

**JACKSON COUNTY  
JACKSON, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2015**





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JACKSON, MINNESOTA  
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## **INTRODUCTORY SECTION**





**JACKSON COUNTY  
JACKSON, MINNESOTA  
PRINCIPAL COUNTY OFFICIALS  
DECEMBER 31, 2015**

Office	Name	Term Expires
<b>Commissioners</b>		
1 <sup>st</sup> District	William Tusa	December 31, 2016
2 <sup>nd</sup> District	Don Wachal	December 31, 2018
3 <sup>rd</sup> District	Rosemary Schultz	December 31, 2016
4 <sup>th</sup> District	Kim Hummel	December 31, 2018
5 <sup>th</sup> District	David Henkels	December 31, 2016
<b>Officers</b>		
<b>Elected</b>		
Attorney	Sherry Haley	December 31, 2018
Auditor-Treasurer	Kevin Nordquist	December 31, 2018
Recorder	Becky McCann	December 31, 2018
Sheriff	Roger Hawkinson	December 31, 2018
<b>Appointed</b>		
County Administrator	Steven Duncan	Indefinite
Assessor	Jason McCaslin	Indefinite
Court Administrator	Connie Belgard	Indefinite
Court Services Director	Robert Jirele	Indefinite
County Engineer	Tim Stahl	Indefinite
Emergency Management Director	Jeff Johnson	Indefinite
4-H Program Coordinator	Sarah Jacobs	Indefinite
Land Management Director	Andy Geiger	Indefinite
Library Director	Tamera Erickson	Indefinite
Veterans Service Officer	Jeff Johnson	Indefinite

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Jackson County  
Jackson, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County (the County), Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement 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 auditors' 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 County'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 County'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 presentation of the financial statements.

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 discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, as of December 31, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

During the year ended December 31, 2015, the County adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the County reported a restatement for the change in accounting principle (see Note 9). Our auditors' opinion was not modified with respect to the restatement.

As described in Note 9 to the financial statements, the beginning net position of governmental activities and general fund beginning fund balance has been restated to correct misstatements. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, the schedule of the County's proportionate share of the net pension liability, the schedule of County contributions, budgetary comparison information, and the notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Matters (Continued)**

*Supplementary information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County's basic financial statements. The supplementary information consisting of the combining financial statements, budgetary comparison schedules, component unit financial statements, schedule of intergovernmental revenues, and ditch balance sheet – non-GAAP basis, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2016, on our consideration of the County'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 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.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
August 4, 2016

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## **REQUIRED SUPPLEMENTARY INFORMATION**





# JACKSON COUNTY, MINNESOTA

## MANAGEMENT DISCUSSION AND ANALYSIS

*This discussion and analysis of the financial performance of Jackson County is intended to provide an overview of the County's financial activities for the fiscal year ended December 31, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information as furnished in the financial statements, which begin on page 16.*

### FINANCIAL HIGHLIGHTS

- Jackson County has total assets of \$125,194,244, deferred outflows of resources of \$712,096, liabilities of \$29,402,564, and deferred inflows of resources of \$474,788, resulting in net position of \$96,028,988 at the end of 2015. Of the net position, \$76,436,786 represents the County's net investment in capital assets, \$8,940,420 is held for restricted purposes, and \$10,651,782 is available to meet the County's ongoing obligations to its citizens and creditors.
- Capital assets increased \$807,280 (net of depreciation) during 2015. This increase is primarily due to road and bridge construction projects, construction work-in-process for a new public works facility, road and bridge equipment purchases.
- There was an increase of \$915,000 in General Obligation Drainage bonds for a ditch improvement project on Judicial Ditch 46.

### OVERVIEW OF FINANCIAL STATEMENTS

This section serves as an introduction to Jackson County's basic financial statements. The basic financial statements for Jackson County are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.



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## GOVERNMENTAL ACTIVITIES

All of Jackson County's activities are considered governmental activities, which are generally financed through taxes and intergovernmental revenues. The governmental activities of Jackson County include general government, public safety, bridges and highways, health, culture and recreation, conservation of natural resources, and economic development.

