

CITY OF JORDAN
JORDAN, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF JORDAN, MINNESOTA
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Page No.
INTRODUCTORY SECTION	
Elected and Appointed Officials	5
FINANCIAL SECTION	
Independent Auditor's Report	9
Management's Discussion and Analysis	13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements	
Governmental Funds	
Balance Sheet	32
Reconciliation of the Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	38
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	39
Proprietary Funds	
Statements of Net Position	40
Statements of Revenues, Expenses and Changes in Net Position	42
Statements of Cash Flows	44
Notes to the Financial Statements	47
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	73
Nonmajor Special Revenue Funds	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76
Nonmajor Capital Projects Funds	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80
General Fund	
Comparative Balance Sheets	83
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	84
Debt Service Funds	
Combining Balance Sheet	88
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	90
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	92
OTHER REQUIRED REPORTS	
Auditor's Report on Legal Compliance	95
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	96
Schedule of Findings and Responses	98

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INTRODUCTORY SECTION

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF JORDAN, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2012

ELECTED

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

APPOINTED

Edward Shukle	Administrator/Clerk/Treasurer
Tom Nikunen	Finance Director

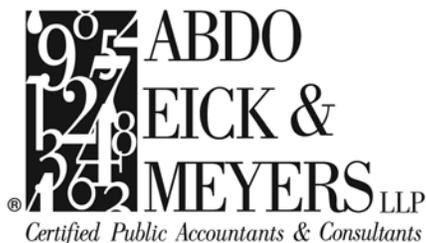
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FINANCIAL SECTION

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Jordan, Minnesota

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated April 17, 2012, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2012, 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.

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Other Matters

Change in Accounting Standards

As described in the Note 7 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information in Relation to the Financial Statements as a Whole

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

May 1, 2013
Mankato, Minnesota

Abdo, Eick & Meyers, LLP
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, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$31,420,548 (net position). Of this amount, \$3,927,985 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,516,778 compared to an increase of \$432,642 in the previous year. Increases in capital and operating grants contributed to this increase in net position in the current year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,204,204, an increase of \$119,759 in comparison with the prior year. The main reason for the increase was due to issuance of \$2,085,000 of refunding bonds less payments to retire bonds via the 2011 refunding issue. Approximately 23.8 percent of ending fund balances, \$1,713,027, is available for spending at the City's discretion. The remainder of fund balance, \$5,491,177, is not available for new spending because it is either 1) restricted (\$3,312,698), 2) committed (\$181,452), or 3) assigned (\$1,997,027).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,713,027, or 64.0 percent of total General fund expenditures.
- The City's total debt decreased by \$718,000, or 3.0 percent during the current fiscal year. The key factor in this decrease was the retirement of \$3,803,000 in long-term debt during the year and new debt issues of \$3,085,000.

Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

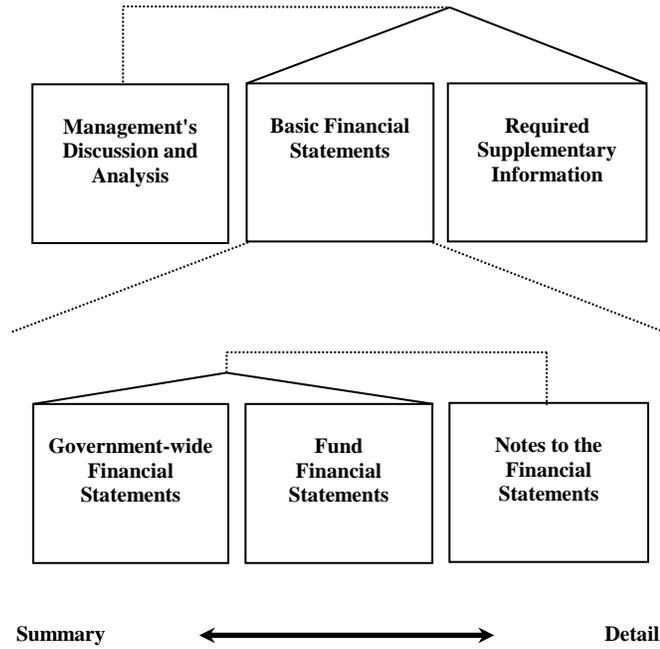


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • 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 deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow 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 position* presents information on all of the City’s assets and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, economic development, culture and recreation and miscellaneous. The business-type activities of the City include water, sewer and storm sewer operations.

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

The government-wide financial statements can be found starting on page 27 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 30 individual governmental funds, 6 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 Fire Hall Expansion Project fund, the Park Improvement fund, and the Library Building fund, all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 32 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and storm sewer operations.

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

The basic proprietary fund financial statements can be found starting on page 40 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 72 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,420,548 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (70.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Jordan's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Current and other assets	\$ 8,410,197	\$ 8,474,608	\$ (64,411)	\$ 3,871,844	\$ 3,114,415	\$ 757,429
Capital assets	12,883,311	11,855,892	1,027,419	30,877,484	31,607,508	(730,024)
Total assets	21,293,508	20,330,500	963,008	34,749,328	34,721,923	27,405
Long-term liabilities						
outstanding	7,567,437	6,244,364	1,323,073	14,192,900	14,246,092	(53,192)
Other liabilities	1,277,668	3,114,689	(1,837,021)	1,584,283	1,543,508	40,775
Total liabilities	8,845,105	9,359,053	(513,948)	15,777,183	15,789,600	(12,417)
Net investment in capital assets	5,542,580	4,610,939	931,641	16,584,003	16,175,819	408,184
Restricted	2,977,838	3,015,129	(37,291)	2,388,142	2,672,876	(284,734)
Unrestricted	3,927,985	3,345,379	582,606	-	83,628	(83,628)
Total net position	\$ 12,448,403	\$ 10,971,447	1,476,956	\$ 18,972,145	\$ 18,932,323	\$ 39,822

An additional portion of the City's net position (17.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (12.5 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 position for the City as a whole.

The City's total net position increased by \$1,516,778 compared to an increase of \$432,642 in the previous year. Increases in capital and operating grants contributed to this increase in net position in the current year.

Governmental activities. Governmental activities increased the City's net position by \$1,476,956. Key elements of this increase are as follows:

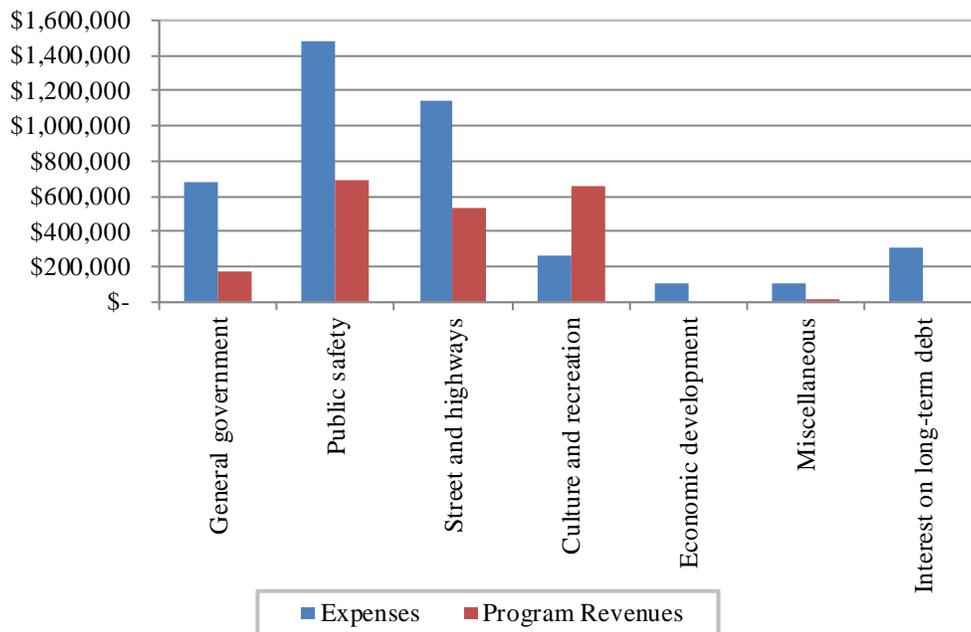
City of Jordan's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2012	Restated 2011	Increase (Decrease)	2012	Restated 2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 651,800	\$ 596,153	\$ 55,647	\$ 2,109,227	\$ 2,094,785	\$ 14,442
Operating grants and contributions	267,021	108,846	158,175	-	-	-
Capital grants and contributions	1,143,803	332,103	811,700	407,867	207,967	199,900
General revenues						
Property taxes/franchise taxes/tax increments	3,268,792	3,136,346	132,446	-	-	-
Other taxes	58,079	49,144	8,935	-	-	-
Grants and contributions not restricted to specific programs	14,373	77,110	(62,737)	-	-	-
Unrestricted investment earnings	135,439	82,435	53,004	42,628	67,684	(25,056)
Gain on sale of capital assets and other	16,919	7,498	9,421	80,293	78,485	1,808
Total revenues	5,556,226	4,389,635	1,166,591	2,640,015	2,448,921	191,094
Expenses						
General government	674,556	727,568	(53,012)	-	-	-
Public safety	1,478,052	1,351,534	126,518	-	-	-
Streets and highways	1,145,678	1,038,061	107,617	-	-	-
Culture and recreation	261,942	189,761	72,181	-	-	-
Economic development	105,019	94,021	10,998	-	-	-
Miscellaneous	105,420	89,935	15,485	-	-	-
Interest on long-term debt	308,603	328,784	(20,181)	-	-	-
Water	-	-	-	1,235,191	1,175,201	59,990
Sewer	-	-	-	1,112,758	1,188,134	(75,376)
Storm sewer	-	-	-	252,244	222,915	29,329
Total expenses	4,079,270	3,819,664	259,606	2,600,193	2,586,250	13,943
Change in net position	1,476,956	569,971	906,985	39,822	(137,329)	177,151
Net position - January 1 as restated	10,971,447	10,401,476	569,971	18,932,323	19,069,652	(137,329)
Net position - December 31 as restated	<u>\$ 12,448,403</u>	<u>\$ 10,971,447</u>	<u>\$ 1,476,956</u>	<u>\$ 18,972,145</u>	<u>\$ 18,932,323</u>	<u>\$ 39,822</u>

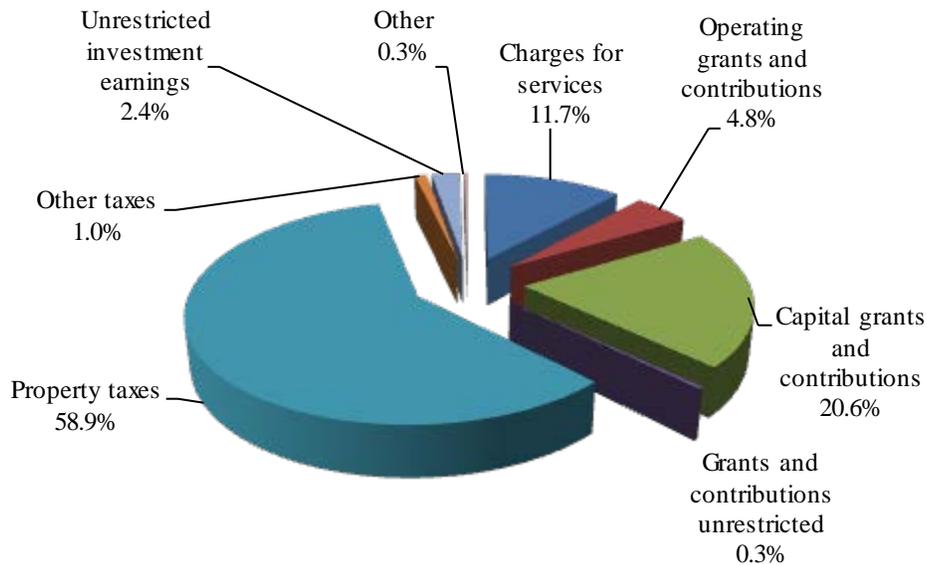
Total property tax levies did not change during the year. Levies for debt service decreased by \$67,373 while general levies were increased by \$67,373.

