069	$ 1,626,227

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
$ (421,981)		$ (421,981)
(897,592)		(897,592)
(717,874)		(717,874)
(201,299)		(201,299)
(50,113)		(50,113)
(130,187)		(130,187)
(546,016)		(546,016)
(2,965,062)		(2,965,062)
	$ (113,728)	(113,728)
	(303,198)	(303,198)
	(11,110)	(11,110)
	(428,036)	(428,036)
(2,965,062)	(428,036)	(3,393,098)
2,061,237	-	2,061,237
620,799	-	620,799
29,342	-	29,342
50,703	-	50,703
247,812	-	247,812
414,755	467,138	881,893
8,638	45,633	54,271
61	-	61
3,433,347	512,771	3,946,118
468,285	84,735	553,020
10,040,191	19,668,949	29,709,140
$ 10,508,476	$ 19,753,684	$ 30,262,160

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FUND FINANCIAL STATEMENTS

CITY OF JORDAN
JORDAN, MINNESOTA

YEAR ENDED
DECEMBER 31, 2008

GOVERNMENTAL FUNDS

CITY OF JORDAN
JORDAN, MINNESOTA

YEAR ENDED
DECEMBER 31, 2008

CITY OF JORDAN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Debt Service	2006-2007 Improvement Projects
ASSETS			
Cash and cash equivalents (deficit)	$ 32,974	$ 1,126,649	$ (36,130)
Investments	1,118,542	4,260,452	-
Receivables			
Delinquent taxes	84,230	-	-
Accounts	99,266	-	16,870
Special assessments	49,446	1,551,443	-
Intergovernmental	62,956	1,379	-
Prepaid items	53,762	-	-
TOTAL ASSETS	$ 1,501,176	$ 6,939,923	$ (19,260)
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	$ 190,101	$ 2,499	$ -
Contracts payable	-	-	-
Due to other governments	7,521	-	-
Accrued interest	-	4,779	-
Accrued wages payable	49,454	-	-
Deposits payable	500	-	-
Deferred revenue	133,676	1,551,443	-
TOTAL LIABILITIES	381,252	1,558,721	-
FUND BALANCES (DEFICITS)			
Reserved for:			
Prepaid items	53,762	-	-
Debt service	-	5,435,630	-
Unreserved			
Designated for:			
Economic development	-	-	-
Capital outlay	-	-	-
Working capital	1,066,162	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	-	-	(19,260)
Debt service fund	-	(54,428)	-
TOTAL FUND BALANCES (DEFICITS)	1,119,924	5,381,202	(19,260)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	$ 1,501,176	$ 6,939,923	$ (19,260)

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

2004 Improvement Projects	2008 Improvement Projects	Firehall Expansion Project	Other Governmental Funds	Total Governmental Funds
$ -	$ 52,494	$ 24,815	$ 324,109	$ 1,524,911
-	1,913,790	800,000	1,199,784	9,292,568
-	-	-	-	84,230
-	-	-	-	116,136
-	-	-	1,136	1,602,025
-	-	-	10,205	74,540
-	-	-	-	53,762
$ -	$ 1,966,284	$ 824,815	$ 1,535,234	$ 12,748,172
$ -	$ 12,058	$ 9,501	$ 44,190	$ 258,349
-	45,691	401,868	-	447,559
-	-	-	-	7,521
-	-	-	-	4,779
-	-	-	-	49,454
-	-	-	-	500
-	-	-	1,136	1,686,255
-	57,749	411,369	45,326	2,454,417
-	-	-	-	53,762
-	-	-	-	5,435,630
-	-	-	83,754	83,754
-	-	-	1,194,295	1,194,295
-	-	-	-	1,066,162
-	-	-	216,016	216,016
-	1,908,535	413,446	(4,157)	2,298,564
-	-	-	-	(54,428)
-	1,908,535	413,446	1,489,908	10,293,755
$ -	$ 1,966,284	$ 824,815	$ 1,535,234	$ 12,748,172

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CITY OF JORDAN, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

Total fund balances - governmental funds	$ 10,293,755
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.	12,509,326
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	(106,634)
Bonds payable	(13,728,258)
Bond discounts/issue costs, net of accumulated amortization	138,720
Premium on bonds issued, net of accumulated amortization	(57,550)
Long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes receivable	84,230
Special assessments receivable	1,602,025
Governmental funds do not report a liability for accrued interest until due and payable.	(227,138)
Total net assets - governmental activities	$ 10,508,476

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
YEAR ENDED DECEMBER 31, 2008

	General	Debt Service	2006-2007 Improvement Projects
REVENUES			
Taxes	$ 1,888,172	$ 773,299	$ -
Special assessments	8,060	338,173	-
Licenses and permits	87,321	-	-
Intergovernmental	368,856	-	-
Charges for services	534,373	-	-
Fines and forfeits	48,012	-	-
Investment earnings	70,035	216,661	-
Miscellaneous	8,699	-	-
TOTAL REVENUES	3,013,528	1,328,133	-
EXPENDITURES			
Current			
General government	788,526	-	-
Public safety	1,252,921	-	-
Streets and highways	375,002	-	-
Culture and recreation	152,048	-	-
Economic development	-	-	-
Miscellaneous	73,016	-	-
Capital outlay			-
General government	8,053	-	-
Public safety	80,229	-	-
Streets and highways	32,619	-	19,260
Culture and recreation	-	-	-
Economic development	-	-	-
Miscellaneous	57,841	-	-
Debt service			
Principal	75,000	2,573,476	-
Interest and other	25,972	510,984	-
TOTAL EXPENDITURES	2,921,227	3,084,460	19,260
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	92,301	(1,756,327)	(19,260)
OTHER FINANCING SOURCES (USES)			
Transfers in	134,334	-	-
Sale of capital assets	-	-	-
Debt issued	-	1,630,000	-
Transfers out	(38,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	96,334	1,630,000	-
NET CHANGE IN FUND BALANCES	188,635	(126,327)	(19,260)
FUND BALANCES (DEFICITS), JANUARY 1	931,289	5,507,529	-
FUND BALANCES (DEFICITS), DECEMBER 31	$ 1,119,924	$ 5,381,202	$ (19,260)

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

2004 Improvement Projects	2008 Improvement Projects	Firehall Expansion Project	Other Governmental Funds	Totals
$ -	$ -	$ -	$ 88,513	$ 2,749,984
-	-	-	484	346,717
-	-	-	-	87,321
-	927,090	-	98,927	1,394,873
-	-	-	4,842	539,215
-	-	-	3,491	51,503
1,438	39,931	17,227	69,463	414,755
20,109	-	-	49,022	77,830
21,547	967,021	17,227	314,742	5,662,198
-	-	-	-	788,526
-	-	-	14,973	1,267,894
-	-	-	-	375,002
-	-	-	-	152,048
-	-	-	34,463	34,463
-	-	-	-	73,016
-	-	-		
-	-	-	-	8,053
-	-	1,337,396	137,566	1,555,191
-	876,916	-	-	928,795
-	-	-	87,076	87,076
-	-	-	15,650	15,650
-	-	-	-	57,841
-	-	-	-	2,648,476
-	20,432	19,161	-	576,549
-	897,348	1,356,557	289,728	8,568,580
21,547	69,673	(1,339,330)	25,014	(2,906,382)
-	-	-	38,000	172,334
-	-	-	45	45
-	2,030,000	1,805,000	-	5,465,000
(21,547)	-	-	(112,787)	(172,334)
(21,547)	2,030,000	1,805,000	(74,742)	5,465,045
-	2,099,673	465,670	(49,728)	2,558,663
-	(191,138)	(52,224)	1,539,636	7,735,092
$ -	$ 1,908,535	$ 413,446	$ 1,489,908	$ 10,293,755

CITY OF JORDAN, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - governmental funds	$ 2,558,663
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	1,575,058
Depreciation expense	(885,383)
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	2,648,476
Debt issued or incurred	(5,465,000)
Bond issuance costs, net of amortization expense	75,239
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.	(44,706)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
Property taxes	12,097
Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	8,729
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(14,888)
Change in net assets - governmental activities	$ 468,285

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
YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ 1,915,182	$ 1,915,182	$ 1,888,172	$ (27,010)
Special assessments	9,500	9,500	8,060	(1,440)
Licenses and permits	253,950	253,950	87,321	(166,629)
Intergovernmental	572,458	572,458	368,856	(203,602)
Charges for services	667,779	667,779	534,373	(133,406)
Fines and forfeits	105,000	105,000	48,012	(56,988)
Investment earnings	110,000	110,000	70,035	(39,965)
Miscellaneous	21,500	21,500	8,699	(12,801)
TOTAL REVENUES	3,655,369	3,655,369	3,013,528	(641,841)
EXPENDITURES				
Current				
General government	821,048	821,048	788,526	32,522
Public safety	1,331,339	1,331,339	1,252,921	78,418
Streets and highways	396,081	396,081	375,002	21,079
Culture and recreation	158,020	158,020	152,048	5,972
Miscellaneous	143,764	143,764	73,016	70,748
Capital outlay				
General government	17,475	17,475	8,053	9,422
Public safety	71,000	71,000	80,229	(9,229)
Streets and highways	32,619	32,619	32,619	-
Culture and recreation	25,000	25,000	-	25,000
Miscellaneous	114,650	114,650	57,841	56,809
Debt service				
Principal	109,416	109,416	75,000	34,416
Interest and other	-	-	25,972	(25,972)
TOTAL EXPENDITURES	3,220,412	3,220,412	2,921,227	299,185
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	434,957	434,957	92,301	(342,656)
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	134,334	74,334
Transfers out	(447,000)	(447,000)	(38,000)	409,000
TOTAL OTHER FINANCING SOURCES (USES)	(387,000)	(387,000)	96,334	483,334
NET CHANGE IN FUND BALANCES	47,957	47,957	188,635	140,678
FUND BALANCES, JANUARY 1	931,289	931,289	931,289	-
FUND BALANCES, DECEMBER 31	$ 979,246	$ 979,246	$ 1,119,924	$ 140,678