In addition to these various direct operations of the County, or primary government, the government-wide financial statements also include financial information related to legally distinct entities for which the County has financial responsibility and accountability, known as component units. These component units are the Jackson County Fair Association and the Jackson County Historical Society. These entities are described in Note 3 E. and Note 3 F., respectively.



## Government-Wide Financial Statements

The two government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector business entities.

The *Statement of Net Position* presents information on all of Jackson County's assets, liabilities, and deferred inflows of resources with the difference between the three 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 county is improving or deteriorating.

The *Statement of Activities* presents information showing how the county'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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and special assessments and earned but unused vacation leave).

The government-wide financial statements can be found on pages 16–17 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. Jackson County, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance-related legal requirements. There are funds required by law, while others are established internally to maintain control over a particular activity. All of the funds of Jackson County can be divided into two categories: *governmental funds* and *fiduciary 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 statements, governmental fund financial statements focus on near-term inflows and outflows of current spendable resources, as well as balances of spendable resources that can be converted to cash and balances available at the end of the fiscal year for future spending. 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Within the governmental funds Jackson County maintains four fund types: General, Special Revenue, Debt Service and Capital Projects. 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, Road and Bridge fund, Ditch fund, and Heron Lake Debt Service fund, all of which are considered to be major funds. Data from other nonmajor governmental funds is combined into a single, aggregated presentation.



#### FIDUCIARY FUNDS

Fiduciary funds (agency funds) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Jackson County’s own programs.

[The fiduciary fund financial statement can be found on page 25 of this report.](#)

## Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

[The notes to the basic financial statements can be found beginning on page 26 of this report.](#)

### Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including budgetary comparison schedules for the General and Road and Bridge funds, Schedule of Funding Progress, Schedule of the County’s Proportionate Share of the Net Pension Liability, Schedule of County Contributions and notes to required supplementary information, beginning on page 74.

### Supplementary Information

Supplementary information includes combining schedules for the County’s nonmajor funds, a detailed budgetary comparison schedule for the General Fund, budgetary comparison schedules for the Debt Service, Street Reconstruction Debt Service, and Library Funds, a schedule of changes in assets and liabilities for the agency funds, component units’ financial statements, schedule of intergovernmental revenues, and the ditch balance sheet.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The *Statement of Net Position* for Jackson County is summarized in the following table. Net position may serve over time as a useful indicator of a government's financial position. The County's assets and deferred outflows of resources, exceeded liabilities and deferred inflows of resources by \$96,028,988 at the close of 2015. The majority of this net position reflects the County's net investment in capital assets, including land, buildings, building improvements, machinery, equipment, vehicles, infrastructure, and construction in progress, net of depreciation. These capital assets are used to provide services to citizens and are not available for future spending. Although

the County's net investment in capital assets is net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In comparison to 2014, Jackson County's net position increased \$2,938,165 in 2015. The largest factors of this increase were due to grants received for road and bridge construction projects that were capitalized, the addition of construction in process on a new public works facility, and improvements to existing government buildings and grounds.

### STATEMENT OF NET POSITION

	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 34,551,607	\$ 29,478,916
Capital Assets (net)	\$ 90,642,637	\$ 89,835,357
Total Assets	\$ 125,194,244	\$ 119,314,273
Deferred Outflows of Resources	\$ 712,096	\$ -
Current Liabilities	\$ 5,566,556	\$ 1,383,127
Non-current Liabilities	\$ 23,836,008	\$ 24,666,533
Total Liabilities	\$ 29,402,564	\$ 26,049,660
Deferred Inflows of Resources	\$ 474,788	\$ 173,790
Net Investment in Capital Assets	\$ 76,436,786	\$ 74,712,448
Restricted	\$ 8,940,420	\$ 9,064,434
Unrestricted	\$ 10,651,782	\$ 9,313,941
Total Net Position	\$ 96,028,988	\$ 93,090,823
Total Net Position as a % of Total Liabilities and Deferred Inflows of Resources	321%	355%
Unrestricted Net Position as a % of Total Liabilities and Deferred Inflows of Resources	36%	36%

A relatively small portion of the County’s net position (9.3%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$10,651,782 of total net position may be used to meet the County’s ongoing obligations to its citizens and creditors. At the end of 2015, the County is able to report a positive balance in net position for governmental activities.