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

Expenses and Program Revenues - Governmental Activities



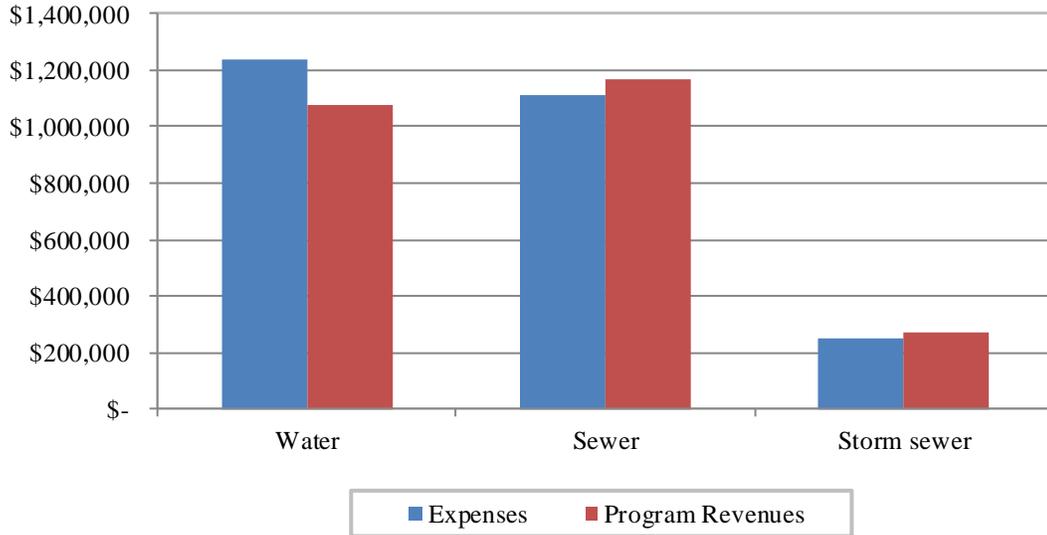
Revenues by Source - Governmental Activities



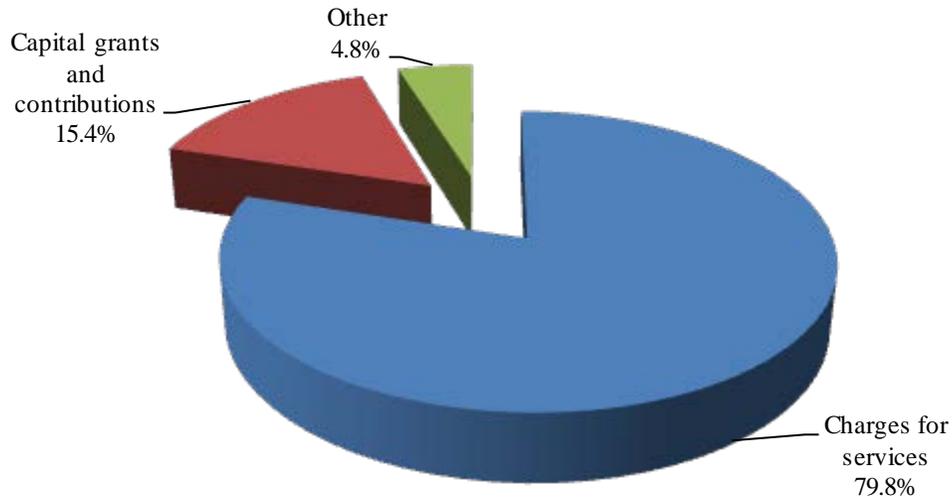
Business-type activities. Business-type activities increased the City’s net position by \$39,822. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by \$14,442 or 0.7 percent, while operating expenses increased by \$6,634 or 0.3 percent from the prior year.
- Connection fees and capital charges increased from \$207,905 in 2011 to \$406,767 in 2012.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,204,204, an increase of \$119,759 in comparison with the prior year. The main reason for the increase was due to issuance of \$2,085,000 of refunding bonds less payments to retire bonds via the 2011 refunding issue. Approximately 23.8 percent of ending fund balances, \$1,713,027, is available for spending at the City's discretion. The remainder of fund balance, \$5,491,177, is not available for new spending because it is either 1) restricted (\$3,312,698), 2) committed (\$181,452), or 3) assigned (\$1,997,027).

The *General fund* is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General fund was \$1,713,027. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 64.0 percent of fund expenditures.

The fund balance of the City's General fund increased by \$28,138 during the current fiscal year.

The *Debt Service fund* has a total fund balance of \$3,529,656, almost all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$508,438. The majority of this decrease is due to the retirement of bonds during the year from the 2011 refunding issue.

The *Fire Hall Expansion Project* began in 2007 with expenditures in the current year totaling \$19,159. This project is being funded with a \$1,805,000 bond issue. The fund balance at year end totaled \$4,996.

The *Park Improvement fund* became a major fund in 2012. The net increase in fund balance during the year was \$257,313, mostly attributable to a \$362,233 transfer from the General fund.

The Library building fund is a new fund in 2012. This fund was created to account for the acquisition of the library from the County and the related debt of \$1,000,000.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$0. The total increase in net position for the funds was \$39,822. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was amended during the year. The budget was balanced for 2012. Revenues exceeded expectations by \$498,689 and expenditures were under budget by \$130,884. Net transfers were \$601,435 over budget resulting in an actual increase in fund balance of \$28,138 in 2012.

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, 2012, amounts to \$43,760,795 (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 0.7 percent (a 8.7 percent increase for governmental activities and a 2.3 percent decrease for business-type activities).

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

- Library purchase from the County amounting to \$1,000,000.
- Rice Street Bridge and Trail projects furthered towards completion totaling \$854,904.
- Purchase of two plow trucks for \$91,893 and \$85,130.

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

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

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 738,279	\$ 738,279	\$ -	\$ 570,184	\$ 570,184	\$ -
Buildings	3,208,001	2,269,156	938,845	-	-	-
Improvement other than building	-	-	-	10,172,924	10,550,396	(377,472)
Machinery and equipment	114,211	169,916	(55,705)	182,707	60,547	122,160
Vehicles	493,929	560,702	(66,773)	-	-	-
Infrastructure	7,263,089	7,906,941	(643,852)	19,951,669	20,426,381	(474,712)
Construction in progress	1,065,802	210,898	854,904	-	-	-
Total	\$ 12,883,311	\$ 11,855,892	\$ 1,027,419	\$ 30,877,484	\$ 31,607,508	\$ (730,024)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$23,495,000. Of this amount, \$2,610,000 is general obligation debt, \$8,245,000 is special assessment debt and \$12,640,000 is general obligation revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Jordan's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation bonds	\$ 2,610,000	\$ 1,750,000	\$ 860,000	\$ -	\$ -	\$ -
G.O. improvement bonds	5,541,379	7,053,427	(1,512,048)	2,703,621	1,751,573	952,048
General obligation revenue bonds	-	-	-	12,640,000	13,658,000	(1,018,000)
Total	\$ 8,151,379	\$ 8,803,427	\$ (652,048)	\$ 15,343,621	\$ 15,409,573	\$ (65,952)

The City's total debt decreased by \$718,000, or 3.0 percent during the current fiscal year. The key factor in this decrease was the retirement of \$3,803,000 in long-term debt during the year and new debt issues of \$3,085,000.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$11,682,308 (net of debt service restrictions), which is significantly in excess of the City's outstanding general obligation debt of \$2,610,000.

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

Additional information on the City's long-term debt can be found in Note 3D starting on page 61 of this report.

Economic Factors and Next Year's Budgets and Rates

- The December 2012 unemployment rate for Scott County was 5.1 percent, which is a decrease from a rate of 5.5 percent a year ago. This compares favorably to the State's average unemployment rate of 5.4 percent and the national average rate of 7.6 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 2013 fiscal year.

Property tax levy remained the same from 2012 to 2013. The debt levy was reduced by \$154,713 and taxes for operations were increased by \$154,713.

Water and sewer rates had been increased slowly over the years to meet improvement demands. Because of a reduction in capital and connection fees with the reduced growth in new housing starts, the rates have been increased more rapidly in the last few years. The total revenues from the utility rates were increased by 2% for 2013. The City did shift the rates for 2013 to reduce monthly flat fees \$2/month for both water and sewer while increasing the per thousand gallon fees. This was done to shift some of the burden from the low to the high users of the utility services. The City has a policy of studying the rates compared to cash balances yearly as part of its budget process and with each improvement project to ensure the rates will support the budget along with any new debt. The rate increases are expected to provide for repayment of debt issues for the projects and to cover costs of operating expenses. After a few years of more aggressive increases the revenues should strongly support the utility fund balances.

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF JORDAN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 6,105,182	\$ 2,300,878	\$ 8,406,060
Cash held with fiscal agent	1,234,126	1,137,827	2,371,953
Receivables			
Delinquent taxes	114,089	-	114,089
Accounts	38,171	324,104	362,275
Notes	7,500	-	7,500
Special assessments	755,773	12,312	768,085
Intergovernmental	155,356	96,723	252,079
Capital assets			
Nondepreciable	1,804,081	570,184	2,374,265
Depreciable, net of accumulated depreciation	11,079,230	30,307,300	41,386,530
TOTAL ASSETS	21,293,508	34,749,328	56,042,836
LIABILITIES			
Accounts and contracts payable	304,689	45,354	350,043
Due to other governments	818	1,110	1,928
Accrued interest payable	121,864	222,689	344,553
Accrued salaries payable	22,661	17,019	39,680
Unearned revenue	-	26,688	26,688
Noncurrent liabilities			
Due within one year	827,636	1,271,423	2,099,059
Due in more than one year	7,567,437	14,192,900	21,760,337
TOTAL LIABILITIES	8,845,105	15,777,183	24,622,288
NET POSITION			
Net investment in capital assets	5,542,580	16,584,003	22,126,583
Restricted for			
Debt service	2,678,858	1,763,261	4,442,119
Capital outlay/connections	-	624,881	624,881
Economic development	282,359	-	282,359
Tax increment activity	16,621	-	16,621
Unrestricted	3,927,985	-	3,927,985
TOTAL NET POSITION	\$ 12,448,403	\$ 18,972,145	\$ 31,420,548

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

CITY OF JORDAN, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 674,556	\$ 171,993	\$ -	\$ -
Public safety	1,478,052	426,018	267,021	1,539
Streets and highways	1,145,678	43,094	-	494,385
Culture and recreation	261,942	9,695	-	647,879
Economic development	105,019	-	-	-
Miscellaneous	105,420	1,000	-	-
Interest and other costs	308,603	-	-	-
Total governmental activities	4,079,270	651,800	267,021	1,143,803
Business-type activities				
Water	1,235,191	956,590	-	121,756
Sewer	1,112,758	985,347	-	180,842
Storm sewer	252,244	167,290	-	105,269
Total business-type activities	2,600,193	2,109,227	-	407,867
Totals	\$ 6,679,463	\$ 2,761,027	\$ 267,021	\$ 1,551,670