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

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PROPRIETARY FUNDS

CITY OF JORDAN
JORDAN, MINNESOTA

YEAR ENDED
DECEMBER 31, 2008

CITY OF JORDAN, MINNESOTA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008 AND 2007

	Business-type Activities - Enterprise Funds			
	601/460/461 Water Utility		**602/462/463** Sewer Utility	
	2008	2007	2008	2007
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 363,441	$ 130,511	$ 6,045	$ 9,819
Investments	5,782,687	9,118,895	773,315	1,268,910
Receivables				
Accounts	195,639	212,595	179,699	179,360
Special assessments	7,128	5,753	7,128	5,753
Intergovernmental	1,900	1,655	1,901	1,387
TOTAL CURRENT ASSETS	6,350,795	9,469,409	968,088	1,465,229
NONCURRENT ASSETS				
Special assessments receivable - deferred	7,927	8,462	7,927	8,462
Unamortized bond discount	71,031	73,519	10,346	11,091
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	5,474,203	5,474,203	11,369,176	11,369,176
Infrastructure	5,667,593	5,600,329	4,715,093	4,641,762
Machinery and equipment	184,956	164,956	209,786	199,786
Construction in progress	4,134,467	1,034,715	229,769	121,529
Less: accumulated depreciation	(2,666,986)	(2,421,993)	(4,392,518)	(4,024,948)
Total capital assets (net of accumulated depreciation)	12,838,226	9,896,203	12,177,825	12,353,824
TOTAL NONCURRENT ASSETS	12,917,184	9,978,184	12,196,098	12,373,377
TOTAL ASSETS	19,267,979	19,447,593	13,164,186	13,838,606
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	290,620	475,316	24,843	49,470
Due to other governments	15,508	11,582	-	-
Accrued interest payable	168,367	145,883	57,212	60,006
Accrued wages payable	8,911	6,874	9,012	7,025
Compensated absences payable - current	8,320	8,025	10,815	6,575
Unearned revenue	22,295	25,355	-	-
Bonds payable - current	558,305	298,616	462,222	441,529
TOTAL CURRENT LIABILITIES	1,072,326	971,651	564,104	564,605
NONCURRENT LIABILITIES				
Unamortized bond premium	4,129	4,473	8,552	9,265
Bonds payable - noncurrent	9,861,019	10,419,324	5,628,016	6,090,238
TOTAL NONCURRENT LIABILITIES	9,865,148	10,423,797	5,636,568	6,099,503
TOTAL LIABILITIES	10,937,474	11,395,448	6,200,672	6,664,108
NET ASSETS				
Invested in capital assets, net of related debt	5,876,337	5,737,594	6,129,612	5,972,354
Restricted for:				
Debt service	-	-	620,132	610,605
Capital outlay/connections	540,426	491,771	213,770	591,539
Unrestricted	1,913,742	1,822,780	-	-
TOTAL NET ASSETS	$ 8,330,505	$ 8,052,145	$ 6,963,514	$ 7,174,498

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

Business-type Activities - Enterprise Funds			
651/465 Storm Sewer Utility		Totals	
2008	2007	2008	2007
$ 38,605	$ 16,958	$ 408,091	$ 157,288
412,619	808,595	6,968,621	11,196,400
17,147	17,625	392,485	409,580
-	-	14,256	11,506
-	27,989	3,801	31,031
468,371	871,167	7,787,254	11,805,805
-	-	15,854	16,924
21,810	23,275	103,187	107,885
535,637	535,637	570,184	570,184
-	-	55,965	55,965
43,403	43,403	16,886,782	16,886,782
5,790,321	5,698,251	16,173,007	15,940,342
-	-	394,742	364,742
469,722	124,427	4,833,958	1,280,671
(657,643)	(540,002)	(7,717,147)	(6,986,943)
6,181,440	5,861,716	31,197,491	28,111,743
6,203,250	5,884,991	31,316,532	28,236,552
6,671,621	6,756,158	39,103,786	40,042,357
56,874	67,758	372,337	592,544
-	-	15,508	11,582
34,093	32,325	259,672	238,214
-	-	17,923	13,899
-	-	19,135	14,600
-	-	22,295	25,355
118,210	91,379	1,138,737	831,524
209,177	191,462	1,845,607	1,727,718
16,809	18,210	29,490	31,948
1,985,970	2,104,180	17,475,005	18,613,742
2,002,779	2,122,390	17,504,495	18,645,690
2,211,956	2,313,852	19,350,102	20,373,408
4,427,539	4,361,795	16,433,488	16,071,743
-	-	620,132	610,605
332,293	301,906	1,086,489	1,385,216
(300,167)	(221,395)	1,613,575	1,601,385
$ 4,459,665	$ 4,442,306	$ 19,753,684	$ 19,668,949

CITY OF JORDAN, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Business-type Activities - Enterprise Funds			
	601/460/461 Water Utility		**602/462/463** Sewer Utility	
	2008	2007	2008	2007
OPERATING REVENUES				
Charges for services	$ 843,375	$ 843,988	$ 650,803	$ 679,574
OPERATING EXPENSES				
Personal services	197,742	174,436	204,834	176,214
Supplies	76,859	57,087	139,436	125,188
Other services and charges	37,984	57,807	94,699	135,094
Insurance	13,203	11,965	7,167	6,172
Utilities	51,786	51,770	79,541	72,859
Depreciation	244,993	236,412	367,570	353,330
TOTAL OPERATING EXPENSES	622,567	589,477	893,247	868,857
OPERATING INCOME (LOSS)	220,808	254,511	(242,444)	(189,283)
NONOPERATING REVENUES (EXPENSES)				
Investment income	346,455	192,691	92,214	75,755
Other local grants	-	-	-	-
Rental income	45,633	83,709	-	-
Special assessments	114	-	114	-
Gain on sale of assets	-	260	-	-
Connection fees	14,074	47,872	19,266	92,004
Capital charges	8,402	45,054	13,057	85,073
Interest expense	(424,390)	(215,064)	(166,522)	(170,257)
TOTAL NONOPERATING REVENUES (EXPENSES)	(9,712)	154,522	(41,871)	82,575
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	211,096	409,033	(284,315)	(106,708)
CAPITAL CONTRIBUTIONS	67,264	226,092	73,331	289,916
TRANSFERS OUT	-	(53,606)	-	(48,897)
CHANGE IN NET ASSETS	278,360	581,519	(210,984)	134,311
NET ASSETS, JANUARY 1	8,052,145	9,515,738	7,174,498	7,274,195
PRIOR PERIOD ADJUSTMENT (NOTE 7)	-	(2,045,112)	-	(234,008)
NET ASSETS, DECEMBER 31	$ 8,330,505	$ 8,052,145	$ 6,963,514	$ 7,174,498

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

Business-type Activities - Enterprise Funds			
651/465 Storm Sewer Utility		Totals	
2008	2007	2008	2007
$ 74,694	$ 77,509	$ 1,568,872	$ 1,601,071
-	-	402,576	350,650
-	-	216,295	182,275
5,412	28,683	138,095	221,584
-	-	20,370	18,137
-	-	131,327	124,629
117,641	92,189	730,204	681,931
123,053	120,872	1,638,867	1,579,206
(48,359)	(43,363)	(69,995)	21,865
28,469	18,846	467,138	287,292
-	27,989	-	27,989
-	-	45,633	83,709
-	-	228	-
-	-	-	260
-	-	33,340	139,876
28,746	70,986	50,205	201,113
(83,567)	(62,053)	(674,479)	(447,374)
(26,352)	55,768	(77,935)	292,865
(74,711)	12,405	(147,930)	314,730
92,070	373,339	232,665	889,347
-	(96,108)	-	(198,611)
17,359	289,636	84,735	1,005,466
4,442,306	3,778,427	19,668,949	20,568,360
-	374,243	-	(1,904,877)
$ 4,459,665	$ 4,442,306	$ 19,753,684	$ 19,668,949

CITY OF JORDAN, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Business-type Activities - Enterprise Funds			
	601/460/461 Water Utility		**602/462/463** Sewer Utility	
	2008	2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 858,956	$ 819,733	$ 649,089	$ 645,332
Payments to suppliers and vendors	(175,097)	(116,547)	(336,514)	(314,033)
Payments to and on behalf of employees	(195,410)	(174,933)	(198,607)	(174,398)
Other receipts	42,687	86,988	114	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	531,136	615,241	114,082	156,901
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers to other funds	-	(53,606)	-	(48,897)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(3,305,502)	(544,946)	(127,710)	(40,649)
Proceeds from issuance of bonds, net	-	7,485,951	-	268,599
Connection fees	14,609	45,566	19,801	95,330
Capital charges	8,402	45,054	13,057	85,073
Local grants received	-	-	-	-
Principal paid on long-term debt	(298,616)	(291,234)	(441,529)	(467,654)
Interest and fees paid on long-term debt	(399,762)	(112,445)	(169,284)	(170,560)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,980,869)	6,627,946	(705,665)	(229,861)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	346,455	192,691	92,214	75,755
Purchase of investments	-	(7,053,374)	(254,405)	-
Sale of investments	3,336,208	-	750,000	32,751
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,682,663	(6,860,683)	587,809	108,506
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	232,930	328,898	(3,774)	(13,351)
CASH AND CASH EQUIVALENTS, JANUARY 1	130,511	35,120	9,819	32,019
PRIOR PERIOD ADJUSTMENT TO BEGINNING CASH BALANCE	-	(233,507)	-	(8,849)
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 363,441	$ 130,511	$ 6,045	$ 9,819