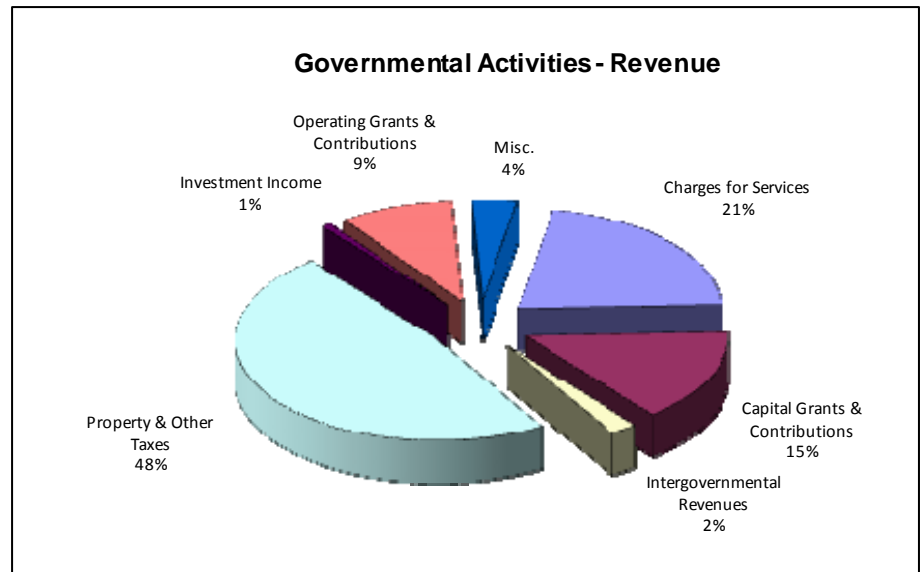
## STATEMENT OF ACTIVITIES

*An examination of the Statement of Activities provides a concise picture of how the various activities of the County are funded. The following table summarizes the County’s governmental activities.*

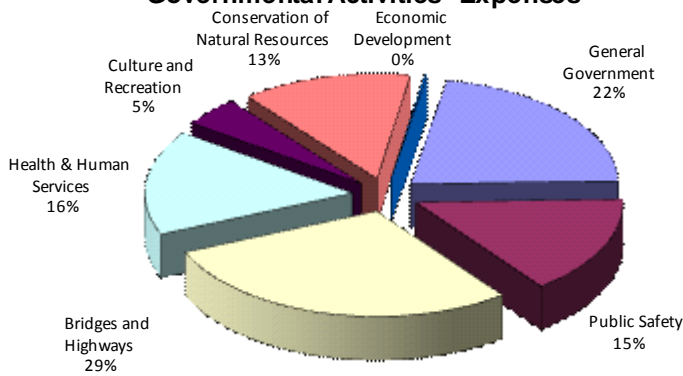
	Governmental Activities	
	2015	2014
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 5,006,138	\$ 3,124,033
Operating Grants & Contributions	2,104,456	2,993,997
Capital Grants & Contributions	3,446,737	4,587,406
General Revenues:		
Property Taxes	9,475,673	9,209,101
Other Taxes	1,590,290	1,487,965
Intergovernmental Revenues	502,999	425,565
Investment Income	173,622	361,493
Miscellaneous	847,522	84,491
Total Revenue	<u>23,147,437</u>	<u>22,274,051</u>
<b>EXPENSES</b>		
Program Expenses:		
General Government	4,073,370	3,960,059
Public Safety	2,830,864	2,702,188
Bridges and Highways	5,409,825	4,871,140
Health & Human Services	3,019,694	2,940,110
Culture and Recreation	843,827	788,210
Conservation of Natural Resources	2,488,312	2,334,809
Economic Development	37,926	29,117
Interest and Fiscal Charges	703,631	740,325
Total Expenses	<u>19,407,449</u>	<u>18,365,958</u>
Excess of Revenues over Expenses	3,739,988	3,908,093
Net Position - January 1 as Originally Stated	93,090,823	89,182,730
Restatement	<u>(801,823)</u>	-
Net Position - January 1 as Restated	<u>92,289,000</u>	<u>89,182,730</u>
Net Position - December 31	<u>\$ 96,028,988</u>	<u>\$ 93,090,823</u>

## GOVERNMENTAL ACTIVITIES - REVENUE

The following chart illustrates how governmental activities are funded. State aids and other grants (operating grants and contributions, capital grants and contributions, and inter-governmental revenues) comprise 26% of the revenue for governmental activities. Taxes, primarily real estate, but also personal property and payments-in-lieu of taxes, provide another 48%, while charges for services and all other sources make up the remaining 26%.