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

Change in net position

Net position, January 1 as restated

Net position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (502,563)		\$ (502,563)
(783,474)		(783,474)
(608,199)		(608,199)
395,632		395,632
(105,019)		(105,019)
(104,420)		(104,420)
(308,603)		(308,603)
<u>(2,016,646)</u>		<u>(2,016,646)</u>
	\$ (156,845)	(156,845)
	53,431	53,431
	<u>20,315</u>	<u>20,315</u>
	<u>(83,099)</u>	<u>(83,099)</u>
<u>(2,016,646)</u>	<u>(83,099)</u>	<u>(2,099,745)</u>
2,226,653	-	2,226,653
965,038	-	965,038
77,101	-	77,101
58,079	-	58,079
14,373	-	14,373
135,439	42,628	178,067
9,214	80,293	89,507
7,705	-	7,705
<u>3,493,602</u>	<u>122,921</u>	<u>3,616,523</u>
1,476,956	39,822	1,516,778
<u>10,971,447</u>	<u>18,932,323</u>	<u>29,903,770</u>
<u>\$ 12,448,403</u>	<u>\$ 18,972,145</u>	<u>\$ 31,420,548</u>

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FUND FINANCIAL STATEMENTS

CITY OF JORDAN
JORDAN, MINNEOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF JORDAN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Debt Service	Firehall Expansion Project	Park Improvement
ASSETS				
Cash and temporary investments	\$ 1,877,093	\$ 1,767,209	\$ 5,251	\$ 342,298
Cash held with fiscal agent	-	1,234,126	-	-
Receivables				
Delinquent taxes	114,089	-	-	-
Accounts	37,827	-	-	-
Notes	-	-	-	-
Special assessments	11,377	744,396	-	-
Intergovernmental	39,594	20,346	-	95,416
TOTAL ASSETS	<u>\$ 2,079,980</u>	<u>\$ 3,766,077</u>	<u>\$ 5,251</u>	<u>\$ 437,714</u>
LIABILITIES				
Accounts payable	\$ 218,429	\$ -	\$ 255	\$ 30,971
Due to other governments	818	-	-	-
Accrued interest	-	463	-	-
Accrued salaries payable	22,240	-	-	-
TOTAL LIABILITIES	<u>241,487</u>	<u>463</u>	<u>255</u>	<u>30,971</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	114,089	-	-	-
Unavailable revenue - special assessments	11,377	744,396	-	-
Unavailable revenue - notes	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>125,466</u>	<u>744,396</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for				
Debt service	-	3,021,218	-	-
Economic development	-	-	-	-
Tax increment activity	-	-	-	-
Committed for				
Special projects	-	-	-	-
Drug and alcohol enforcement	-	-	-	-
Assigned for				
Economic development	-	-	-	-
Special projects	-	-	-	-
Drug and alcohol enforcement	-	-	-	-
DARE program	-	-	-	-
Car seat program	-	-	-	-
Capital outlay	-	-	4,996	406,743
Unassigned	1,713,027	-	-	-
TOTAL FUND BALANCES	<u>1,713,027</u>	<u>3,021,218</u>	<u>4,996</u>	<u>406,743</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,079,980</u>	<u>\$ 3,766,077</u>	<u>\$ 5,251</u>	<u>\$ 437,714</u>

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

Library Building	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,113,331	\$ 6,105,182
-	-	1,234,126
-	-	114,089
-	344	38,171
-	7,500	7,500
-	-	755,773
-	-	155,356
<u>\$ -</u>	<u>\$ 2,121,175</u>	<u>\$ 8,410,197</u>
\$ -	\$ 55,034	\$ 304,689
-	-	818
-	-	463
-	421	22,661
-	55,455	328,631
-	-	114,089
-	-	755,773
-	7,500	7,500
-	7,500	877,362
-	-	3,021,218
-	274,859	274,859
-	16,621	16,621
-	172,162	172,162
-	9,290	9,290
-	138,752	138,752
-	17,358	17,358
-	3,642	3,642
-	4,720	4,720
-	2,050	2,050
-	1,418,766	1,830,505
-	-	1,713,027
-	2,058,220	7,204,204
<u>\$ -</u>	<u>\$ 2,121,175</u>	<u>\$ 8,410,197</u>

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CITY OF JORDAN, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

Total fund balances - governmental funds	\$ 7,204,204
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	12,883,311
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	(88,987)
Bonds payable	(8,151,379)
Premium on bonds issued, net of accumulated amortization	(154,707)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	114,089
Loans receivable	7,500
Special assessments receivable	755,773
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(121,401)</u>
Total net position - governmental activities	<u><u>\$ 12,448,403</u></u>

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

CITY OF JORDAN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Debt Service	Firehall Expansion Project	Park Improvement
REVENUES				
Taxes	\$ 2,219,302	\$ 965,038	\$ -	\$ -
Special assessments	4,985	328,237	-	-
Licenses and permits	168,575	-	-	-
Intergovernmental	532,465	-	-	612,872
Charges for services	395,575	-	-	-
Fines and forfeits	75,903	-	-	-
Investment earnings	72,302	27,002	212	3,735
Miscellaneous	10,214	-	-	-
TOTAL REVENUES	3,479,321	1,320,277	212	616,607
EXPENDITURES				
Current				
General government	662,064	-	-	-
Public safety	1,227,512	-	-	-
Streets and highways	371,129	156	-	-
Culture and recreation	145,826	-	-	-
Economic development	-	-	-	-
Miscellaneous	89,076	-	-	-
Capital outlay				
General government	8,557	-	-	-
Public safety	53,600	-	19,159	-
Streets and highways	35,000	-	-	-
Culture and recreation	5,000	-	-	721,527
Miscellaneous	3,056	-	-	-
Debt service				
Principal	75,000	867,403	-	-
Interest and other	2,430	267,188	-	-
Bond issuance costs	-	27,300	-	-
TOTAL EXPENDITURES	2,678,250	1,162,047	19,159	721,527
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	801,071	158,230	(18,947)	(104,920)
OTHER FINANCING SOURCES (USES)				
Sale of assets	7,705	-	-	-
Transfers in	-	-	-	362,233
Debt issued	-	965,355	-	-
Premium on bonds issued	-	42,977	-	-
Payment to refunded bond escrow agent	-	(1,675,000)	-	-
Transfers out	(780,638)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(772,933)	(666,668)	-	362,233
NET CHANGE IN FUND BALANCES	28,138	(508,438)	(18,947)	257,313
FUND BALANCES, JANUARY 1	1,684,889	3,529,656	23,943	149,430
FUND BALANCES, DECEMBER 31	\$ 1,713,027	\$ 3,021,218	\$ 4,996	\$ 406,743

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

Library Building	Other Governmental Funds	Totals
\$ -	\$ 124,136	\$ 3,308,476
-	-	333,222
-	-	168,575
-	-	1,145,337
-	11,819	407,394
-	11,747	87,650
-	32,188	135,439
-	208,740	218,954
<u>-</u>	<u>388,630</u>	<u>5,805,047</u>
-	-	662,064
-	21,070	1,248,582
-	118,023	489,308
-	-	145,826
-	93,644	93,644
-	-	89,076
-	-	8,557
-	-	72,759
-	160,753	195,753
1,000,000	51,852	1,778,379
-	-	3,056
-	-	942,403
-	-	269,618
-	-	27,300
<u>1,000,000</u>	<u>445,342</u>	<u>6,026,325</u>
<u>(1,000,000)</u>	<u>(56,712)</u>	<u>(221,278)</u>
-	-	7,705
-	418,405	780,638
1,000,000	-	1,965,355
-	-	42,977
-	-	(1,675,000)
-	-	(780,638)
<u>1,000,000</u>	<u>418,405</u>	<u>341,037</u>
-	361,693	119,759
-	1,696,527	7,084,445
<u>\$ -</u>	<u>\$ 2,058,220</u>	<u>\$ 7,204,204</u>

CITY OF JORDAN, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - governmental funds \$ 119,759

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	1,974,471
Depreciation expense	(933,764)

The net effect of various miscellaneous transactions involving capital assets
(i.e., sales, trade-ins, and donations) is to decrease net position. (13,288)

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 position. 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	2,617,403
Debt issued	(1,965,355)
Premium on bonds issued, net of amortization	(38,181)

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. (16,481)

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property taxes	18,395
Special assessments	(274,921)

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

Loans made	7,500
------------	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Loans written off	(18,875)
Compensated absences	293

Change in net position - governmental activities \$ 1,476,956

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

CITY OF JORDAN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,006,680	\$ 2,006,680	\$ 2,219,302	\$ 212,622
Special assessments	3,500	3,500	4,985	1,485
Licenses and permits	36,048	36,048	168,575	132,527
Intergovernmental	366,836	366,836	532,465	165,629
Charges for services	393,727	393,727	395,575	1,848
Fines and forfeits	67,000	67,000	75,903	8,903
Investment earnings	65,000	65,000	72,302	7,302
Miscellaneous	41,841	41,841	10,214	(31,627)
TOTAL REVENUES	2,980,632	2,980,632	3,479,321	498,689
EXPENDITURES				
Current				
General government	665,174	665,174	662,064	3,110
Public safety	1,229,247	1,229,247	1,227,512	1,735
Streets and highways	392,670	392,670	371,129	21,541
Culture and recreation	138,821	138,821	145,826	(7,005)
Miscellaneous	195,291	195,291	89,076	106,215
Capital outlay				
General government	9,000	9,000	8,557	443
Public safety	44,500	44,500	53,600	(9,100)
Streets and highways	35,000	35,000	35,000	-
Culture and recreation	10,000	10,000	5,000	5,000
Miscellaneous	5,500	5,500	3,056	2,444
Debt service				
Principal	81,500	81,500	75,000	6,500
Interest and other	2,431	2,431	2,430	1
TOTAL EXPENDITURES	2,809,134	2,809,134	2,678,250	130,884
EXCESS OF REVENUES OVER EXPENDITURES	171,498	171,498	801,071	629,573
OTHER FINANCING SOURCES (USES)				
Sale of assets	1,500	1,500	7,705	6,205
Transfers in	81,302	81,302	-	(81,302)
Transfers out	(254,300)	(254,300)	(780,638)	(526,338)
TOTAL OTHER FINANCING USES	(171,498)	(171,498)	(772,933)	(601,435)
NET CHANGE IN FUND BALANCES	-	-	28,138	28,138
FUND BALANCES, JANUARY 1	1,684,889	1,684,889	1,684,889	-
FUND BALANCES, DECEMBER 31	\$ 1,684,889	\$ 1,684,889	\$ 1,713,027	\$ 28,138

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

CITY OF JORDAN, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601/460/461		602/462/463	
	Water Utility		Sewer Utility	
	2012	Restated 2011	2012	Restated 2011
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,331,881	\$ 1,737,503	\$ 609,125	\$ 627,855
Cash held with fiscal agent	158,914	-	330,542	-
Receivables				
Accounts	124,705	139,959	170,625	155,531
Intergovernmental	48,517	42,752	48,206	42,773
TOTAL CURRENT ASSETS	1,664,017	1,920,214	1,158,498	826,159
NONCURRENT ASSETS				
Special assessments receivable - noncurrent	6,156	6,156	6,156	6,156
Capital assets, at cost				
Land	33,097	33,097	1,450	1,450
Buildings and improvements	10,896	10,896	45,069	45,069
Improvements other than buildings	5,541,538	5,541,538	11,369,176	11,369,176
Infrastructure	11,850,083	11,850,083	5,139,756	5,139,756
Machinery and equipment	314,004	189,025	246,694	227,173
Less accumulated depreciation	(3,958,947)	(3,587,658)	(5,865,981)	(5,498,940)
Total capital assets (net of accumulated depreciation)	13,790,671	14,036,981	10,936,164	11,283,684
TOTAL NONCURRENT ASSETS	13,796,827	14,043,137	10,942,320	11,289,840
TOTAL ASSETS	15,460,844	15,963,351	12,100,818	12,115,999
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	14,671	15,879	25,183	24,500
Due to other governments	1,110	-	-	-
Accrued interest payable	134,904	142,550	48,163	47,636
Accrued salaries payable	7,369	5,063	9,650	7,589
Compensated absences payable - current	18,611	22,722	32,586	31,894
Unearned revenue	26,688	26,888	-	-
Bonds payable - current	618,252	601,464	433,236	423,603
TOTAL CURRENT LIABILITIES	821,605	814,566	548,818	535,222
NONCURRENT LIABILITIES				
Bonds payable - noncurrent	7,552,595	8,007,853	4,303,558	4,397,766
TOTAL LIABILITIES	8,374,200	8,822,419	4,852,376	4,932,988
NET POSITION				
Net investment in capital assets	5,776,199	5,427,664	6,524,630	6,462,315
Restricted for				
Debt service	935,181	935,966	561,288	548,404
Capital outlay/connections	375,264	693,674	162,524	172,292
Unrestricted	-	83,628	-	-
TOTAL NET POSITION	\$ 7,086,644	\$ 7,140,932	\$ 7,248,442	\$ 7,183,011