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

Business-type Activities - Enterprise Funds			
651/465 Storm Sewer Utility		Totals	
2008	2007	2008	2007
$ 75,172	$ 76,377	$ 1,583,217	$ 1,541,442
(5,587)	(117,913)	(517,198)	(548,493)
-	-	(394,017)	(349,331)
-	-	42,801	86,988
69,585	(41,536)	714,803	730,606
-	(96,108)	-	(198,611)
(356,004)	(77,494)	(3,789,216)	(663,089)
-	810,771	-	8,565,321
-	-	34,410	140,896
28,746	70,986	50,205	201,113
27,989		27,989	
(91,379)	(89,818)	(831,524)	(848,706)
(81,735)	(51,866)	(650,781)	(334,871)
(472,383)	662,579	(5,158,917)	7,060,664
28,469	18,846	467,138	287,292
-	(503,595)	(254,405)	(7,556,969)
395,976	-	4,482,184	32,751
424,445	(484,749)	4,694,917	(7,236,926)
21,647	40,186	250,803	355,733
16,958	3,482	157,288	70,621
-	(26,710)	-	(269,066)
$ 38,605	$ 16,958	$ 408,091	$ 157,288

CITY OF JORDAN, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Business-type Activities - Enterprise Funds			
	601/460/461 Water Utility		**602/462/463** Sewer Utility	
	2008	2007	2008	2007
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED)BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 220,808	$ 254,511	$ (242,444)	$ (189,283)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income related to operations	45,747	83,969	114	-
Depreciation	244,993	236,412	367,570	353,330
(Increase) decrease in assets:				
Accounts receivable	16,956	(26,043)	(339)	(36,030)
Special assessments	(1,375)	1,788	(1,375)	1,788
Due from other governments	(245)	(745)	(514)	(477)
Increase (decrease) in liabilities:				
Accounts payable	1,054	62,181	(15,157)	25,757
Due to other governments	3,926	646	-	-
Accrued wages payable	2,037	345	1,987	259
Compensated absences payable	295	(842)	4,240	1,557
Unearned revenue	(3,060)	3,019	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 531,136	$ 615,241	$ 114,082	$ 156,901
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Discount on bonds issued	$ -	$ (39,049)	$ -	$ -
Bond discount amortization	2,488	(41,599)	-	-
Capital assets contributed by developers	67,264	226,092	73,331	289,916
Capital assets acquired on account	-	341,485	-	12,112
Prior period adjustment to recognize bonds payable	-	(2,344,174)	-	(1,172,421)
Prior period adjustment for unamortized discount and accrued interest	-	(26,056)	-	(13,803)
Prior period adjustment for construction in progress	-	552,917	-	960,861
Prior period adjustment to beginning accounts receivable balance in fund 433	-	26,090	-	936
Prior period adjustment to beginning accounts payable balance in fund 433	-	(20,382)	-	(732)

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

Business-type Activities - Enterprise Funds			
651/465 Storm Sewer Utility		Totals	
2008	2007	2008	2007
$ (48,359)	$ (43,363)	$ (69,995)	$ 21,865
-	-	45,861	83,969
117,641	92,189	730,204	681,931
478	(1,132)	17,095	(63,205)
-	-	(2,750)	3,576
-	-	(759)	(1,222)
(175)	(89,230)	(14,278)	(1,292)
-	-	3,926	646
-	-	4,024	604
-	-	4,535	715
-	-	(3,060)	3,019
$ 69,585	$ (41,536)	$ 714,803	$ 730,606
$ -	$ -	$ -	$ (39,049)
-	-	2,488	(41,599)
92,070	373,339	232,665	889,347
-	37,118	-	390,715
-	(1,470,377)	-	(4,986,972)
-	(21,302)	-	(61,161)
-	1,892,014	-	3,405,792
-	2,826	-	29,852
-	(2,208)	-	(23,322)

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 six member Board consists of two Council members and two other Council approved members, the Mayor 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 seven 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 changes in net assets) 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

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.

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 *2004 Improvement Projects* fund accounts for costs related to major street projects with construction starting in 2004.

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 to insure 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 to insure 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 to insure 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

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 also 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 whose only investments are in securities in (1) above.

3. General obligations of the State of Minnesota or any of its municipalities.

4. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.

5. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.

6. Repurchase or reverse repurchase agreements 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.

7. Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.

Investments for the City are reported at fair value. The Minnesota Municipal Money Market Fund and broker money market accounts operate in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair values of the pool shares.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

A. 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.

B. 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.

C. 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.

The City has adopted GASB No. 31: Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This statement requires the City to report their investments at fair value on the balance sheet rather than historical cost.

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 2008. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Special Assessments

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

Restricted Assets

Restricted assets consist of monies escrowed for the payment of bond principal and interest. These assets are offset by related liabilities.

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 backtracking (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:

Asset	Threshold
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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Assets	Years
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

Compensated Absences

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

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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

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. No budget amendments were made during the year.

B. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2008:

Fund	Amount
Capital projects	
Broadway Market TIF project	$ 2,750
2006-2007 Capital project	19,260
Jordan Center TIF project	824
Jordan Valley Townhomes TIF	583
Debt Service	
2002B G.O. Refunding Bonds	54,428

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

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

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

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

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

At year end, the City's carrying amount of deposits was $13,120,601 and the bank balance was $13,152,366. Of the bank balance, $12,348,387 was covered by federal depository insurance. The remaining balance of $803,979 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.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2008, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments		Fair Value and Carrying Amount	Cost	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)
Pooled investments:					
Minnesota Municipal Money Market (4M) Fund		$ 22,717	$ 22,717	Not rated	less than 6 months
Broker Money Market Accounts		892,723	892,723	Not rated	less than 6 months
Total Pooled Investments		915,440	915,440		
Non-pooled investments:					
Federal Agency Notes		812,372	800,000	AAA	1 to 3 years
Federal Agency Notes		647,385	645,088	AAA	more than 3 years
Total Federal Agency Notes		1,459,757	1,445,088		
Municipal Bonds		25,365	23,539	A1	more than 3 years
Municipal Bonds		5,008	5,053	A1 S/P AA-	more than 3 years
Municipal Bonds		72,921	71,685	AAA	more than 3 years
Total municipal bonds		103,294	100,277		
U.S. Treasury Securities - State and Local Government Series	(3)	2,595,099	2,595,099	N/A	1 to 3 years
Total Non-pooled Investments		4,158,150	4,140,464		
Total investments		$ 5,073,590	$ 5,055,904		

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk. N/A indicates not applicable or available.
(2) Interest rate risk is disclosed using the segmented time distribution method.
(3) These guaranteed investment contracts will mature at various times in the following years in conjunction with the maturities of the related 2007A G.O. Utility Revenue Bonds.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and Investments Summary

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

Deposits	$ 13,120,601
Investments	5,073,590
Total	$ 18,194,191
Cash and cash equivalents	$ 1,933,002
Investments	13,666,090
Restricted assets	2,595,099
Total	$ 18,194,191

C. Intergovernmental Receivables/Deferred Revenue

A summary of all intergovernmental receivables as of December 31, 2008 is as follows:

Fund	Local	County	State	Federal	Total
Governmental Activities					
General	$ 31,000	$ 28,807	$ 3,149	$ -	$ 62,956
Debt Service	-	1,379	-	-	1,379
Other governmental funds	-	6,173	-	4,032	10,205
Total	$ 31,000	$ 36,359	$ 3,149	$ 4,032	$ 74,540
Business-type Activities					
Water	$ -	$ 1,900	$ -	$ -	$ 1,900
Sewer	-	1,901	-	-	1,901
Total	$ -	$ 3,801	$ -	$ -	$ 3,801

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:

	Unavailable	Unearned
Delinquent taxes receivable (General fund)	$ 84,230	$ -
Special assessments receivable (General fund)	49,446	-
Special assessments receivable (Debt Service funds)	1,551,443	-
Special assessments receivable (nonmajor governmental funds)	1,136	-
Total	$ 1,686,255	$ -

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	$ 738,279	$ -	$ -	$ 738,279
Construction in progress	423,918	1,297,222	-	1,721,140
Total capital assets not being depreciated	1,162,197	1,297,222	-	2,459,419
Capital assets being depreciated				
Buildings and improvements	1,024,872	17,370	-	1,042,242
Infrastructure and improvements	12,031,209	-	-	12,031,209
Machinery and equipment	582,649	163,316	-	745,965
Vehicles	1,972,836	109,669	(15,928)	2,066,577
Total capital assets being depreciated	15,611,566	290,355	(15,928)	15,885,993
Less accumulated depreciation for				
Buildings and improvements	(368,986)	(33,225)	-	(402,211)
Infrastructure and improvements	(3,162,404)	(601,559)	-	(3,763,963)
Machinery and equipment	(333,345)	(75,354)	-	(408,699)
Vehicles	(1,089,377)	(175,245)	3,409	(1,261,213)
Total accumulated depreciation	(4,954,112)	(885,383)	3,409	(5,836,086)
Total capital assets being depreciated, net	10,657,454	(595,028)	(12,519)	10,049,907
Governmental activities capital assets, net	$ 11,819,651	$ 702,194	$ (12,519)	$ 12,509,326