## Governmental Activities - Expenses

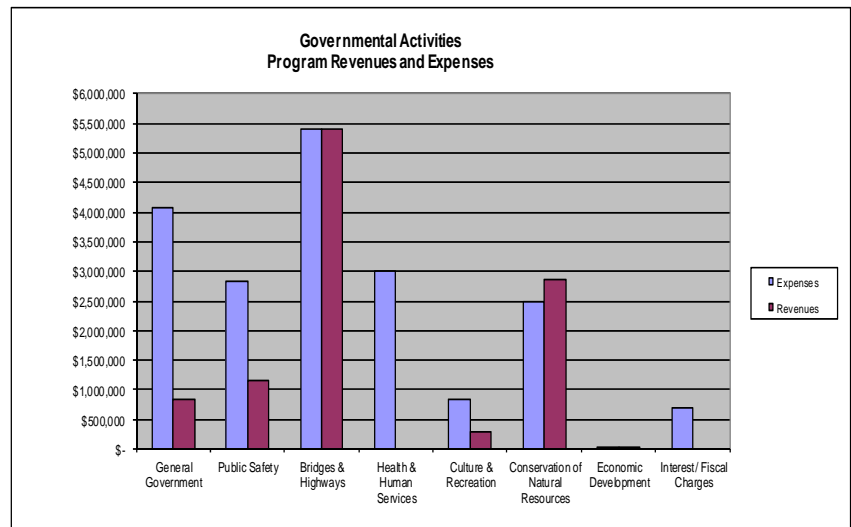


## GOVERNMENTAL ACTIVITIES - EXPENSES

The following chart illustrates how governmental activities are disbursed. General Government, Public Safety, Bridges and Highways comprise 66% of the expenses for governmental activities. Health and Human Services provide another 16%, while charges for all other functions make up the remaining 18%.

## GOVERNMENTAL ACTIVITIES PROGRAM REVENUES & EXPENSES

Another way to analyze the data in the *Statement of Activities* is to compare expenses of a particular program with revenues generated. The following graph reflects this comparison for governmental activities.





# FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

## Governmental Funds

The focus of the County's governmental funds is to provide information regarding near-term inflows, outflows, and spendable resources. Such information can be useful in assessing the County's financing requirements.

As of December 31, 2015, Jackson County's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$24,674,555, an increase of \$1,181,669 from the previous years ending balances (as restated). Of the ending fund balances total, \$5,821,854 is nonspendable for advances, inventories, and prepaid items; \$7,916,073 is restricted for specific legal requirements; and \$7,147,739 is committed and assigned by the County board for specific future expenditures, leaving total unassigned governmental fund balances of \$3,788,889 available for meeting future budget requirements.

The General Fund is the primary operating fund used to account for the governmental operations of Jackson County. The largest revenue sources for the General Fund are taxes, intergovernmental aids, and charges for services, together accounting for 89% of revenues. General government, health and human services and public safety are the primary operations of the General Fund. General Fund expenditures total \$10,682,348, of which 33.6% are allocated to the general government operations, 28.9% allocated to Health and Human Services and 23.8% are allocated to public safety. The balance of 13.7%, is a combination of culture and recreation, conservation of natural resources, economic development, capital outlay and debt service.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,788,889, while total fund balance was \$13,898,065. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35.5% of total General Fund expenditures, while total fund balance represents 130.1% of that same amount.

The Road and Bridge Fund had total fund balance of \$4,108,094 at the end of the current fiscal year. The balance of the Road and Bridge Fund increased, by \$526,876, during the current fiscal year primarily due to an increase in taxes and charges for services.

The Ditch Fund had a fund balance of \$1,391,783. This fund had a balance of \$753,655 in 2014, so the net increase in fund balance is \$638,128. A large portion of the increase is due to ditch assessment revenue and restricted assets increasing from a JD 46 improvement bonding.