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

Business-type Activities - Enterprise Funds

651/465

Storm Sewer Utility		Totals	
2012	Restated 2011	2012	Restated 2011
\$ 359,872	\$ 328,016	\$ 2,300,878	\$ 2,693,374
648,371	-	1,137,827	-
28,774	27,647	324,104	323,137
-	67	96,723	85,592
<u>1,037,017</u>	<u>355,730</u>	<u>3,859,532</u>	<u>3,102,103</u>
-	-	12,312	12,312
535,637	535,637	570,184	570,184
-	-	55,965	55,965
43,403	43,403	16,954,117	16,954,117
6,745,736	6,745,736	23,735,575	23,735,575
-	-	560,698	416,198
<u>(1,174,127)</u>	<u>(1,037,933)</u>	<u>(10,999,055)</u>	<u>(10,124,531)</u>
<u>6,150,649</u>	<u>6,286,843</u>	<u>30,877,484</u>	<u>31,607,508</u>
<u>6,150,649</u>	<u>6,286,843</u>	<u>30,889,796</u>	<u>31,619,820</u>
<u>7,187,666</u>	<u>6,642,573</u>	<u>34,749,328</u>	<u>34,721,923</u>
5,500	-	45,354	40,379
-	-	1,110	-
39,622	33,190	222,689	223,376
-	-	17,019	12,652
-	-	51,197	54,616
-	-	26,688	26,888
<u>168,738</u>	<u>160,530</u>	<u>1,220,226</u>	<u>1,185,597</u>
213,860	193,720	1,584,283	1,543,508
<u>2,336,747</u>	<u>1,840,473</u>	<u>14,192,900</u>	<u>14,246,092</u>
<u>2,550,607</u>	<u>2,034,193</u>	<u>15,777,183</u>	<u>15,789,600</u>
4,283,174	4,285,840	16,584,003	16,175,819
266,792	237,271	1,763,261	1,721,641
87,093	85,269	624,881	951,235
-	-	-	83,628
<u>\$ 4,637,059</u>	<u>\$ 4,608,380</u>	<u>\$ 18,972,145</u>	<u>\$ 18,932,323</u>

CITY OF JORDAN, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601/460/461 Water Utility		602/462/463 Sewer Utility	
	2012	Restated 2011	2012	Restated 2011
OPERATING REVENUES				
Charges for services	\$ 956,590	\$ 968,288	\$ 985,347	\$ 955,610
OPERATING EXPENSES				
Personal services	267,686	208,976	288,464	345,195
Supplies	87,144	80,241	135,123	141,236
Other services and charges	100,242	80,954	104,530	104,840
Insurance	17,862	17,774	14,769	13,231
Utilities	63,097	70,541	68,121	81,712
Depreciation	371,289	367,559	367,041	371,263
TOTAL OPERATING EXPENSES	907,320	826,045	978,048	1,057,477
OPERATING INCOME (LOSS)	49,270	142,243	7,299	(101,867)
NONOPERATING REVENUES (EXPENSES)				
Investment income	22,264	40,321	12,000	17,028
Rental income	80,293	78,485	-	-
Special assessments	550	31	550	31
Connection fees	90,984	25,452	135,054	37,499
Capital charges	30,222	31,041	45,238	40,991
Interest expense	(323,792)	(349,500)	(126,224)	(131,371)
Bond issuance costs	(4,423)	-	(9,199)	-
Amortization expense	344	344	713	714
TOTAL NONOPERATING REVENUES (EXPENSES)	(103,558)	(173,826)	58,132	(35,108)
CHANGE IN NET POSITION	(54,288)	(31,583)	65,431	(136,975)
NET POSITION, JANUARY 1 AS RESTATED	7,140,932	7,172,515	7,183,011	7,319,986
NET POSITION, DECEMBER 31 AS RESTATED	\$ 7,086,644	\$ 7,140,932	\$ 7,248,442	\$ 7,183,011

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

Business-type Activities - Enterprise Funds

651/465			
Storm Sewer Utility		Totals	
2012	Restated 2011	2012	Restated 2011
\$ 167,290	\$ 170,887	\$ 2,109,227	\$ 2,094,785
-	-	556,150	554,171
-	-	222,267	221,477
13,796	9,006	218,568	194,800
-	-	32,631	31,005
-	-	131,218	152,253
136,194	136,196	874,524	875,018
149,990	145,202	2,035,358	2,028,724
17,300	25,685	73,869	66,061
8,364	10,335	42,628	67,684
-	-	80,293	78,485
-	-	1,100	62
-	-	226,038	62,951
105,269	72,922	180,729	144,954
(85,612)	(79,114)	(535,628)	(559,985)
(18,043)	-	(31,665)	-
1,401	1,401	2,458	2,459
11,379	5,544	(34,047)	(203,390)
28,679	31,229	39,822	(137,329)
4,608,380	4,577,151	18,932,323	19,069,652
<u>\$ 4,637,059</u>	<u>\$ 4,608,380</u>	<u>\$ 18,972,145</u>	<u>\$ 18,932,323</u>

CITY OF JORDAN, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601/460/461		602/462/463	
	Water Utility		Sewer Utility	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 971,844	\$ 961,498	\$ 970,253	\$ 948,065
Payments to suppliers and vendors	(274,208)	(206,403)	(327,293)	(278,158)
Payments to and on behalf of employees	(269,491)	(207,014)	(285,711)	(339,643)
Other receipts	80,643	80,528	550	31
NET CASH PROVIDED BY OPERATING ACTIVITIES	508,788	628,609	357,799	330,295
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(124,979)	(21,654)	(19,521)	(7,620)
Connection fees received	90,984	26,071	135,054	38,118
Capital charges received	30,222	31,041	45,238	40,991
Principal paid on long-term debt	(601,463)	(568,660)	(423,603)	(413,938)
Interest and fees paid on long-term debt	(331,438)	(358,696)	(125,697)	(135,221)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(936,674)	(891,898)	(388,529)	(477,670)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	22,264	40,321	12,000	17,028
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(405,622)	(222,968)	(18,730)	(130,347)
CASH AND CASH EQUIVALENTS, JANUARY 1	1,737,503	1,960,471	627,855	758,202
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,331,881	\$ 1,737,503	\$ 609,125	\$ 627,855
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 49,270	\$ 142,243	\$ 7,299	\$ (101,867)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Other income related to operations	80,843	78,516	550	31
Depreciation	371,289	367,559	367,041	371,263
(Increase) decrease in assets				
Accounts receivable	15,254	(6,790)	(15,094)	(7,545)
Due from other governments	(5,765)	53,659	(5,433)	53,638
Increase (decrease) in liabilities				
Accounts payable	(1,208)	471	683	9,223
Due to other governments	1,110	(11,023)	-	-
Accrued wages payable	2,306	1,112	2,061	721
Compensated absences payable	(4,111)	850	692	4,831
Unearned revenue	(200)	2,012	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 508,788	\$ 628,609	\$ 357,799	\$ 330,295
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Bond discount (premium) amortization	\$ (344)	\$ (344)	\$ (713)	\$ (714)
Bond proceeds deposited in escrow, net of costs	156,375	-	325,260	-

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

Business-type Activities - Enterprise Funds

651/465			
Storm Sewer Utility		Totals	
2012	2011	2012	2011
\$ 166,163	\$ 169,546	\$ 2,108,260	\$ 2,079,109
(8,229)	(13,413)	(609,730)	(497,974)
-	-	(555,202)	(546,657)
-	-	81,193	80,559
<u>157,934</u>	<u>156,133</u>	<u>1,024,521</u>	<u>1,115,037</u>
-	-	(144,500)	(29,274)
-	-	226,038	64,189
105,269	72,922	180,729	144,954
(160,531)	(160,645)	(1,185,597)	(1,143,243)
(79,180)	(81,365)	(536,315)	(575,282)
<u>(134,442)</u>	<u>(169,088)</u>	<u>(1,459,645)</u>	<u>(1,538,656)</u>
<u>8,364</u>	<u>10,335</u>	<u>42,628</u>	<u>67,684</u>
31,856	(2,620)	(392,496)	(355,935)
<u>328,016</u>	<u>330,636</u>	<u>2,693,374</u>	<u>3,049,309</u>
<u>\$ 359,872</u>	<u>\$ 328,016</u>	<u>\$ 2,300,878</u>	<u>\$ 2,693,374</u>
\$ 17,300	\$ 25,685	\$ 73,869	\$ 66,061
-	-	81,393	78,547
136,194	136,196	874,524	875,018
(1,127)	(1,341)	(967)	(15,676)
67	(67)	(11,131)	107,230
5,500	(4,340)	4,975	5,354
-	-	1,110	(11,023)
-	-	4,367	1,833
-	-	(3,419)	5,681
-	-	(200)	2,012
<u>\$ 157,934</u>	<u>\$ 156,133</u>	<u>\$ 1,024,521</u>	<u>\$ 1,115,037</u>
\$ (1,401)	\$ (1,401)	\$ (2,458)	\$ (2,459)
638,010	-	1,119,645	-

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CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Jordan, (the City) operates under “Optional Plan A” as defined in the Minnesota statutes. The City is governed by an elected Mayor and a six-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are combined with data of the primary government. The blended component unit has a December 31 year end.

Blended component unit

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

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

B. Government-wide and fund financial statements

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

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

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

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

The *Park Improvement fund* accounts for costs related to the upgrades of the City's parks.

The *Library Building fund* accounts for costs related to the expansion of the library.

The City reports the following major proprietary funds:

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

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

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

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

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

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

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City are reported at fair value.

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

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

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment policy

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

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

- ***Credit Risk.*** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes and the City's investment policy limit the City's investments.
- ***Custodial Credit Risk.*** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- ***Concentration of Credit Risk.*** The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- ***Interest Rate Risk.*** The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio.

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

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

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

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

Liquidity The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonable anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

Yield The investment portfolio of the City 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 to offer financial institutions and companies within the City the opportunity to bid on investments; however the City will seek the best investment yields.

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

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

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

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2012. 20122012All trade receivables are shown net of an allowance for uncollectible accounts. All enterprise fund trade receivables are considered collectible because the City annually certifies delinquent accounts to the County for collection.

Special assessments

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

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Restricted assets

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

CITY OF JORDAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

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

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

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

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Salaried employees and hourly employees with tenure at the City of 15 years are eligible to be paid 30 percent of their accumulated sick pay at retirement. All vacation pay and a portion of sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Postemployment benefits other than pensions

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

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the City's fiscal year 2009. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. During 2012, the City calculated its OPEB liability using the alternative measurement method and determined that the calculated liability was immaterial. At this point, the City anticipates it will not incur material future explicit or implicit OPEB costs for its employees and, therefore, no liability will be recorded.

Deferred inflows of resources

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

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

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

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

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

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

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

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 55 percent of budgeted operating expenditures for cash-flow timing needs.