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
Construction in progress	1,280,671	3,553,287	-	4,833,958
Total capital assets not being depreciated	1,850,855	3,553,287	-	5,404,142
Capital assets being depreciated				
Buildings	55,965	-	-	55,965
Improvements other than buildings	16,886,782	-	-	16,886,782
Infrastructure	15,940,342	232,665	-	16,173,007
Machinery and equipment	364,742	30,000	-	394,742
Total capital assets being depreciated	33,247,831	262,665	-	33,510,496
Less accumulated depreciation for				
Buildings	(55,965)	-	-	(55,965)
Improvements other than buildings	(4,874,126)	(380,645)	-	(5,254,771)
Infrastructure	(1,788,473)	(323,460)	-	(2,111,933)
Machinery and equipment	(268,379)	(26,099)	-	(294,478)
Total accumulated depreciation	(6,986,943)	(730,204)	-	(7,717,147)
Total capital assets being depreciated, net	26,260,888	(467,539)	-	25,793,349
Business-type activities capital assets, net	$ 28,111,743	$ 3,085,748	$ -	$ 31,197,491

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

Governmental activities:	
General government	$ 63,056
Public safety	142,616
Streets and highways	648,875
Culture and recreation	30,836
Total depreciation expense - governmental activities	$ 885,383
Business-type activities:	
Water	$ 244,993
Sewer	367,570
Storm sewer	117,641
Total depreciation expense - business-type activities	$ 730,204

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction Commitments

The City has active construction projects as of December 31, 2008. The projects include Mill Pond Rehabilitation, Water Treatment Plant, Jordan Fire Station Addition, Trunk Highway 282 Reconstruction, and Well #8 Project. At year end, the City's commitments with contractors are as follows:

Project	Spent to date	Remaining Commitment
Mill Pond Rehabilitation	$ 756,635	$ 83,940
Water Treatment Plant	2,305,998	1,785,002
Jordan Fire Station Addition	1,059,015	229,116
Trunk Highway 282 Reconstruction	429,152	230,422
Well #8 Project	283,902	30,421
Total	$ 4,834,702	$ 2,358,901

E. Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2008 is as follows:

	Transfer in:		
	General Fund	Nonmajor Governmental Funds	Total
Transfer out:			
General fund	$ -	$ 38,000	$ 38,000
2004 Improvement Projects fund	21,547	-	21,547
Nonmajor governmental funds	112,787	-	112,787
Total transfers out	$ 134,334	$ 38,000	$ 172,334

In the year ended December 31, 2008 the City made the following transfers:

- From the General fund to the Nonmajor Governmental Funds ($38,000) for capital expenditures and operations.
- From the Nonmajor Governmental Funds to the General Fund ($112,787) to close the Capital Projects Fund.
- From the 2004 Improvement Projects fund ($21,547) to close the Capital Projects Fund.

F. 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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of 2007	$ 375,000	4.25 %	03/27/07	12/01/12	$ 300,000

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
G.O. Improvement Bonds of 2000A	$ 1,780,000	5.75 - 6.10 %	06/05/00	02/01/09	$ 1,535,000
G.O. Refunding Bonds of 2001C	1,595,000 *	3.12 - 4.05	11/13/01	12/01/12	282,624
G.O. Refunding Bonds of 2001A	1,895,000 *	4.00 - 4.60	03/15/01	04/01/11	78,974
G.O. Refunding Bonds of 2002B	615,000 *	2.00 - 3.80	12/01/02	12/01/11	185,635
G.O. Improvement Bonds of 2002A	1,605,000	4.05 - 4.85	08/01/02	02/01/18	1,185,000
G.O. Refunding Bonds of 2003	350,000	1.50 - 3.90	10/01/03	12/01/10	105,000
G.O. Improvement Refunding Bonds of 2004B	2,740,000	4.10 - 5.00	10/01/04	02/01/20	2,685,000
G.O. Improvement Bonds of 2004A	4,935,000 *	3.20 - 4.35	05/01/04	02/01/20	1,906,025
G.O. Capital Improvement Bonds of 2008A	1,805,000	3.00 - 4.00	6/1/2008	2/1/2029	1,805,000
G O. Imp. Refunding Bonds of 2008A	1,630,000	2.30 - 3.50	05/01/08	02/01/18	1,630,000
G.O PIR Bonds of 2008B/Sewer	210,000	2.50 - 4.40	08/01/08	02/01/24	210,000
G.O PIR Bonds of 2008B/Water	230,000	2.50 - 4.40	08/01/08	02/01/24	230,000
G.O PIR Bonds of 2008B/Storm	315,000	2.50 - 4.40	08/01/08	02/01/24	315,000
G.O Improvement Bonds of 2008B	1,275,000	2.50 - 4.40	08/01/08	02/01/24	1,275,000
Total G.O. Special Assessment Bonds					$ 13,428,258

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

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
G.O. Water and Sewer Revenue Bonds of 2001C	$ 180,000	3.12 - 4.00 %	11/13/01	12/01/11	$ 65,000
PFA Loan Payable of 1998	307,917	3.54	11/02/98	08/20/18	187,000
PFA Loan Payable of 2000	6,849,212	2.20	05/30/00	08/20/21	4,885,000
PFA Loan Payable of 2003	1,068,000	2.82	06/30/03	08/20/23	845,000
G.O. Refunding Bonds of 2001C	1,595,000	* 3.12 - 4.05	11/13/01	12/01/12	177,376
G.O. Refunding Bonds of 2001A	1,895,000	* 4.00 - 4.60	03/15/01	04/01/11	581,026
G.O. Refunding Bonds of 2002B	615,000	* 2.00 - 3.80	12/01/02	12/01/11	24,365
G.O. Improvement Bonds of 2004A	4,935,000	* 3.20 - 4.35	05/01/04	02/01/20	2,218,975
G.O. Water Revenue Bonds of 2005A	1,140,000	2.75 - 4.30	05/01/05	02/01/21	1,020,000
G.O. Utility Revenue Bonds of 2007A	8,610,000	4.00 - 4.25	09/01/07	02/01/23	8,610,000
Total G.O. Revenue Bonds					$ 18,613,742

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

Annual requirement to maturity for long-term liabilities is as follows:

Year Ending	General Obligation Bonds Governmental Activities			G.O. Special Assessment Bonds Governmental Activities		
December 31,	Principal	Interest	Total	Principal	Interest	Total
2009	$ 75,000	$ 12,117	$ 87,117	$ 3,445,263	$ 479,463	$ 3,924,726
2010	75,000	8,885	83,885	1,033,878	365,309	1,399,187
2011	75,000	5,653	80,653	1,087,535	327,022	1,414,557
2012	75,000	2,430	77,430	995,558	287,461	1,283,019
2013	-	-	-	826,774	252,061	1,078,835
2014 - 2018	-	-	-	3,401,481	848,355	4,249,836
2019 - 2023	-	-	-	1,752,769	337,779	2,090,548
2024 - 2028	-	-	-	755,000	89,460	844,460
2029	-	-	-	130,000	2,600	132,600
					-	
Total	$ 300,000	$ 29,085	$ 329,085	$ 13,428,258	$ 2,989,510	$ 16,417,768

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities Principal	Interest	Total
2009	$ 1,138,737	$ 647,648	$ 1,786,385
2010	1,333,122	604,723	1,937,845
2011	1,380,465	556,697	1,937,162
2012	1,187,442	511,116	1,698,558
2013	1,175,226	469,612	1,644,838
2014 - 2018	6,531,519	1,691,727	8,223,246
2019 - 2023	5,867,231	503,676	6,370,907
2024 - 2028	-	-	-
2029	-	-	-
Total	$ 18,613,742	$ 4,985,199	$ 23,598,941

Year Ending December 31,	Total Governmental Activities Principal	Interest	Total	Total Business-type Activities Principal	Interest	Total
2009	$ 3,520,263	$ 491,580	$ 4,011,843	$ 1,138,737	$ 647,648	$ 1,786,385
2010	1,108,878	374,194	1,483,072	1,333,122	604,723	1,937,845
2011	1,162,535	332,675	1,495,210	1,380,465	556,697	1,937,162
2012	1,070,558	289,891	1,360,449	1,187,442	511,116	1,698,558
2013	826,774	252,061	1,078,835	1,175,226	469,612	1,644,838
2014 - 2018	3,401,481	848,355	4,249,836	6,531,519	1,691,727	8,223,246
2019 - 2023	1,752,769	337,779	2,090,548	5,867,231	503,676	6,370,907
2024 - 2028	755,000	89,460	844,460	-	-	-
2029	130,000	2,600	132,600	-	-	-
Total	$ 13,728,258	$ 3,018,595	$ 16,746,853	$ 18,613,742	$ 4,985,199	$ 23,598,941

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable					
General obligation bonds	$ 375,000	$ -	$ (75,000)	$ 300,000	$ 75,000
General obligation special assessment bonds	10,536,734	5,465,000	(2,573,476)	13,428,258	3,445,263
Total bonds payable	10,911,734	5,465,000	(2,648,476)	13,728,258	3,520,263
Compensated absences payable	91,746	115,407	(100,519)	106,634	70,268
Governmental activity long-term liabilities	$ 11,003,480	$ 5,580,407	$ (2,748,995)	$ 13,834,892	$ 3,590,531
Business-type activities:					
Bonds payable					
General obligation revenue bonds	$ 19,445,266	$ -	$ (831,524)	$ 18,613,742	$ 1,138,737
Compensated absences payable	14,600	41,643	(37,108)	19,135	19,135
Business-type activity long-term liabilities	$ 19,459,866	$ 41,643	$ (868,632)	$ 18,632,877	$ 1,157,872

Crossover Refundings

On October 1, 2004, the City issued General Obligation Improvement Refunding Bonds, Series 2004 for $2,740,000. The Refunding Bonds were issued with a net interest cost of 3.6601766 percent to refund the 2005 through 2020 maturities of the City's General Obligation Improvement Bonds, Series 1999, 2000, and 2001. The refunded bonds earned an average coupon rate of 4.0168313 percent. Funds have been placed in escrow to refund the 1999, 2000 and 2001 bonds on February 1, 2007, 2008 and 2009, respectively. It is estimated that the City will reduce its aggregate debt service payments by approximately $559,430 over the sixteen years and obtain an economic gain (difference between the present values of the old and new debt service payments) of $219,490.