The Heron Lake Debt Service Fund had a total fund balance of \$1,645,302, which is an increase of \$119,279 from the prior year. Jackson County entered into a joint powers agreement with the City of Heron Lake to develop a water treatment plant that would supply treated water to Heron Lake BioEnergy for its ethanol production facility. In 2006, general obligation revenue bonds were issued in the amount of \$3,550,000 to finance the water treatment plant. In 2003, the County issued \$1,670,000 of general obligation revenue bonds to develop an industrial water system to serve the Minnesota Soybean Processor's plant in Brewster. This was also a joint powers agreement between Jackson County and the City of Heron Lake. These two bonds were refunded and consolidated in December of 2011 in the amount of \$3,665,000. The 2006 bond was called in 2012. The principal payment paid at that time was \$2,665,000.

The Public Works Facility Capital Projects Fund that was on the 2014 audit reports was for the construction of a new public works facility and was funded in 2013 for the amount of \$14,260,000. This fund was consolidated into the Debt Service Fund for General Obligation debt in 2015 and reported as Other Governmental Funds.

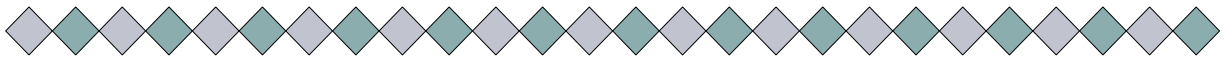
## FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

### Governmental Funds Continued

The Debt Service Fund had a total fund balance of \$2,539,332. This balance includes the principal balance \$1,345,000 of borrowed monies originally advanced to Red Rock Rural Water System during 2003 for the Phase II Expansion project. The County acted as fiscal agent for the issuance of the bond for this project as most of the rural water customers added during this project are in Jackson County. The bond is to be repaid by Red Rock Rural Water System to the County, with terms mirroring the scheduled principal payments on the County's long-term bonds issued to finance the advance.

The Street Reconstruction Debt Service Fund accounts for and reports activity related to 2008 General obligation revenue bonds. The bonds were issued pursuant to two statutes. The "Street Reconstruction" portion in the amount of \$2,030,000 was issued pursuant to Minnesota Statutes, Section 475.58, Subdivision 3b. This portion specifically finances reconstruction of CSAH 24, CSAH 49, and CSAH 53. The "Capital Improvement" portion in the amount of \$260,000 was issued pursuant to Minnesota Statutes, Section 373.4. This portion specifically finances the reconstruction of CSAH 43, the overlay program, and County Road 80. The fund balance at year end is \$526,427.

**The funds described in the previous three paragraphs along with the Library Fund are combined to form the Other Governmental Funds column for financial statement presentation.**



### General Fund Budgetary Highlights

**The County ended the year with net favorable change of \$146,879 in the General Fund balance.**

The expenditures vs. budget report showed a net unfavorable variance of \$885,335.

- The Health and Human Services expenditures vs. budget variance accounts for \$281,015 of this amount. Fund transfers were made monthly to pay out the \$203,707 accrued sick and vacation liability for the new DVHHS agency that was earned prior to forming the new agency. There were also \$72,000 in new septic loans issued.
- Capital Outlay exceeded budget by \$262,772 primarily due to the purchase of land and a building to house the hazardous waste facility. Prior year restricted and assigned funds were used for the purchase.
- General government accounts for another \$515,501 of the variance and was attributed to several areas within general government including the payout of \$200,000 in loans from the revolving loan fund, a payout of \$64,590 parks reserves when it was switched from the general fund to the road and bridge fund, and the first payment of \$58,106 towards a project to image the Recorder's books.

General Fund revenues were over budget by \$954,193.

- \$275,099 of this overage was due to Miscellaneous Revenues being over budget. The public sale of Planning & Environment building accounted for \$88,000. A portion of the overall overage was due to many reimbursement items that are not budgeted.
- Intergovernmental revenues were over budget by \$325,838. \$78,290 was due to an e-ticket state grant which was not budgeted. Also, agricultural homestead credits are not budgeted and are reimbursed by the state as part of the levy.
- \$78,012 overage in investment income is partially caused by bond interest payment by the City of Jackson not being budgeted here as well as a conservative interest rate forecast.
- Special assessments revenues were over budget by \$59,502 due to the septic system loan program assessments that are not budgeted.