Net position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

Comparative data/reclassifications

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

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator/ Clerk/Treasurer so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator/Clerk/Treasurer. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. Budget amendments were made during the year to transfer contingency appropriations to various funds.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

At year end, the City's carrying amount of deposits was \$5,140,936 and the bank balance was \$5,238,652. Of the bank balance, \$5,022,857 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

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

Investments

As of December 31, 2012, 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	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Minnesota Municipal Money Market (4M) Fund	Not rated	less than 6 months	\$ 22,797
Broker Money Market Accounts	Not rated	less than 6 months	<u>1,856,542</u>
Total pooled investments			<u>1,879,339</u>
Non-pooled investments			
Municipal Bonds	A1	1-3 years	650,694
Municipal Bonds	AA2	1-3 years	<u>735,091</u>
Total non-pooled investments			<u>1,385,785</u>
Total investments			<u>\$ 3,265,124</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A N/A indicates not applicable or available.

Cash and investments summary

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

Deposits	\$ 5,140,936
Investments	3,265,124
Escrowed investments	<u>2,371,953</u>
Total	<u>\$ 10,778,013</u>
Cash and temporary investments	\$ 8,406,060
Escrowed investments	<u>2,371,953</u>
Total	<u>\$ 10,778,013</u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 738,279	\$ -	\$ -	\$ 738,279
Construction in progress	210,898	854,904	-	1,065,802
Total capital assets not being depreciated	949,177	854,904	-	1,804,081
Capital assets being depreciated				
Buildings and improvements	2,837,986	1,031,463	-	3,869,449
Infrastructure and improvements	13,579,396	-	-	13,579,396
Machinery and equipment	806,169	9,650	-	815,819
Vehicles	2,202,316	78,454	(68,508)	2,212,262
Total capital assets being depreciated	19,425,867	1,119,567	(68,508)	20,476,926
Less accumulated depreciation for				
Buildings and improvements	(568,830)	(92,618)	-	(661,448)
Infrastructure and improvements	(5,672,455)	(643,852)	-	(6,316,307)
Machinery and equipment	(636,253)	(65,355)	-	(701,608)
Vehicles	(1,641,614)	(131,939)	55,220	(1,718,333)
Total accumulated depreciation	(8,519,152)	(933,764)	55,220	(9,397,696)
Total capital assets being depreciated, net	10,906,715	185,803	(13,288)	11,079,230
Governmental activities capital assets, net	<u>\$ 11,855,892</u>	<u>\$ 1,040,707</u>	<u>\$ (13,288)</u>	<u>\$ 12,883,311</u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 570,184	\$ -	\$ -	\$ 570,184
Capital assets being depreciated				
Buildings	55,965	-	-	55,965
Improvements other than buildings	16,954,117	-	-	16,954,117
Infrastructure	23,735,575	-	-	23,735,575
Machinery and equipment	416,198	144,500	-	560,698
Total capital assets being depreciated	41,161,855	144,500	-	41,306,355
Less accumulated depreciation for				
Buildings	(55,965)	-	-	(55,965)
Improvements other than buildings	(6,403,721)	(377,472)	-	(6,781,193)
Infrastructure	(3,309,194)	(474,712)	-	(3,783,906)
Machinery and equipment	(355,651)	(22,340)	-	(377,991)
Total accumulated depreciation	(10,124,531)	(874,524)	-	(10,999,055)
Total capital assets being depreciated, net	31,037,324	(730,024)	-	30,307,300
Business-type activities capital assets, net	\$ 31,607,508	\$ (730,024)	\$ -	\$ 30,877,484

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

Governmental activities		
General government		\$ 9,638
Public safety		200,324
Streets and highways		656,701
Culture and recreation		67,101
Total depreciation expense - governmental activities		<u>\$ 933,764</u>
Business-type activities		
Water		\$ 371,289
Sewer		367,041
Storm sewer		136,194
Total depreciation expense - business-type activities		<u>\$ 874,524</u>

CITY OF JORDAN, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund transfers

The composition of interfund transfers for the year ended December 31, 2012 is as follows:

	Transfer in		
	Park Improvement	Nonmajor governmental	Total
Transfer out			
General fund	\$ 362,233	\$ 418,405	\$ 780,638

For the year ended December 31, 2012 the City made the following transfers:

- \$362,233 was transferred from the General fund to the Park Improvement fund to assist with the road reclaim project.
- \$33,000 was transferred from the General fund to the Fire Vehicle fund for future capital expenditures.
- \$110,560 was transferred from the General fund to the Municipal State Aid fund to pay for the Rice Street Bridge project.
- \$274,845 was transferred from the General fund to the Capital Projects Revolving fund (\$82,454), the Park Capital fund (\$54,968) and the City Facilities Capital fund (\$137,423) to transfer excess fund balance for future capital outlay needs.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. 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. Capital Improvement Bonds of 2008A	\$ 1,805,000	3.00 - 4.00 %	06/01/08	02/01/29	\$ 1,610,000
G.O. Taxable Library Note of 2012	1,000,000	3.07	05/08/12	02/01/32	<u>1,000,000</u>
Total G.O. Bonds					<u>\$ 2,610,000</u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2013	\$ 115,000	\$ 84,196	\$ 199,196
2014	108,000	88,680	196,680
2015	114,000	84,885	198,885
2016	115,000	80,969	195,969
2017	121,000	76,932	197,932
2018 - 2022	662,000	316,132	978,132
2023 - 2027	814,000	179,796	993,796
2028 - 2032	<u>561,000</u>	<u>39,035</u>	<u>600,035</u>
Total	<u>\$ 2,610,000</u>	<u>\$ 950,625</u>	<u>\$ 3,560,625</u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. special assessment (improvement) bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
G.O. Improvement					
Bonds of 2004A	\$ 4,935,000 *	3.20 - 4.35 %	05/01/04	02/01/14	\$ 1,361,024
G.O. Imp Refunding					
Bonds of 2008A	1,630,000	2.30 - 3.50	05/01/08	02/01/18	480,000
G.O Improvement Bonds of 2008B	1,275,000	2.50 - 4.40	08/01/08	02/01/24	1,090,000
G.O. Refunding					
Bonds of 2011A	3,635,000	2.50 - 3.00	08/01/12	02/01/20	1,645,000
G.O. Crossover Refunding					
Bonds of 2012A	2,085,000 *	2.00	04/01/12	02/01/20	<u>965,355</u>
Total governmental					<u>5,541,379</u>
Business-type					
G.O. Improvement					
Bonds of 2004A	4,935,000 *	3.20 - 4.35 %	05/01/04	02/01/14	1,583,976
G.O. Crossover Refunding					
Bonds of 2012A	2,085,000 *	2.00	04/01/12	02/01/20	<u>1,119,645</u>
Total business-type					<u>2,703,621</u>
Total G.O. Special Assessment Bonds					<u>\$ 8,245,000</u>

* Total amount of issuance, outstanding portions reported under governmental and business-type.

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

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 706,774	\$ 179,067	\$ 885,841	\$ 173,226	\$ 89,640	\$ 262,866
2014	1,704,249	149,864	1,854,113	1,410,751	75,841	1,486,592
2015	647,790	86,938	734,728	177,210	20,621	197,831
2016	662,420	68,177	730,597	182,580	17,023	199,603
2017	459,735	51,841	511,576	185,265	13,344	198,609
2018 - 2022	1,135,411	121,421	1,256,832	574,589	17,399	591,988
2023 - 2024	225,000	9,983	234,983	-	-	-
Total	<u>\$ 5,541,379</u>	<u>\$ 667,291</u>	<u>\$ 6,208,670</u>	<u>\$ 2,703,621</u>	<u>\$ 233,868</u>	<u>\$ 2,937,489</u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
PFA Loan Payable of 1998	\$ 307,917	3.54 %	11/02/98	08/20/18	\$ 120,000
PFA Loan Payable of 2000	6,849,212	2.20	05/30/00	08/20/21	3,532,000
PFA Loan Payable of 2003	1,068,000	2.82	06/30/03	08/20/23	653,000
G.O. Water Revenue Bonds of 2005A	1,140,000	2.75 - 4.30	05/01/05	02/01/21	755,000
G.O PIR Bonds of 2008B/Sewer	210,000	2.50 - 4.40	08/01/08	02/01/24	185,000
G.O PIR Bonds of 2008B/Water	230,000	2.50 - 4.40	08/01/08	02/01/24	195,000
G.O. PIR Bonds of 2008B/Storm	315,000	2.50 - 4.40	08/01/08	02/01/24	270,000
G.O. Utility Revenue Bonds of 2007A	8,610,000	4.00 - 4.25	09/01/07	02/01/23	<u>6,930,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 12,640,000</u></u>

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2013	\$ 1,047,000	\$ 435,214	\$ 1,482,214
2014	1,088,000	398,623	1,486,623
2015	1,118,000	360,550	1,478,550
2016	1,164,000	320,953	1,484,953
2017	1,201,000	279,701	1,480,701
2018 - 2022	6,044,000	746,061	6,790,061
2022 - 2024	<u>978,000</u>	<u>23,806</u>	<u>1,001,806</u>
Total	<u><u>\$ 12,640,000</u></u>	<u><u>\$ 2,564,908</u></u>	<u><u>\$ 15,204,908</u></u>

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Transfers/ Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$ 1,750,000	\$ 1,000,000	\$ (140,000)	\$ 2,610,000	\$ 115,000
General obligation special assessment bonds	7,053,427	965,355	(2,477,403)	5,541,379	706,774
Bond premium	116,526	42,977	(4,796)	154,707	-
Total bonds payable	8,919,953	2,008,332	(2,622,199)	8,306,086	821,774
Compensated absences payable	89,280	63,809	(64,102)	88,987	5,862
Governmental activity long-term liabilities	<u>\$ 9,009,233</u>	<u>\$ 2,072,141</u>	<u>\$ (2,686,301)</u>	<u>\$ 8,395,073</u>	<u>\$ 827,636</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 13,658,000	\$ -	\$ (1,018,000)	\$ 12,640,000	\$ 1,047,000
General obligation special assessment bonds	1,751,573	1,119,645	(167,597)	2,703,621	173,226
Bond premium	22,116	49,847	(2,458)	69,505	-
Total bonds payable	15,431,689	1,169,492	(1,188,055)	15,413,126	1,220,226
Compensated absences payable	54,616	36,769	(40,188)	51,197	51,197
Business-type activity long-term liabilities	<u>\$ 15,486,305</u>	<u>\$ 1,206,261</u>	<u>\$ (1,228,243)</u>	<u>\$ 15,464,323</u>	<u>\$ 1,271,423</u>

Crossover refunding

On April 1, 2012, the City issued General Obligation Improvement Refunding Bonds, Series 2012A for \$2,085,000. The Refunding Bonds were issued with a net interest cost of 1.1230912 percent to refund the maturities of the City's Crossover Refunding Bond, Series 2004A on February 1, 2014. The refunded bonds earned an average coupon rate of 2.0041335 percent. The savings information on the refunding bonds shows a net present value benefit for the City of \$139,516.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service.

For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

B. Funding policy

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. In 2012, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members, and 14.40 percent for PEPFF members. The City's contributions to the GERS for the years ending December 31, 2012, 2011 and 2010 were \$54,917, \$56,669, and \$53,595, respectively. The City's contributions to the PEPFF for the years ending December 31, 2012, 2011 and 2010 were \$79,326, \$70,709, and \$67,675, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

C. Defined contribution plan

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

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

The City's contributions to the PEDCP for the years ended December 31, 2012, 2011 and 2010 were \$960, \$960, and \$700, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

Note 5: OTHER INFORMATION

A. Risk management

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

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

B. 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.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 5: OTHER INFORMATION - CONTINUED

C. Legal debt margin

The City's statutory debt limit is three percent of estimated market value within the City of \$375,703,000. The City currently has \$2,610,000 of debt subject to this limit, leaving a debt margin of \$11,682,308 (net of debt service restrictions). Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by Minnesota statute.