On May 1, 2008, the City issued General Obligation Improvement Refunding Bonds, Series 2008 for $1,630,000. The Refunding Bonds were issued with a net interest cost of 3.0517315 percent to refund the 2009 through 2018 maturities of the City's General Obligation Improvement Bonds, Series 1998A and 2002A. The refunded bonds earned an average coupon rate of 2.9361423 percent. Funds have been placed in escrow to refund the 1998 and 2002 bonds on June 1 and August 1 2009. It is estimated that the City will reduce its aggregate debt service payments by approximately $642,562 over the ten years and obtain an economic gain (difference between the present values of the old and new debt service payments) of $178,772.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Tax Increment Districts

The City is the administering authority for the following tax increment finance districts:

	Increment District No. 1-8 Jordan Center Convenience Store	Tax Increment District No. 1-9 Jordan Valley Townhomes
Authorizing Law	M.S. 469	M.S. 469
Type of District	Redevelopment	Housing
Year Established	March 2004	July 2007
Duration of District	26 years	26 years
Tax Capacity		
Original	$ 3,230	$ 559
Current	19,080	1,243
Captured - Retained	$ 15,850	$ 684
Total General Obligation Tax Increment Bonds and Notes issued	$ -	$ -
Amounts redeemed	-	-
Outstanding at December 31, 2008	$ -	$ -

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) 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.

PERF 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.

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

For all PEPFF members and PERF 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 PERF 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.

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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2008. The City is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members and 6.5 percent of Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 6.5 percent effective January 1, 2009. The City's contributions to the PERF for the years ending December 31, 2008, 2007 and 2006 were $54,720, $48,113, and $43,332, respectively. The City's contributions to the PEPFF for the years ending December 31, 2008, 2007 and 2006 were $69,309, $59,537, and $51,276, 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 REDCP 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, 2008, 2007 and 2006 were $556, $600, and $738, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

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 statues, 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	$ 47,799
Contributions made	
City (required)	16,589
City (voluntary)	60,712
State aid	31,210
Actuarial valuation date	12/31/08
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
12/31/08	$ 47,799	227.0 %	$ -
12/31/07	69,187	227.0	-
12/31/06	71,275	227.0	-

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

The City makes excess voluntary contributions annually, which according to Minnesota statute, cannot be sued to offset the actuarially required amount. As a result, the percentage of APC contributed may be over 100 percent. These excess voluntary contributions will be used for future increases in benefits for the Association members.

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
12/31/08	$ 771,629	$ 960,628	$ (188,999)	80.3 %	$ 1,900
12/31/07	738,991	910,218	(171,227)	81.2	1,750
12/31/06	604,787	787,416	(182,629)	76.8	1,600

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.

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.

C. Legal Debt Margin

The City's statutory debt limit is three percent of estimated market value within the City of $450,105,700. The City currently has no debt subject to this limit, leaving a debt margin of $13,503,171. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by Minnesota statute.

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, 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 2008 were as follows:

City of	Amount Contributed	Percent
Belle Plaine	$ 75,181	8.9 %
Prior Lake	181,061	21.5
Jordan	38,217	4.6
Elko/New Market	17,542	2.1
Savage	140,338	16.7
Shakopee	388,436	46.2
Total	$ 840,775	100.0 %

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF JORDAN
JORDAN, MINNESOTA

YEAR ENDED
DECEMBER 31, 2008

CITY OF JORDAN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2008

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	$ 164,604	$ 159,505	$ 324,109
Investments	154,653	1,045,131	1,199,784
Receivables			
Special assessments	-	1,136	1,136
Intergovernmental	593	9,612	10,205
TOTAL ASSETS	$ 319,850	$ 1,215,384	$ 1,535,234
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 20,080	$ 24,110	$ 44,190
Deferred revenue	-	1,136	1,136
TOTAL LIABILITIES	20,080	25,246	45,326
FUND BALANCES (DEFICITS)			
Unreserved			
Designated for:			
Economic development	83,754	-	83,754
Capital outlay	-	1,194,295	1,194,295
Undesignated, reported in:			
Special revenue funds	216,016	-	216,016
Capital projects funds	-	(4,157)	(4,157)
TOTAL FUND BALANCES	299,770	1,190,138	1,489,908
TOTAL LIABILITIES AND FUND BALANCES	$ 319,850	$ 1,215,384	$ 1,535,234

CITY OF JORDAN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2008

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Funds
REVENUES			
Taxes	$ 59,215	$ 29,298	$ 88,513
Special assessments	-	484	484
Intergovernmental	-	98,927	98,927
Charges for services	-	4,842	4,842
Fines and forfeits	3,491	-	3,491
Investment earnings	13,060	56,403	69,463
Miscellaneous	39,820	9,202	49,022
TOTAL REVENUES	115,586	199,156	314,742
EXPENDITURES			
Current			
Public safety	14,973	-	14,973
Economic development	22,884	11,579	34,463
Capital outlay			
Public safety	24,969	112,597	137,566
Culture and recreation	-	87,076	87,076
Economic development	-	15,650	15,650
TOTAL EXPENDITURES	62,826	226,902	289,728
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	52,760	(27,746)	25,014
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	45	-	45
Transfers in	20,000	18,000	38,000
Transfers out	-	(112,787)	(112,787)
TOTAL OTHER FINANCING SOURCES (USES)	20,045	(94,787)	(74,742)
NET CHANGE IN FUND BALANCES	72,805	(122,533)	(49,728)
FUND BALANCES, JANUARY 1	226,965	1,312,671	1,539,636
FUND BALANCES, DECEMBER 31	$ 299,770	$ 1,190,138	$ 1,489,908

CITY OF JORDAN, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2008

	603 Economic Development Authority	204 Contributions and Donations	215 Police Forfeiture	216 Police Dare Program
ASSETS				
Cash and cash equivalents	$ 92,479	$ 48,110	$ 11,107	$ 5,179
Investments	154,653	-	-	-
TOTAL ASSETS	$ 247,725	$ 48,110	$ 11,107	$ 5,179
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ 20,001	$ 79	$ -
FUND BALANCES				
Unreserved				
Designated for housing and redevelopment	83,754	-	-	-
Undesignated	163,971	28,109	11,028	5,179
TOTAL FUND BALANCES	247,725	28,109	11,028	5,179
TOTAL LIABILITIES AND FUND BALANCES	$ 247,725	$ 48,110	$ 11,107	$ 5,179

217	230	212	232	
Police Car Seat	Emergency Siren	Municipal State Aid	Historical Fund	Totals
$ 3,431	$ 1,808	$ 1,742	$ 748	$ 164,604
-	-	-	-	154,653
$ 3,431	$ 1,808	$ 1,742	$ 748	$ 319,850
$ -	$ -	$ -	$ -	$ 20,080
-	-	-	-	83,754
3,431	1,808	1,742	748	216,016
3,431	1,808	1,742	748	299,770
$ 3,431	$ 1,808	$ 1,742	$ 748	$ 319,850

CITY OF JORDAN, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2008

	603 Economic Development Authority	**204** Contributions and Donations	**215** Police Forfeiture	**216** Police Dare Program
REVENUES				
Taxes				
Property taxes	$ 59,215	$ -	$ -	$ -
Fines and forfeits	-	-	2,868	623
Investment earnings	9,717	1,410	557	961
Miscellaneous				
Contributions and donations	-	39,545	-	-
TOTAL REVENUES	68,932	40,955	3,425	1,584
EXPENDITURES				
Current				
Public safety	-	7,134	5,980	2,134
Economic development	22,884	-	-	-
Capital outlay				
Public safety	-	20,782	-	-
TOTAL EXPENDITURES	22,884	27,916	5,980	2,134
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	46,048	13,039	(2,555)	(550)
OTHER FINANCING SOURCES				
Sale of assets	-	-	-	-
Transfers in	20,000	-	-	-
TOTAL OTHER FINANCING SOURCES	20,000	-	-	-
NET CHANGE IN FUND BALANCES	66,048	13,039	(2,555)	(550)
FUND BALANCES, JANUARY 1	181,677	15,070	13,583	5,729
FUND BALANCES, DECEMBER 31	$ 247,725	$ 28,109	$ 11,028	$ 5,179