There were no amendments to the General Fund budget in 2015.

## CAPITAL ASSETS AND DEBT

### Capital Assets

In accordance with the implementation requirements of GASB No. 34, the County has recorded historical costs and depreciation expense associated with all of its capital assets, including infrastructure. As summarized in the following table, the County's reported investment in capital assets for governmental activities as of December 31, 2015 totaled \$127,111,247. Governmental infrastructure accounted for 69.9% of this investment, with the County's road and bridge network comprising the most significant component.

	Governmental Activities	
	2015	2014
Land	\$ 662,438	\$ 645,625
Buildings	\$ 9,814,649	\$ 10,274,888
Other Improvements	\$ 5,712,656	\$ 5,844,907
Machinery and Equipment	\$ 9,953,138	\$ 9,595,973
Infrastructure	\$ 88,825,407	\$ 84,957,089
Construction in Progress	\$ 12,142,959	\$ 12,844,831
Subtotal	\$ 127,111,247	\$ 124,163,313
Less Accumulated Depreciation	\$ (36,468,610)	\$ (34,327,956)
<b>Total Capital Assets</b>	<b>\$ 90,642,637</b>	<b>\$ 89,835,357</b>

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

- Land value had a net increase of \$16,863 due to the acquisition of the hazardous waste facility land for \$34,823, improvements to the fairgrounds horse arena grounds of \$32,800, and the sale of race-track grounds for \$50,810.
- Buildings decreased by \$460,239 due to the sale of racetrack buildings and bleachers for \$674,152 and the purchase of the Hazardous Waste Facility Building for \$213,913.
- Other improvements decreased by \$132,251 due to the sale of the racetrack for \$166,847 and new improvements of a shop overhead door and courthouse windows repair and painting totaling \$34,596.
- Machinery and Equipment increased by \$357,165.

Road Equipment increased by \$410,254. A motor grader was retired and a new one purchased for a net increase of \$144,324. Increases include a 2016 Freightliner with attachments of \$252,667, a 2015 freightliner box \$112,866, Chevrolet Silverado trucks \$89,317, and a profile packer assembly was purchased for \$34,191. A Sterling LT Truck, was traded in for a decrease of \$223,111.

General Equipment decreased by \$19,839. Activity consisted of copy machine, patrol car, fleet and mowing equipment updates and disposals for a net increase of \$13,013. The remaining purchases included software and licensing \$13,053, evidence tracking equipment and software \$10,303, and a siren for Fish Lake \$11,925. Remaining disposals included software and licensing of \$40,201 and miscellaneous equipment of \$27,932.

Ditch Equipment decreased by \$33,250. The submersible pump purchased for \$44,750 in 2014 was removed from the assets as it is property of the Judicial Ditch #2. \$6,300 was spent on a bucket for unit 77. \$5,200 was a ditch Software adjustment for 2014.

- Construction in Progress consists of \$9,556,210 for Public Works Facility, \$2,526,388 in Road and Bridge Infrastructure, and \$60,361 for the E-Ticketing Project.

Additional information about the County's capital assets can be found in Note 3 A. 4 of this report.

## Long-Term Debt

On December 31, 2015, Jackson County had total long-term obligations outstanding of \$23,836,008. This included bonded debt outstanding of \$23,015,000, as summarized in the following table:

	Governmental Activities	
	2015	2014
General Obligation Bonds	\$ 16,000,000	\$ 16,925,000
General Obligation Revenue Bonds	\$ 3,945,000	\$ 4,375,000
General Obligation Drainage Bonds	\$ 3,070,000	\$ 2,235,000
<b>Total Bonded Debt Outstanding</b>	<b>\$ 23,015,000</b>	<b>\$ 23,535,000</b>

Current and future county tax levies are used to finance \$16,000,000 of the bonded indebtedness. The remainder of Jackson County's debt represents bonds secured by specified revenue sources (i.e., revenue and drainage bonds).

### BOND RATING

Jackson County was upgraded from an "A3" rating to an "A2" rating from Moody's Investor Services for general obligation debt during 2008. In 2009, Jackson County received a rating of "AA-" from Standard & Poor's. This rating was upgraded to "AA" in 2013 and reaffirmed in 2015.