D. Joint venture

The City is a member of a joint powers agreement consisting of seven member cities. Other members include the cities of Shakopee, Savage, Prior Lake, Elko, New Market, New Prague, and Belle Plaine. Each City shall appoint one individual to serve on the Scott Joint Prosecution Association Board (the Board) and the cities of New Market and Elko may each appoint a representative to serve on the Board with each of the representatives having one-half vote. Each member city contributes funds to cover their city's proportionate share of the costs of performing prosecution services. Contributions made by member cities for 2012 were as follows:

<u>City of</u>	<u>Amount Contributed</u>	<u>Percent</u>
Savage	\$ 43,311	18.2 %
Shakopee	98,343	41.4
Prior Lake	4,303	1.8
Jordan	15,998	6.7
Belle Plaine	20,871	8.8
New Prague	14,429	6.1
Elko New Market	<u>40,459</u>	<u>17.0</u>
Total	<u>\$ 237,714</u>	<u>100.0 %</u>

E. Tax increment districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 6: SUBSEQUENT EVENTS

On February 4, 2013, City Council approved two bond issues. The bonds, General Obligation Bonds, Series 2013A and General Obligation Refunding Bonds, Series 2013B, were issued for \$1,225,000 and \$4,200,000 and have true interest rates of 1.0636 percent and 1.4811 percent, respectively.

The Series 2013A issue consisted of \$580,000 for a pumper fire truck and the remaining amount was a refunding for the 2005A Revenue Bonds. The townships in the fire district will pay 42 percent of the cost of the fire truck/debt. The truck was ordered to be made by the City Council as of year-end. The estimated date the truck chassis will be delivered with estimated payment of \$175,000 due on that portion is May 1, 2013. At that time the truck will start to be fully constructed and outfitted. The estimated completion and delivery date of the truck is August 1, 2013. At that time the remaining balance of \$405,000 will be due.

Note 7: CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2012, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” and Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2012 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2010 balances to the December 31, 2011 financial statements:

Fund	Net Position December 31, 2010 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2011 as Restated
Governmental activities	\$ 10,509,351	\$ (107,875)	\$ 10,401,476
Proprietary funds	\$ 19,164,134	\$ (94,482)	\$ 19,069,652
Proprietary funds			
Water Utility	\$ 7,235,389	\$ (62,874)	\$ 7,172,515
Wastewater Treatment	7,330,504	(10,518)	7,319,986
Storm Sewer	4,598,241	(21,090)	4,577,151
Total proprietary funds	\$ 19,164,134	\$ (94,482)	\$ 19,069,652

(1) Write off of unamortized bond issuance cost balances at December 31, 2010.

CITY OF JORDAN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 7: CHANGE IN ACCOUNTING PRINCIPLE - CONTINUED

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011 balances to the December 31, 2012 financial statements:

Fund	December 31, 2012		
	Net Position December 31, 2011 as Previously Reported	Prior Period Restatement (2)	Net Position January 1, 2012 as Restated
Governmental activities	\$ 11,109,736	\$ (138,289)	\$ 10,971,447
Proprietary funds	\$ 19,018,652	\$ (86,329)	\$ 18,932,323
Proprietary funds			
Water Utility	\$ 7,198,570	\$ (57,638)	\$ 7,140,932
Wastewater Treatment	7,192,557	(9,546)	7,183,011
Storm Sewer	4,627,525	(19,145)	4,608,380
Total proprietary funds	\$ 19,018,652	\$ (86,329)	\$ 18,932,323

- (2) Write off of any bond issuance cost activity for the year ended December 31, 2011 plus unamortized bond issuance costs at December 31, 2010.

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

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF JORDAN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Funds</u>
ASSETS			
Cash and temporary investments	\$ 683,774	\$ 1,429,557	\$ 2,113,331
Receivables			
Accounts	-	344	344
Notes	7,500	-	7,500
	<u>7,500</u>	<u>-</u>	<u>7,500</u>
TOTAL ASSETS	<u>\$ 691,274</u>	<u>\$ 1,429,901</u>	<u>\$ 2,121,175</u>
LIABILITIES			
Accounts payable	\$ 43,899	\$ 11,135	\$ 55,034
Accrued salaries payable	421	-	421
	<u>421</u>	<u>-</u>	<u>421</u>
TOTAL LIABILITIES	<u>44,320</u>	<u>11,135</u>	<u>55,455</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - notes	7,500	-	7,500
	<u>7,500</u>	<u>-</u>	<u>7,500</u>
FUND BALANCES			
Restricted for			
Economic development	274,859	-	274,859
Tax increment activity	16,621	-	16,621
Committed for			
Special projects	172,162	-	172,162
Drug and alcohol enforcement	9,290	-	9,290
Assigned for			
Economic development	138,752	-	138,752
Special projects	17,358	-	17,358
Drug and alcohol enforcement	3,642	-	3,642
DARE program	4,720	-	4,720
Car seat program	2,050	-	2,050
Capital outlay	-	1,418,766	1,418,766
	<u>-</u>	<u>1,418,766</u>	<u>1,418,766</u>
TOTAL FUND BALANCES	<u>639,454</u>	<u>1,418,766</u>	<u>2,058,220</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 691,274</u>	<u>\$ 1,429,901</u>	<u>\$ 2,121,175</u>

CITY OF JORDAN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Funds
REVENUES			
Taxes	\$ 124,136	\$ -	\$ 124,136
Charges for services	-	11,819	11,819
Fines and forfeits	11,747	-	11,747
Investment earnings	9,770	22,418	32,188
Miscellaneous	173,733	35,007	208,740
	<u>319,386</u>	<u>69,244</u>	<u>388,630</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	21,070	-	21,070
Streets and highways	118,023	-	118,023
Economic development	93,644	-	93,644
Capital outlay			
Streets and highways	-	160,753	160,753
Culture and recreation	-	51,852	51,852
	<u>232,737</u>	<u>212,605</u>	<u>445,342</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	86,649	(143,361)	(56,712)
OTHER FINANCING SOURCES			
Transfers in	110,560	307,845	418,405
	<u>110,560</u>	<u>307,845</u>	<u>418,405</u>
NET CHANGE IN FUND BALANCES	197,209	164,484	361,693
FUND BALANCES, JANUARY 1	442,245	1,254,282	1,696,527
	<u>442,245</u>	<u>1,254,282</u>	<u>1,696,527</u>
FUND BALANCES, DECEMBER 31	\$ 639,454	\$ 1,418,766	\$ 2,058,220
	<u>\$ 639,454</u>	<u>\$ 1,418,766</u>	<u>\$ 2,058,220</u>

CITY OF JORDAN, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	603	204	215	216
	Economic Development Authority	Contributions and Donations	Police Forfeiture	Police Dare Program
ASSETS				
Cash and temporary investments	\$ 418,716	\$ 199,520	\$ 12,932	\$ 4,720
Receivables				
Notes	7,500	-	-	-
TOTAL ASSETS	<u>\$ 426,216</u>	<u>\$ 199,520</u>	<u>\$ 12,932</u>	<u>\$ 4,720</u>
LIABILITIES				
Accounts payable	\$ 4,684	\$ 10,000	\$ -	\$ -
Accrued salaries payable	421	-	-	-
TOTAL LIABILITIES	<u>5,105</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - notes	7,500	-	-	-
FUND BALANCES				
Restricted for				
Economic development	274,859	-	-	-
Tax increment activity	-	-	-	-
Committed for				
Special projects	-	172,162	-	-
Drug and alcohol enforcement	-	-	9,290	-
Assigned for				
Economic development	138,752	-	-	-
Special projects	-	17,358	-	-
Drug and alcohol enforcement	-	-	3,642	-
DARE program	-	-	-	4,720
Car seat program	-	-	-	-
TOTAL FUND BALANCES	<u>413,611</u>	<u>189,520</u>	<u>12,932</u>	<u>4,720</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 426,216</u>	<u>\$ 199,520</u>	<u>\$ 12,932</u>	<u>\$ 4,720</u>

217	212	427	442	443	
Police Car Seat	Municipal State Aid	Broadway Market TIF Project	Jordan Center TIF Project	Jordan Valley Townhomes TIF	Totals
\$ 2,050	\$ -	\$ 5,339	\$ 17,954	\$ 22,543	\$ 683,774
-	-	-	-	-	7,500
<u>\$ 2,050</u>	<u>\$ -</u>	<u>\$ 5,339</u>	<u>\$ 17,954</u>	<u>\$ 22,543</u>	<u>\$ 691,274</u>
\$ -	\$ -	\$ 4,864	\$ 10,502	\$ 13,849	\$ 43,899
-	-	-	-	-	421
-	-	4,864	10,502	13,849	44,320
-	-	-	-	-	7,500
-	-	-	-	-	274,859
-	-	475	7,452	8,694	16,621
-	-	-	-	-	172,162
-	-	-	-	-	9,290
-	-	-	-	-	138,752
-	-	-	-	-	17,358
-	-	-	-	-	3,642
-	-	-	-	-	4,720
2,050	-	-	-	-	2,050
<u>2,050</u>	<u>-</u>	<u>475</u>	<u>7,452</u>	<u>8,694</u>	<u>639,454</u>
<u>\$ 2,050</u>	<u>\$ -</u>	<u>\$ 5,339</u>	<u>\$ 17,954</u>	<u>\$ 22,543</u>	<u>\$ 691,274</u>

CITY OF JORDAN, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	603	204	215	216
	Economic Development Authority	Contributions and Donations	Police Forfeiture	Police Dare Program
REVENUES				
Taxes				
Property taxes	\$ 59,215	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Fines and forfeits	-	-	11,490	257
Investment earnings	7,124	1,668	161	72
Miscellaneous				
Contributions and donations	-	173,164	-	239
TOTAL REVENUES	66,339	174,832	11,651	568
EXPENDITURES				
Current				
Public safety	-	13,920	3,994	824
Streets and highways	-	-	-	-
Economic development	35,215	-	-	-
TOTAL EXPENDITURES	35,215	13,920	3,994	824
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	31,124	160,912	7,657	(256)
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
NET CHANGE IN FUND BALANCES	31,124	160,912	7,657	(256)
FUND BALANCES, JANUARY 1	382,487	28,608	5,275	4,976
FUND BALANCES, DECEMBER 31	\$ 413,611	\$ 189,520	\$ 12,932	\$ 4,720

217	212	427	442	443	
Police Car Seat	Municipal State Aid	Broadway Market TIF Project	Jordan Center TIF Project	Jordan Valley Townhomes TIF	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,215
-	-	10,808	23,338	30,775	64,921
-	-	-	-	-	11,747
66	62	60	250	307	9,770
<u>330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,733</u>
<u>396</u>	<u>62</u>	<u>10,868</u>	<u>23,588</u>	<u>31,082</u>	<u>319,386</u>
2,332	-	-	-	-	21,070
-	118,023	-	-	-	118,023
<u>-</u>	<u>-</u>	<u>9,727</u>	<u>21,005</u>	<u>27,697</u>	<u>93,644</u>
<u>2,332</u>	<u>118,023</u>	<u>9,727</u>	<u>21,005</u>	<u>27,697</u>	<u>232,737</u>
(1,936)	(117,961)	1,141	2,583	3,385	86,649
<u>-</u>	<u>110,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,560</u>
(1,936)	(7,401)	1,141	2,583	3,385	197,209
<u>3,986</u>	<u>7,401</u>	<u>(666)</u>	<u>4,869</u>	<u>5,309</u>	<u>442,245</u>
<u>\$ 2,050</u>	<u>\$ -</u>	<u>\$ 475</u>	<u>\$ 7,452</u>	<u>\$ 8,694</u>	<u>\$ 639,454</u>