217	230	212	232	
Police Car Seat	Emergency Siren	Municipal State Aid	Historical Fund	Totals
$ -	$ -	$ -	$ -	$ 59,215
-	-	-	-	3,491
138	169	76	32	13,060
275	-	-	-	39,820
413	169	76	32	115,586
(275)	-	-	-	14,973
-	-	-	-	22,884
-	4,187	-	-	24,969
(275)	4,187	-	-	62,826
688	(4,018)	76	32	52,760
-	-	-	45	45
-	-	-	-	20,000
-	-	-	45	20,045
688	(4,018)	76	77	72,805
2,743	5,826	1,666	671	226,965
$ 3,431	$ 1,808	$ 1,742	$ 748	$ 299,770

CITY OF JORDAN, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2008

	401	425	450	423	427
	Capital Projects	Fire Vehicle	Development District No. 1	190th Street Construction Project	Broadway Market TIF Project
ASSETS					
Cash and cash equivalents (deficit)	$ -	$ 23,921	$ 6,658	$ 17,536	$ (2,796)
Investments	-	-	-	122,688	-
Receivables					
Special assessments					
Deferred	1,136	-	-	-	-
Intergovernmental	-	4,032	-	-	5,580
TOTAL ASSETS	$ 1,136	$ 27,953	$ 6,658	$ 140,224	$ 2,784
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable	$ -	$ 4,000	$ -	$ -	$ 5,534
Deferred revenue	1,136	-	-	-	-
TOTAL LIABILITIES	1,136	4,000	-	-	5,534
FUND BALANCES (DEFICITS)					
Unreserved					
Designated for capital outlay	-	23,953	6,658	140,224	-
Undesignated	-	-	-	-	(2,750)
TOTAL FUND BALANCES (DEFICITS)	-	23,953	6,658	140,224	(2,750)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	$ 1,136	$ 27,953	$ 6,658	$ 140,224	$ 2,784

464 Street Equipment Fee	424 CR 61 and CR 66 Construction	442 Jordan Center TIF Project	454 Park Equipment Improvement	452 Park Improvement	453 Park Capital	443 Jordan Valley Townhomes TIF	Totals
$ 19,314	$ 37,381	$ (313)	$ 30,774	$ 26,744	$ 358	$ (72)	$ 159,505
-	471,000	-	45,302	406,141	-	-	1,045,131
-	-	-	-	-	-	-	1,136
-	-	-	-	-	-	-	9,612
$ 19,314	$ 508,381	$ (313)	$ 76,076	$ 432,885	$ 358	$ (72)	$ 1,215,384
$ -	$ -	$ 511	$ 12,741	$ 813	$ -	$ 511	$ 24,110
-	-	-	-	-	-	-	1,136
-	-	511	12,741	813	-	511	25,246
19,314	508,381	-	63,335	432,072	358	-	1,194,295
-	-	(824)	-	-	-	(583)	(4,157)
19,314	508,381	(824)	63,335	432,072	358	(583)	1,190,138
$ 19,314	$ 508,381	$ (313)	$ 76,076	$ 432,885	$ 358	$ (72)	$ 1,215,384

CITY OF JORDAN, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
CONTINUED ON THE FOLLOWING PAGES
YEAR ENDED DECEMBER 31, 2008

	401	425	450	423	427
	Capital Projects	Fire Vehicle	Development District No. 1	190th Street Construction Project	Broadway Market TIF Project
REVENUES					
Taxes					
Tax increments	$ -	$ -	$ -	$ -	$ 11,161
Special assessments	484	-	-	-	-
Intergovernmental					
Federal	-	98,927	-	-	-
Charges for services					
Streets and highways	-	-	-	-	-
Investment earnings	2,509	950	290	6,117	-
Miscellaneous					
Contributions and donations	-	-	-	-	-
TOTAL REVENUES	2,993	99,877	290	6,117	11,161
EXPENDITURES					
Current					
Economic development	-	-	-	-	10,557
Capital outlay					
Public safety	-	112,597	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
TOTAL EXPENDITURES	-	112,597	-	-	10,557
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,993	(12,720)	290	6,117	604
OTHER FINANCING SOURCES (USES)					
Transfers in	-	18,000	-	-	-
Transfers out	(112,787)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(112,787)	18,000	-	-	-
NET CHANGE IN FUND BALANCES	(109,794)	5,280	290	6,117	604
FUND BALANCES (DEFICITS), JANUARY 1	109,794	18,673	6,368	134,107	(3,354)
FUND BALANCES (DEFICITS), DECEMBER 31	$ -	$ 23,953	$ 6,658	$ 140,224	$ (2,750)

464 Street Equipment Fee	424 CR 61 and CR 66 Construction	442 Jordan Center TIF Project	454 Park Equipment Improvement	452 Park Improvement	453 Park Capital	443 Jordan Valley Townhomes TIF	Totals
$ -	$ -	$ 17,389	$ -	$ -	$ -	$ 748	$ 29,298
-	-	-	-	-	-	-	484
-	-	-	-	-	-	-	98,927
4,842	-	-	-	-	-	-	4,842
738	22,177	-	4,378	19,228	16	-	56,403
-	-	-	9,202	-	-	-	9,202
5,580	22,177	17,389	13,580	19,228	16	748	199,156
-	-	511	-	-	-	511	11,579
-	-	-	-	-	-	-	112,597
-	-	-	70,463	16,613	-	-	87,076
-	-	15,650	-	-	-	-	15,650
-	-	16,161	70,463	16,613	-	511	226,902
5,580	22,177	1,228	(56,883)	2,615	16	237	(27,746)
-	-	-	-	-	-	-	18,000
-	-	-	-	-	-	-	(112,787)
-	-	-	-	-	-	-	(94,787)
5,580	22,177	1,228	(56,883)	2,615	16	237	(122,533)
13,734	486,204	(2,052)	120,218	429,457	342	(820)	1,312,671
$ 19,314	$ 508,381	$ (824)	$ 63,335	$ 432,072	$ 358	$ (583)	$ 1,190,138

CITY OF JORDAN, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 32,974	$ 333,323
Investments	1,118,542	731,724
Receivables		
Delinquent taxes	84,230	72,133
Accounts	99,266	84,556
Special assessments		
Delinquent	2,481	2,567
Deferred	46,965	855
Intergovernmental	62,956	76,526
Prepaid items	53,762	50,849
TOTAL ASSETS	$ 1,501,176	$ 1,352,533
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$ 190,101	$ 269,710
Accrued wages payable	49,454	53,371
Due to other governments	7,521	6,751
Deposits payable	500	-
Deferred revenue	133,676	91,412
TOTAL LIABILITIES	381,252	421,244
FUND BALANCES		
Reserved for prepaid items	53,762	50,849
Unreserved		
Designated for working capital	1,066,162	880,440
TOTAL FUND BALANCES	1,119,924	931,289
TOTAL LIABILITIES AND FUND BALANCES	$ 1,501,176	$ 1,352,533

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
YEAR ENDED DECEMBER 31, 2008
With Comparative Actual Amounts for Year Ended December 31, 2007

	2008				2007
	Budgeted Amounts				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
REVENUES					
Taxes					
Property taxes	$ 1,881,582	$ 1,881,582	$ 1,837,469	$ (44,113)	$ 1,395,955
Cable franchise fees	33,600	33,600	50,703	17,103	30,579
Total taxes	1,915,182	1,915,182	1,888,172	(27,010)	1,426,534
Special assessments	9,500	9,500	8,060	(1,440)	6,145
Licenses and permits					
Business	20,450	20,450	19,775	(675)	16,363
Nonbusiness	233,500	233,500	67,546	(165,954)	156,288
Total licenses and permits	253,950	253,950	87,321	(166,629)	172,651
Intergovernmental					
Federal					
COPS fast grant	34,000	34,000	-	(34,000)	1,976
State					
Local government aid	191,762	191,762	95,881	(95,881)	254,469
Property tax credits and aids	-	-	84,714	84,714	105,006
Fire aid	47,000	47,000	31,210	(15,790)	35,880
Police aid	43,500	43,500	50,806	7,306	46,337
Municipal state aid - streets	225,000	225,000	51,314	(173,686)	50,919
Other state aids	31,196	31,196	23,931	(7,265)	28,670
Total State	538,458	538,458	337,856	(200,602)	521,281
Local					
School liason officer	-	-	31,000	31,000	44,065
Total intergovernmental	572,458	572,458	368,856	(203,602)	567,322
Charges for services					
General government	444,950	444,950	334,107	(110,843)	228,853
Public safety	174,000	174,000	162,508	(11,492)	132,514
Streets and highways	41,854	41,854	33,815	(8,039)	34,488
Sanitation	6,375	6,375	2,273	(4,102)	8,445
Culture and recreation	-	-	1,000	1,000	-
Other	600	600	670	70	320
Total charges for services	667,779	667,779	534,373	(133,406)	404,620
Fines and forfeits	105,000	105,000	48,012	(56,988)	56,392
Investment earnings	110,000	110,000	70,035	(39,965)	50,272
Miscellaneous					
Other	1,000	1,000	(338)	(1,338)	343
Rents	9,000	9,000	8,981	(19)	16,558
Refunds and reimbursements	-	-	(5)	(5)	(1,660)
Sale of assets	1,500	1,500	61	(1,439)	565
TIF development revenue	10,000	10,000	-	(10,000)	10,381
Total miscellaneous	21,500	21,500	8,699	(12,801)	26,187
TOTAL REVENUES	3,655,369	3,655,369	3,013,528	(641,841)	2,710,123