CITY OF JORDAN, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	401	230	425	450	423
	Capital Projects Revolving	Emergency Siren	Fire Vehicle	Development District No. 1	190th Street Construction Project
ASSETS					
Cash and temporary investments	\$ 225,056	\$ 1,995	\$ 11,984	\$ 7,343	\$ 154,573
Receivables					
Accounts	-	-	-	-	-
TOTAL ASSETS	<u>\$ 225,056</u>	<u>\$ 1,995</u>	<u>\$ 11,984</u>	<u>\$ 7,343</u>	<u>\$ 154,573</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Assigned for					
Capital outlay	<u>225,056</u>	<u>1,995</u>	<u>11,984</u>	<u>7,343</u>	<u>154,573</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 225,056</u>	<u>\$ 1,995</u>	<u>\$ 11,984</u>	<u>\$ 7,343</u>	<u>\$ 154,573</u>

464	424	454	453	455	456	
Street Equipment Fee	CR 61 and CR 66 Construction	Park Equipment Improvement	Park Capital	2010 Basketball Court	City Facilities Capital	Totals
\$ 47,960	\$ 371,090	\$ 91,553	\$ 141,088	\$ 771	\$ 376,144	\$ 1,429,557
-	-	344	-	-	-	344
<u>\$ 47,960</u>	<u>\$ 371,090</u>	<u>\$ 91,897</u>	<u>\$ 141,088</u>	<u>\$ 771</u>	<u>\$ 376,144</u>	<u>\$ 1,429,901</u>
\$ -	\$ 11,135	\$ -	\$ -	\$ -	\$ -	\$ 11,135
<u>47,960</u>	<u>359,955</u>	<u>91,897</u>	<u>141,088</u>	<u>771</u>	<u>376,144</u>	<u>1,418,766</u>
<u>\$ 47,960</u>	<u>\$ 371,090</u>	<u>\$ 91,897</u>	<u>\$ 141,088</u>	<u>\$ 771</u>	<u>\$ 376,144</u>	<u>\$ 1,429,901</u>

CITY OF JORDAN, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	401	230	425	450	423
	Capital Projects Revolving	Emergency Siren	Fire Vehicle	Development District No. 1	190th Street Construction Project
REVENUES					
Charges for services					
Streets and highways	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	2,663	38	224	136	2,881
Miscellaneous					
Contributions and donations	-	-	-	-	-
TOTAL REVENUES	2,663	38	224	136	2,881
EXPENDITURES					
Capital outlay					
Streets and highways	366	-	-	-	-
Culture and recreation	-	-	-	-	-
TOTAL EXPENDITURES	366	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,297	38	224	136	2,881
OTHER FINANCING SOURCES					
Transfers in	82,454	-	33,000	-	-
NET CHANGE IN FUND BALANCES	84,751	38	33,224	136	2,881
FUND BALANCES, JANUARY 1	140,305	1,957	(21,240)	7,207	151,692
FUND BALANCES, DECEMBER 31	<u>\$ 225,056</u>	<u>\$ 1,995</u>	<u>\$ 11,984</u>	<u>\$ 7,343</u>	<u>\$ 154,573</u>

464	424	454	453	455	456	
Street Equipment Fee	CR 61 and CR 66 Construction	Park Equipment Improvement	Park Capital	2010 Basketball Court	City Facilities Capital	Totals
\$ 11,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,819
98	8,328	1,877	1,719	6	4,448	22,418
-	-	34,998	-	9	-	35,007
<u>11,917</u>	<u>8,328</u>	<u>36,875</u>	<u>1,719</u>	<u>15</u>	<u>4,448</u>	<u>69,244</u>
-	160,387	-	-	-	-	160,753
-	-	42,157	9,695	-	-	51,852
-	160,387	42,157	9,695	-	-	212,605
11,917	(152,059)	(5,282)	(7,976)	15	4,448	(143,361)
-	-	-	54,968	-	137,423	307,845
11,917	(152,059)	(5,282)	46,992	15	141,871	164,484
<u>36,043</u>	<u>512,014</u>	<u>97,179</u>	<u>94,096</u>	<u>756</u>	<u>234,273</u>	<u>1,254,282</u>
<u>\$ 47,960</u>	<u>\$ 359,955</u>	<u>\$ 91,897</u>	<u>\$ 141,088</u>	<u>\$ 771</u>	<u>\$ 376,144</u>	<u>\$ 1,418,766</u>

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CITY OF JORDAN, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Cash and temporary investments	\$ 1,877,093	\$ 1,794,988
Receivables		
Delinquent taxes	114,089	95,694
Accounts	37,827	59,920
Special assessments		
Delinquent	2,190	2,113
Noncurrent	9,187	14,047
Intergovernmental	39,594	34,669
 TOTAL ASSETS	 \$ 2,079,980	 \$ 2,001,431
 LIABILITIES		
Accounts payable	\$ 218,429	\$ 183,394
Accrued salaries payable	22,240	20,577
Due to other governments	818	717
 TOTAL LIABILITIES	 241,487	 204,688
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	114,089	95,694
Unavailable revenue - special assessments	11,377	16,160
 TOTAL DEFERRED INFLOWS OF RESOURCES	 125,466	 111,854
 FUND BALANCES		
Unassigned	1,713,027	1,684,889
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 2,079,980	 \$ 2,001,431

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 1,960,680	\$ 1,960,680	\$ 2,161,223	\$ 200,543	\$ 2,002,429
Cable franchise fees	46,000	46,000	58,079	12,079	49,144
Total taxes	<u>2,006,680</u>	<u>2,006,680</u>	<u>2,219,302</u>	<u>212,622</u>	<u>2,051,573</u>
Special assessments	<u>3,500</u>	<u>3,500</u>	<u>4,985</u>	<u>1,485</u>	<u>18,094</u>
Licenses and permits					
Business	21,550	21,550	17,383	(4,167)	19,100
Nonbusiness	<u>14,498</u>	<u>14,498</u>	<u>151,192</u>	<u>136,694</u>	<u>117,697</u>
Total licenses and permits	<u>36,048</u>	<u>36,048</u>	<u>168,575</u>	<u>132,527</u>	<u>136,797</u>
Intergovernmental					
Federal					
FEMA grant	-	-	-	-	1,409
State					
Property tax credits and aids	-	-	233	233	7,078
Fire aid	29,000	29,000	30,508	1,508	-
Police aid	58,140	58,140	45,308	(12,832)	-
Municipal state aid - streets	225,000	225,000	424,265	199,265	59,239
Other state aids	<u>13,196</u>	<u>13,196</u>	<u>32,151</u>	<u>18,955</u>	<u>97,694</u>
Total State	<u>325,336</u>	<u>325,336</u>	<u>532,465</u>	<u>207,129</u>	<u>164,011</u>
Total intergovernmental	<u>366,836</u>	<u>366,836</u>	<u>532,465</u>	<u>165,629</u>	<u>165,420</u>
Charges for services					
General government	162,242	162,242	152,910	(9,332)	138,495
Public safety	185,980	185,980	188,876	2,896	169,075
Streets and highways	44,405	44,405	38,184	(6,221)	40,897
Sanitation	-	-	4,910	4,910	1
Culture and recreation	500	500	9,695	9,195	8,562
Other	<u>600</u>	<u>600</u>	<u>1,000</u>	<u>400</u>	<u>39</u>
Total charges for services	<u>393,727</u>	<u>393,727</u>	<u>395,575</u>	<u>1,848</u>	<u>357,069</u>
Fines and forfeits	<u>67,000</u>	<u>67,000</u>	<u>75,903</u>	<u>8,903</u>	<u>96,017</u>
Investment earnings	<u>65,000</u>	<u>65,000</u>	<u>72,302</u>	<u>7,302</u>	<u>(35,104)</u>
Miscellaneous					
Other	18,941	18,941	3,077	(15,864)	290
Rents	12,900	12,900	7,816	(5,084)	1,150
Contributions and donations	-	-	1,000	1,000	-
Refunds and reimbursements	-	-	(1,679)	(1,679)	63
TIF development revenue	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Total miscellaneous	<u>41,841</u>	<u>41,841</u>	<u>10,214</u>	<u>(31,627)</u>	<u>1,503</u>
TOTAL REVENUES	<u>2,980,632</u>	<u>2,980,632</u>	<u>3,479,321</u>	<u>498,689</u>	<u>2,791,369</u>

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 29,270	\$ 29,270	\$ 29,486	\$ (216)	\$ 29,428
Supplies	350	350	394	(44)	810
Other services and charges	23,850	23,850	25,732	(1,882)	20,776
Total Mayor and Council	<u>53,470</u>	<u>53,470</u>	<u>55,612</u>	<u>(2,142)</u>	<u>51,014</u>
City administration					
Personal services	77,994	77,994	77,627	367	78,311
Supplies	2,350	2,350	1,386	964	2,414
Other services and charges	11,600	11,600	11,369	231	8,857
Total city administration	<u>91,944</u>	<u>91,944</u>	<u>90,382</u>	<u>1,562</u>	<u>89,582</u>
Elections					
Personal services	3,575	3,575	2,979	596	-
Supplies	675	675	197	478	-
Other services	1,000	1,000	1,392	(392)	-
Total elections	<u>5,250</u>	<u>5,250</u>	<u>4,568</u>	<u>682</u>	<u>-</u>
Financial administration					
Personal services	39,677	39,677	40,343	(666)	40,463
Supplies	1,700	1,700	1,560	140	1,728
Other services and charges	58,525	58,525	50,981	7,544	65,020
Total financial administration	<u>99,902</u>	<u>99,902</u>	<u>92,884</u>	<u>7,018</u>	<u>107,211</u>
Legal					
Other services	138,000	138,000	142,837	(4,837)	202,318
Deputy registrar					
Personal services	90,751	90,751	80,049	10,702	89,796
Supplies	650	650	777	(127)	564
Other services and charges	2,750	2,750	1,302	1,448	1,809
Total deputy registrar	<u>94,151</u>	<u>94,151</u>	<u>82,128</u>	<u>12,023</u>	<u>92,169</u>
Planning and zoning					
Personal services	91,982	91,982	90,212	1,770	85,557
Supplies	775	775	902	(127)	264
Other services and charges	58,250	58,250	77,917	(19,667)	60,224
Total planning and zoning	<u>151,007</u>	<u>151,007</u>	<u>169,031</u>	<u>(18,024)</u>	<u>146,045</u>
General government building					
Supplies	1,950	1,950	699	1,251	1,259
Other services and charges	29,500	29,500	23,923	5,577	25,193
Total general government building	<u>31,450</u>	<u>31,450</u>	<u>24,622</u>	<u>6,828</u>	<u>26,452</u>
Total general government	<u>665,174</u>	<u>665,174</u>	<u>662,064</u>	<u>3,110</u>	<u>714,791</u>

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police					
Personal services	\$ 833,516	\$ 833,516	\$ 806,730	\$ 26,786	\$ 745,301
Supplies	49,200	49,200	44,677	4,523	46,696
Other services and charges	40,500	40,500	44,761	(4,261)	32,679
Total police	<u>923,216</u>	<u>923,216</u>	<u>896,168</u>	<u>27,048</u>	<u>824,676</u>
Fire					
Personal services	130,605	130,605	138,606	(8,001)	132,264
Supplies	34,000	34,000	40,644	(6,644)	33,694
Other services and charges	86,566	86,566	88,141	(1,575)	81,609
Total fire	<u>251,171</u>	<u>251,171</u>	<u>267,391</u>	<u>(16,220)</u>	<u>247,567</u>
Building inspection					
Supplies	200	200	-	200	-
Other services	33,510	33,510	42,404	(8,894)	21,173
Total building inspection	<u>33,710</u>	<u>33,710</u>	<u>42,404</u>	<u>(8,694)</u>	<u>21,173</u>
Civil defense					
Other services and charges	9,000	9,000	10,011	(1,011)	9,606
Animal control					
Supplies	150	150	-	150	-
Other services	12,000	12,000	11,538	462	11,824
Total animal control	<u>12,150</u>	<u>12,150</u>	<u>11,538</u>	<u>612</u>	<u>11,824</u>
Total public safety	<u>1,229,247</u>	<u>1,229,247</u>	<u>1,227,512</u>	<u>1,735</u>	<u>1,114,846</u>
Streets and highways					
Street maintenance					
Personal services	176,470	176,470	170,577	5,893	178,195
Supplies	75,000	75,000	72,186	2,814	68,230
Other services and charges	141,200	141,200	128,366	12,834	129,671
Total streets and highways	<u>392,670</u>	<u>392,670</u>	<u>371,129</u>	<u>21,541</u>	<u>376,096</u>
Culture and recreation					
Parks					
Personal services	43,131	43,131	44,516	(1,385)	43,198
Supplies	25,000	25,000	31,627	(6,627)	22,387
Other services and charges	38,700	38,700	43,171	(4,471)	42,034
Total parks	<u>106,831</u>	<u>106,831</u>	<u>119,314</u>	<u>(12,483)</u>	<u>107,619</u>
Recreation					
Other charges	21,490	21,490	15,822	5,668	21,709