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
YEAR ENDED DECEMBER 31, 2008
With Comparative Actual Amounts for Year Ended December 31, 2007

	2008				2007
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	$ 30,200	$ 30,200	$ 28,777	$ 1,423	$ 28,722
Supplies	350	350	340	10	214
Other services and charges	31,850	31,850	27,089	4,761	26,036
Total Mayor and Council	62,400	62,400	56,206	6,194	54,972
City administration					
Personal services	159,670	159,670	165,532	(5,862)	161,577
Supplies	2,350	2,350	1,762	588	1,817
Other services and charges	9,600	9,600	9,513	87	11,813
Total city administration	171,620	171,620	176,807	(5,187)	175,207
Elections					
Personal services	3,575	3,575	2,486	1,089	-
Supplies	675	675	810	(135)	-
Other services	1,000	1,000	1,113	(113)	-
Total elections	5,250	5,250	4,409	841	-
Financial administration					
Personal services	95,073	95,073	75,797	19,276	92,671
Supplies	2,450	2,450	779	1,671	1,372
Other services and charges	50,275	50,275	53,840	(3,565)	49,984
Total financial administration	147,798	147,798	130,416	17,382	144,027
Legal					
Other services	115,000	115,000	112,896	2,104	116,066
Deputy registrar					
Personal services	84,265	84,265	84,206	59	79,271
Supplies	650	650	685	(35)	622
Other services and charges	3,750	3,750	2,248	1,502	2,023
Total deputy registrar	88,665	88,665	87,139	1,526	81,916
Planning and zoning					
Personal services	138,685	138,685	142,770	(4,085)	128,638
Supplies	800	800	281	519	519
Other services and charges	54,380	54,380	47,731	6,649	93,235
Total planning and zoning	193,865	193,865	190,782	3,083	222,392

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
YEAR ENDED DECEMBER 31, 2008
With Comparative Actual Amounts for Year Ended December 31, 2007

	2008				2007
	Budgeted Amounts				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
General government - Continued					
General government building					
Supplies	$ 1,950	$ 1,950	$ 911	$ 1,039	$ 1,337
Other services and charges	34,500	34,500	28,960	5,540	32,247
Total general government building	36,450	36,450	29,871	6,579	33,584
Total general government	821,048	821,048	788,526	32,522	828,164
Public safety					
Police					
Personal services	854,626	854,626	836,192	18,434	738,526
Supplies	43,550	43,550	41,215	2,335	34,838
Other services and charges	45,900	45,900	37,348	8,552	31,399
Total police	944,076	944,076	914,755	29,321	804,763
Fire					
Personal services	168,434	168,434	165,859	2,575	168,281
Supplies	29,050	29,050	28,888	162	27,453
Other services and charges	68,429	68,429	73,668	(5,239)	57,456
Total fire	265,913	265,913	268,415	(2,502)	253,190
Building inspection					
Supplies	200	200	-	200	-
Other services	105,000	105,000	53,827	51,173	101,427
Total building inspection	105,200	105,200	53,827	51,373	101,427
Civil defense					
Other services and charges	4,000	4,000	3,990	10	3,024
Animal control					
Supplies	150	150	144	6	127
Other services	12,000	12,000	11,790	210	11,492
Total animal control	12,150	12,150	11,934	216	11,619
Total public safety	1,331,339	1,331,339	1,252,921	78,418	1,174,023
Streets and highways					
Street maintenance					
Personal services	173,881	173,881	167,687	6,194	165,590
Supplies	73,000	73,000	70,868	2,132	67,947
Other services and charges	149,200	149,200	136,447	12,753	101,992
Total streets and highways	396,081	396,081	375,002	21,079	335,529

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
YEAR ENDED DECEMBER 31, 2008
With Comparative Actual Amounts for Year Ended December 31, 2007

	2008				2007
	Budgeted Amounts				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Culture and recreation					
Parks					
Personal services	$ 49,124	$ 49,124	$ 47,730	$ 1,394	$ 42,049
Supplies	31,500	31,500	26,034	5,466	19,832
Other services and charges	47,200	47,200	46,529	671	42,942
Total parks	127,824	127,824	120,293	7,531	104,823
Recreation					
Other charges	19,696	19,696	20,820	(1,124)	19,680
Library					
Supplies	300	300	16	284	5
Other services and charges	10,200	10,200	10,919	(719)	11,920
Total library	10,500	10,500	10,935	(435)	11,925
Total culture and recreation	158,020	158,020	152,048	5,972	136,428
Miscellaneous					
Unallocated					
Supplies	4,100	4,100	3,715	385	3,504
Other services and charges	139,664	139,664	69,301	70,363	58,727
Total miscellaneous	143,764	143,764	73,016	70,748	62,231
Total current	2,850,252	2,850,252	2,641,513	208,739	2,536,375
Capital outlay					
General government	17,475	17,475	8,053	9,422	18,875
Public safety	71,000	71,000	80,229	(9,229)	105,665
Streets and highways	32,619	32,619	32,619	-	36,754
Culture and recreation	25,000	25,000	-	25,000	29,999
Miscellaneous	114,650	114,650	57,841	56,809	112,285
Total capital outlay	260,744	260,744	178,742	82,002	303,578
Debt service					
Principal	109,416	109,416	75,000	34,416	-
Interest	-	-	25,972	(25,972)	-
Total debt service	109,416	109,416	100,972	8,444	-
TOTAL EXPENDITURES	3,220,412	3,220,412	2,921,227	299,185	2,839,953

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
YEAR ENDED DECEMBER 31, 2008
With Comparative Actual Amounts for Year Ended December 31, 2007

	2008				2007
	Budgeted Amounts				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 434,957	$ 434,957	$ 92,301	$ (342,656)	$ (129,830)
OTHER FINANCING SOURCES (USES)					
Transfers in	60,000	60,000	134,334	74,334	-
Transfers out	(447,000)	(447,000)	(38,000)	409,000	(98,419)
TOTAL OTHER FINANCING SOURCES (USES)	(387,000)	(387,000)	96,334	483,334	(98,419)
NET CHANGE IN FUND BALANCES	47,957	47,957	188,635	140,678	(228,249)
FUND BALANCES, JANUARY 1	931,289	931,289	931,289	-	1,159,538
FUND BALANCES, DECEMBER 31	$ 979,246	$ 979,246	$ 1,119,924	$ 140,678	$ 931,289

CITY OF JORDAN, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2008
With Comparative Totals for December 31, 2007

	317	318	320	322
	2001A G.O. Refunding Bonds	2001C G.O. Refunding Bonds	2002B G.O. Refunding Bonds	2003A G.O. Refunding Bonds
ASSETS				
Cash and cash equivalents	$ 42,404	$ 34,877	$ 45,296	$ 8,999
Investments	733,591	740,000	(99,724)	-
Receivables				
Special assessments				
Current	-	-	-	-
Delinquent	493	2,651	170	-
Deferred	-	20,599	84,999	8,407
Intergovernmental	-	895	-	-
TOTAL ASSETS	$ 776,488	$ 799,022	$ 30,741	$ 17,406
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Accrued interest payable	-	-	-	-
Deferred revenue	493	23,250	85,169	8,407
TOTAL LIABILITIES	493	23,250	85,169	8,407
FUND BALANCES (DEFICITS)				
Reserved for debt service	775,995	775,772	-	8,999
Unreserved, undesignated	-	-	(54,428)	-
TOTAL FUND BALANCES (DEFICITS)	775,995	775,772	(54,428)	8,999
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	$ 776,488	$ 799,022	$ 30,741	$ 17,406

324 2004A G.O. Improvement Bonds	325 2004B G.O. Refunding Bonds	327 2008 G.O. Improvement Bonds	328 2008 G.O. Refunding Bonds	329 2008 G.O. Capital Improvement Bonds	Totals 2008	Totals 2007
$ 407,975	$ 237,587	$ 81,360	$ 265,011	$ 3,140	$ 1,126,649	$ 407,115
200,000	1,526,422	-	1,160,163	-	4,260,452	5,092,379
-	-	-	41,293	-	41,293	-
2,471	1,109	-	858	-	7,752	5,559
721,163	549,589	117,641	-	-	1,502,398	1,582,727
-	11	-	473	-	1,379	11,397
$ 1,331,609	$ 2,314,718	$ 199,001	$ 1,467,798	$ 3,140	$ 6,939,923	$ 7,099,177
$ -	$ 2,500	$ -	$ (1)	$ -	$ 2,499	$ 3,362
-	-	1,088	621	3,070	4,779	-
723,634	550,698	117,641	42,151	-	1,551,443	1,588,286
723,634	553,198	118,729	42,771	3,070	1,558,721	1,591,648
607,975	1,761,520	80,272	1,425,027	70	5,435,630	5,541,520
-	-	-	-	-	(54,428)	(33,991)
607,975	1,761,520	80,272	1,425,027	70	5,381,202	5,507,529
$ 1,331,609	$ 2,314,718	$ 199,001	$ 1,467,798	$ 3,140	$ 6,939,923	$ 7,099,177

CITY OF JORDAN, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
CONTINUED ON THE FOLLOWING PAGES
YEAR ENDED DECEMBER 31, 2008
With Comparative Totals for Year Ended December 31, 2007

	317 2001A G.O. Refunding Bonds	**318** 2001C G.O. Refunding Bonds	**320** 2002B G.O. Refunding Bonds	**322** 2003A G.O. Refunding Bonds
REVENUES				
Taxes				
Property taxes	$ 35,614	$ 163,820	$ 17,000	$ 44,094
Special assessments	-	17,541	28,832	219
Investment earnings	33,686	33,400	1	633
TOTAL REVENUES	69,300	214,761	45,833	44,946
EXPENDITURES				
Debt service				
Principal	23,403	144,651	57,398	50,000
Interest and other	4,690	17,028	8,872	5,348
TOTAL EXPENDITURES	28,093	161,679	66,270	55,348
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	41,207	53,082	(20,437)	(10,402)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Bonds issued	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	41,207	53,082	(20,437)	(10,402)
FUND BALANCES (DEFICITS), JANUARY 1	734,788	722,690	(33,991)	19,401
PRIOR PERIOD ADJUSTMENT	-	-	-	-
FUND BALANCES (DEFICITS), DECEMBER 31	$ 775,995	$ 775,772	$ (54,428)	$ 8,999

324 2004A G.O. Improvement Bonds	325 2004B G.O. Refunding Bonds	327 2008 G.O. Improvement Bonds	328 2008 G.O. Refunding Bonds	329 2008 G.O. Capital Improvement Bonds	Totals 2008	Totals 2007
$ 110,927	$ 152,500	$ -	$ 249,344	$ -	$ 773,299	$ 813,874
90,513	109,989	79,603	11,476	-	338,173	438,117
26,547	75,813	1,814	44,697	70	216,661	193,278
227,987	338,302	81,417	305,517	70	1,328,133	1,445,269
128,024	975,000	-	1,195,000	-	2,573,476	1,711,234
74,560	229,755	1,145	169,586	-	510,984	529,188
202,584	1,204,755	1,145	1,364,586	-	3,084,460	2,240,422
25,403	(866,453)	80,272	(1,059,069)	70	(1,756,327)	(795,153)
-	-	-	-	-	-	106,761
-	-	-	1,630,000	-	1,630,000	-
-	-	-	-	-	-	(106,761)
-	-	-	1,630,000	-	1,630,000	-
25,403	(866,453)	80,272	570,931	70	(126,327)	(795,153)
582,572	2,627,973	-	854,096	-	5,507,529	6,315,794
-	-	-	-	-	-	(13,112)
$ 607,975	$ 1,761,520	$ 80,272	$ 1,425,027	$ 70	$ 5,381,202	$ 5,507,529

CITY OF JORDAN, MINNESOTA
SUMMARY FINANCIAL REPORT
GOVERNMENTAL FUNDS
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	Total 2008	Total 2007	Percent Increase (Decrease)
REVENUES			
Taxes	$ 2,749,984	$ 2,323,238	18.37 %
Special assessments	346,717	444,914	(22.07)
Licenses and permits	87,321	172,651	(49.42)
Intergovernmental	1,394,873	567,322	145.87
Charges for services	539,215	416,528	29.45
Fines and forfeits	51,503	66,445	(22.49)
Investment earnings	414,755	297,892	39.23
Miscellaneous	77,830	1,360,456	(94.28)
TOTAL REVENUES	$ 5,662,198	$ 5,649,446	0.23 %
Per Capita	1,065	1,098	(2.98) %
EXPENDITURES			
Current			
General government	$ 788,526	$ 828,164	(4.79) %
Public safety	1,267,894	1,227,169	3.32
Streets and highways	375,002	335,529	11.76
Culture and recreation	152,048	136,428	11.45
Economic development	34,463	14,097	144.47
Miscellaneous	73,016	62,231	17.33
Capital outlay			
General government	8,053	18,875	(57.34)
Public safety	1,555,191	651,381	138.75
Streets and highways	928,795	1,535,810	(39.52)
Culture and recreation	87,076	112,385	(22.52)
Economic development	15,650	12,954	20.81
Miscellaneous	57,841	112,285	(48.49)
Debt service			
Principal	2,648,476	1,711,234	54.77
Interest and other charges	576,549	529,188	8.95
TOTAL EXPENDITURES	$ 8,568,580	$ 7,287,730	17.58 %
Per Capita	1,612	1,416	13.82
Total Long-term Indebtedness	$ 13,728,258	$ 10,911,734	25.81 %
Per Capita	2,582	2,120	21.79
General Fund Balance - December 31	$ 1,119,924	$ 931,289	20.26 %
Per Capita	211	181	16.41

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

YEAR ENDED
DECEMBER 31, 2008

ABDO
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Certified Public Accountants & Consultants

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REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Jordan
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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 17, 2009.

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, except as described in the accompanying schedule of findings and responses as finding 2008-5.

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.

Abdo, Eick & Meyers, LLP

April 17, 2009
Mankato, Minnesota

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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
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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 17, 2009. 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 of 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2008-1 through 2008-4 to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the deficiency described in the accompanying schedule of findings and responses as finding 2008-3 is a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as finding 2008-5.

We also noted certain matters that we reported to management of the City in a separate letter dated April 17, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

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.

Abdo, Eick & Meyers, LLP

April 17, 2009
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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2008-1 Segregation of Duties (Finding Since 2007)

Condition: During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts, and investment transactions and found the City to have limited segregation of duties in these areas.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

Effect: The existence of this limited segregation of duties increases the risk of fraud.

Internal Control over Payroll

Cause: As a result of the small staff, the Finance Director controls and maintains the check stock, sets up and maintains the payroll records, approves some time cards, approves payroll run, signs checks, posts activity to general ledger, reconciles bank accounts, and prepares payroll tax returns.

Recommendation: We recommend that in addition to approving payroll disbursements and wage rates the City Council review amounts earned and accrued for compensated absences on an annual basis to compensate for control deficiencies with respect to payroll accruals.

Updated Progress Since Prior Year

The check stock is kept in the Finance Director's office, and the signature is now done by the Administrator. Checks are now signed by a person other than the preparer of the check.

Internal Control over Disbursements

Cause: As a result of the small staff, the Finance Director controls and maintains the check stock, signs checks and initiates wire transfers, maintains accounts payable records, posts transactions to the general ledger, and reconciles bank accounts.

Recommendation: While we recognize staff is not large enough to eliminate this deficiency, we recommend that an individual, separate from the Finance Director, review cancelled checks received with the bank statement and investigate items such as; void checks, inconsistencies in check sequence, possible alterations, and unusual payees. This individual should also review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.

Updated Progress Since Prior Year

Checks are now signed by a person other than the preparer of the check.

Internal Control over Cash Receipts

Cause: As a result of the small staff, the Finance Director maintains receipts journal and accounts receivable records, posts transactions to the general ledger, and reconciles bank accounts.

Recommendation: While we recognize staff is not large enough to eliminate this deficiency, we recommend that an individual, separate from the Finance Director, review cancelled checks received with the bank statement and investigate items such as; void checks, inconsistencies in check sequence, possible alterations, and unusual payees. This individual should also review bank reconciliations for accuracy and timeliness of preparation. It is important that the Council is aware of this condition and monitor all financial information.

Updated Progress Since Prior Year

Billing statements are generated by the Accountant and signed by the Finance Director before being mailed.

2008-1 Segregation of Duties (Finding Since 2007) - Continued

Internal Control over Investment Transactions

Cause: As a result of the small staff, the Finance Director receives investment statements in the mail, initiates investment transactions, maintains investment sub ledgers, maintains and posts activity to the general ledger, and reconciles investment accounts.

Recommendation: While we recognize staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitor all financial information. We recommend the City adopt an investment policy which outlines procedures for investment transactions that can be followed by the Finance Director.

Management Response:

The City has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes approval of expenditures, regular review of financial statements and budget comparisons.

Updated Progress Since Current Year

The Cashier receives the investment statements in the mail instead of the Finance Director. The City Administrator approves and signs investment wire transfer fax requests.

2008-2 Financial Report Preparation (Finding Since 2007)

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation: Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your Banyon receipt and disbursement information to the amount reported in the financial statements plus or minus any applicable accruals.

Management Response:

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

Updated Progress Since Prior Year

No changes since prior year.

2008-3 Material Audit Adjustments (Finding Since 2007)

Condition: During our audit, adjustments were needed to record numerous accounting and audit adjustments, including some material.

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

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

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

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

Management Response

Management thoroughly reviews the entries we prepare.

Updated Progress Since Prior Year

No changes since prior year.

2008-4 Timely Reconciliation of Bank Accounts

Condition: During our audit, we noted that bank reconciliations had not been balanced during the entire year.

Criteria: The accounting records should reflect timely and accurate information for reporting to Management and Council.

Cause: A misposting of one of the prior year's audit adjustments for $401,529

Effect: Cash balances reported to council in accounting records were not accurate.

Recommendation: Bank reconciliations should be prepared and balanced each month and reviewed by someone other than the Finance Director for irregularities.

Management Response

City Administrator now reviews and signs the bank reconciliations monthly. The City Administrator approves and signs the bank reconciliations prior to the monthly reports being submitted to the City Council monthly. The Finance Director will work with the auditors to ensure the correct balances to start the current year after the audit entries are entered.

2008-5 Out of State Travel Policy

Condition: During our audit, we noted that the City did not have an out-of-state travel policy, which is now required by State statutes.

Criteria: Minnesota statute § 471.661 requires that Cities adopt an out-of-state travel policy. This policy should specify when travel outside the state is appropriate, applicable expense limits, and procedures for approval. The policy also must be reviewed annually and made available for public inspection.

Cause: The Statute is new and the City was not aware of the statute.

[redacted]