CITY OF JORDAN, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Library					
Supplies	\$ 300	\$ 300	\$ 340	\$ (40)	\$ 162
Other services and charges	10,200	10,200	10,350	(150)	10,444
Total library	10,500	10,500	10,690	(190)	10,606
Total culture and recreation	138,821	138,821	145,826	(7,005)	139,934
Miscellaneous					
Unallocated					
Supplies	13,100	13,100	3,677	9,423	7,246
Other services and charges	182,191	182,191	85,399	96,792	82,689
Total miscellaneous	195,291	195,291	89,076	106,215	89,935
Total current	2,621,203	2,621,203	2,495,607	125,596	2,435,602
Capital outlay					
General government	9,000	9,000	8,557	443	9,937
Public safety	44,500	44,500	53,600	(9,100)	61,027
Culture and recreation	10,000	10,000	5,000	5,000	5,000
Miscellaneous	5,500	5,500	3,056	2,444	8,834
Total capital outlay	104,000	104,000	105,213	(1,213)	84,798
Debt service					
Principal	81,500	81,500	75,000	6,500	75,000
Interest	2,431	2,431	2,430	1	5,684
Total debt service	83,931	83,931	77,430	6,501	80,684
TOTAL EXPENDITURES	2,809,134	2,809,134	2,678,250	130,884	2,601,084
EXCESS OF REVENUES OVER EXPENDITURES	171,498	171,498	801,071	629,573	190,285
OTHER FINANCING SOURCES (USES)					
Sale of assets	1,500	1,500	7,705	6,205	210
Transfers in	81,302	81,302	-	(81,302)	-
Transfers out	(254,300)	(254,300)	(780,638)	(526,338)	(195,725)
TOTAL OTHER FINANCING SOURCES (USES)	(171,498)	(171,498)	(772,933)	(601,435)	(195,515)
NET CHANGE IN FUND BALANCES	-	-	28,138	28,138	(5,230)
FUND BALANCES, JANUARY 1	1,684,889	1,684,889	1,684,889	-	1,690,119
FUND BALANCES, DECEMBER 31	\$ 1,684,889	\$ 1,684,889	\$ 1,713,027	\$ 28,138	\$ 1,684,889

CITY OF JORDAN, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012
(With Comparative Totals for December 31, 2011)

	324	327	328
	2004A G.O. Improvement Bonds	2008B G.O. Improvement Bonds	2008 G.O. Refunding Bonds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 755,041	\$ 169,035	\$ 291,002
Cash held with fiscal agent	-	-	-
Receivables			
Special assessments			
Delinquent	-	-	1,245
Noncurrent	388,542	68,954	15,731
Intergovernmental	<u>15,489</u>	<u>569</u>	<u>487</u>
TOTAL ASSETS	<u><u>\$ 1,159,072</u></u>	<u><u>\$ 238,558</u></u>	<u><u>\$ 308,465</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued interest payable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	<u>388,542</u>	<u>68,954</u>	<u>16,976</u>
FUND BALANCES			
Restricted for			
Debt service	<u>770,530</u>	<u>169,604</u>	<u>291,489</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 1,159,072</u></u>	<u><u>\$ 238,558</u></u>	<u><u>\$ 308,465</u></u>

329 2008A G.O. Capital Improvement Bonds	330 2011A G.O. Refunding Bonds	331 2012A G.O. Refunding Bonds	Totals	
			2012	2011
\$ 53,162	\$ 751,338	\$ (252,369)	\$ 1,767,209	\$ 3,530,319
-	-	1,234,126	1,234,126	-
-	34,930	-	36,175	32,946
-	234,994	-	708,221	981,588
-	3,801	-	20,346	537
<u>\$ 53,162</u>	<u>\$ 1,025,063</u>	<u>\$ 981,757</u>	<u>\$ 3,766,077</u>	<u>\$ 4,545,390</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,200
-	-	463	463	-
-	-	463	463	1,200
-	269,924	-	744,396	1,014,534
<u>53,162</u>	<u>755,139</u>	<u>981,294</u>	<u>3,021,218</u>	<u>3,529,656</u>
<u>\$ 53,162</u>	<u>\$ 1,025,063</u>	<u>\$ 981,757</u>	<u>\$ 3,766,077</u>	<u>\$ 4,545,390</u>

CITY OF JORDAN, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	324	327	328
	2004A G.O. Improvement Bonds	2008B G.O. Improvement Bonds	2008 G.O. Refunding Bonds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes			
Property taxes	\$ 109,564	\$ 104,544	\$ 298,982
Special assessments	160,847	14,012	7,276
Investment earnings	<u>5,247</u>	<u>1,960</u>	<u>7,008</u>
TOTAL REVENUES	<u>275,658</u>	<u>120,516</u>	<u>313,266</u>
EXPENDITURES			
Current			
Streets and highways	-	-	-
Debt service			
Principal	142,403	70,000	275,000
Interest and other costs	60,562	45,437	23,650
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>202,965</u>	<u>115,437</u>	<u>298,650</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>72,693</u>	<u>5,079</u>	<u>14,616</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	72,693	5,079	14,616
FUND BALANCES, JANUARY 1	<u>697,837</u>	<u>164,525</u>	<u>276,873</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 770,530</u></u>	<u><u>\$ 169,604</u></u>	<u><u>\$ 291,489</u></u>

329 2008A G.O. Capital Improvement Bonds	330 2011A G.O. Refunding Bonds	331 2012A G.O. Refunding Bonds	Totals	
			2012	2011
\$ 69,775	\$ 382,173	\$ -	\$ 965,038	\$ 1,016,208
-	146,102	-	328,237	240,525
537	11,988	262	27,002	63,304
<u>70,312</u>	<u>540,263</u>	<u>262</u>	<u>1,320,277</u>	<u>1,320,037</u>
-	156	-	156	-
65,000	315,000	-	867,403	954,757
64,386	73,153	-	267,188	305,845
-	-	27,300	27,300	33,038
<u>129,386</u>	<u>388,309</u>	<u>27,300</u>	<u>1,162,047</u>	<u>1,293,640</u>
<u>(59,074)</u>	<u>151,954</u>	<u>(27,038)</u>	<u>158,230</u>	<u>26,397</u>
-	-	-	-	612,440
-	-	965,355	965,355	1,645,000
-	-	42,977	42,977	73,364
-	(1,675,000)	-	(1,675,000)	-
-	-	-	-	(390,135)
<u>-</u>	<u>(1,675,000)</u>	<u>1,008,332</u>	<u>(666,668)</u>	<u>1,940,669</u>
(59,074)	(1,523,046)	981,294	(508,438)	1,967,066
<u>112,236</u>	<u>2,278,185</u>	<u>-</u>	<u>3,529,656</u>	<u>1,562,590</u>
<u>\$ 53,162</u>	<u>\$ 755,139</u>	<u>\$ 981,294</u>	<u>\$ 3,021,218</u>	<u>\$ 3,529,656</u>

CITY OF JORDAN, MINNESOTA
SUMMARY FINANCIAL REPORT
GOVERNMENTAL FUNDS
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Total 2012	Total 2011	Percent Increase (Decrease)	
REVENUES				
Taxes	\$ 3,308,476	\$ 3,196,019	3.52	%
Special assessments	333,222	258,619	28.85	
Licenses and permits	168,575	136,797	23.23	
Intergovernmental	1,145,337	340,420	236.45	
Charges for services	407,394	364,218	11.85	
Fines and forfeits	87,650	102,287	(14.31)	
Investment earnings	135,439	82,435	64.30	
Miscellaneous	218,954	89,739	143.99	
 TOTAL REVENUES	 \$ 5,805,047	 \$ 4,570,534	 27.01	 %
Per Capita	\$ 1,020	\$ 836	22.01	%
 EXPENDITURES				
Current				
General government	\$ 662,064	\$ 714,791	(7.38)	%
Public safety	1,248,582	1,134,903	10.02	
Streets and highways	489,308	495,150	(1.18)	
Culture and recreation	145,826	139,934	4.21	
Economic development	93,644	105,917	(11.59)	
Miscellaneous	89,076	89,935	(0.96)	
Capital outlay				
General government	8,557	9,937	(13.89)	
Public safety	72,759	172,906	(57.92)	
Streets and highways	195,753	26,365	642.47	
Culture and recreation	1,778,379	60,566	2,836.27	
Miscellaneous	3,056	8,834	(65.41)	
Debt service				
Principal	942,403	1,029,757	(8.48)	
Interest and other charges	269,618	311,529	(13.45)	
Bond issuance costs	27,300	33,038	(17.37)	
 TOTAL EXPENDITURES	 \$ 6,026,325	 \$ 4,333,562	 39.06	 %
Per Capita	\$ 1,058	\$ 792	33.59	%
 Total long-term indebtedness	 \$ 8,151,379	 \$ 8,803,427	 (7.41)	 %
Per Capita	1,432	1,609	(11.05)	
 General fund balance - December 31	 \$ 1,713,027	 \$ 1,684,889	 1.67	 %
Per Capita	301	308	(2.33)	

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, Finance Director at 952-492-2535.

OTHER REQUIRED REPORTS

CITY OF JORDAN
JORDAN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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

AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Jordan, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jordan, Minnesota (the City) as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 1, 2013.

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 Political Subdivisions*, 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 Political Subdivisions* 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 2012-3.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, and the result of that testing, and not to provide an opinion on the City's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

May 1, 2013
Mankato, Minnesota

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



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

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

Honorable Mayor and City Council
City of Jordan, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jordan, Minnesota (the City), as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 1, 2013.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2012-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2012-2 to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2012-3.

The City's Responses to Findings

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

Purpose of this Report

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

May 1, 2013
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

CITY OF JORDAN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding Description

2012-1 **Material audit adjustments**

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

- A material audit entry was required to adjust investments to market value totaling \$31,684.
- A material audit entry was required to book additional receivables in the Park Improvement fund totaling \$95,416
- A material audit entry was required to record capital asset and debt activity in the Library Building fund.

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

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

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

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

Management response:

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

Updated progress since prior year:

The number of journal entries in 2012 increased from 23 to 35.

CITY OF JORDAN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding Description

2012-2 **Preparation of financial statements**

Condition: 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. 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 ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

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

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

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

Management response:

The City is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small cities. Each year the City has a presentation from our auditor to the Council after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and the Council to monitor the deficiency.

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CITY OF JORDAN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding</u>	<u>Description</u>
2012-3	Unclaimed property
<i>Condition:</i>	Auditing for legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota statute, section 345.38-43, the City is required to report and deliver to the State Commissioner of Commerce any unclaimed or uncashed checks held for more than three years (or one year for unpaid compensation).
<i>Cause:</i>	The City had eight checks in excess of the three year limitation.
<i>Effect:</i>	The City is in violation of this statute.
<i>Recommendation:</i>	We recommend that the City review their outstanding checks and notify the State Commissioner of Commerce. This will not result in any additional cost and will ensure that the City complies with the applicable statute.
<i>Management response:</i>	The City has already taken the necessary steps to correct this finding.