### DEBT LIMITATION

State statutes limit the amount of general obligation debt a county can incur to no more than 3% of the market value of taxable property in the County. The debt limitation for Jackson County as of December 31, 2015 is \$109,584,045.

Additional information about the County's long-term debt can be found in Note 3 C. of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for Jackson County, Minnesota was 5.3% as of May, 2016. The County's unemployment rate was higher than the state's unemployment rate of 3.3% for the same period. The Jackson County rate is also higher than the National unemployment rate of 4.5% for May, 2016. (Rates are not seasonally adjusted.)

The County had not added any new major programs or initiatives to the 2016 budget.

Jackson County Board of Commissioners approved the 2016 budget on December 15, 2015. The new levy of \$10,346,531 is a 4.7% increase over the 2015 levy.

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizen's, taxpayers, customers and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Jackson County Auditor/Treasurer  
PO Box 226  
Jackson MN 56143

To contact the Jackson County Auditor/Treasurer by telephone, please call  
(507) 847-2763.

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## **BASIC FINANCIAL STATEMENTS**





**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	Primary Government	Component Units	
	Governmental Activities	Jackson County Fair Association	Jackson County Historical Society
<b>ASSETS</b>			
Cash and Investments	\$ 15,355,113	\$ 24,143	\$ 73,459
Taxes Receivable	109,752	-	-
Special Assessments Receivable	1,391,900	-	-
Notes Receivable	1,088,865	-	-
Other Receivables	168,204	-	-
Due from Other Governments	3,827,624	-	-
Advances to Other Governments	7,746,759	-	-
Inventories and Prepaid Items	729,715	-	-
Restricted Cash and Investments	4,133,675	-	-
Capital Assets			
Construction-in-Progress	12,142,959	-	-
Land	662,438	-	-
Other Capital Assets, Net of Depreciation	77,837,240	124,799	65,341
Total Assets	125,194,244	148,942	138,800
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	712,096	-	-
<b>LIABILITIES</b>			
Accounts Payable	589,168	1,228	538
Accrued Liabilities	183,591	4,690	1,463
Due to Other Governments	34,780	-	-
Deposits	75,967	-	-
Unearned Revenue	173,491	-	-
Accrued Interest Payable	253,039	-	-
Net Pension Liability	3,960,837	-	-
Other Postemployment Benefits Payable	295,683	-	-
Noncurrent Liabilities			
Due within One Year	1,889,134	2,419	-
Due in More Than One Year	21,946,874	2,374	-
Total Liabilities	29,402,564	10,711	2,001
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	474,788	-	-
<b>NET POSITION</b>			
Net Investment in Capital Assets	76,436,786	120,006	65,341
Restricted For:			
Debt Service	6,782,452	-	-
Cemetery	1,000	-	-
Court Services	1,000	-	-
Recorder's Equipment	143,533	-	-
E-911	396,280	-	-
Integrated Land Records	176,173	-	-
Aquatic Invasive Species	109,306	-	-
Sheriff's Contingency	81,182	-	-
Sheriff's Forfeiture Fund	20,000	-	-
Fish and Wildlife Trust	137,297	-	-
Water Plan	145,781	-	-
SCORE	194,105	-	-
Juvenile Restitution	1,146	-	-
Attorney	19,312	-	-
Ditch	731,853	-	-
Unrestricted	10,651,782	18,225	71,458
Total Net Position	\$ 96,028,988	\$ 138,231	\$ 136,799

See accompanying Notes to Financial Statements.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2015**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 4,073,370	\$ 809,373	\$ 26,676	\$ -
Public Safety	2,830,864	850,290	313,616	-
Bridges and Roads	5,409,825	442,876	1,540,154	3,416,150
Health and Human Services	3,019,694	-	-	-
Culture and Recreation	843,827	225,875	28,252	30,587
Conservation of Natural Resources	2,488,312	2,673,347	195,758	-
Economic Development	37,926	4,377	-	-
Interest and Fiscal Charges	703,631	-	-	-
Total Primary Government	<u>\$ 19,407,449</u>	<u>\$ 5,006,138</u>	<u>\$ 2,104,456</u>	<u>\$ 3,446,737</u>
<b>COMPONENT UNITS</b>				
Jackson County Fair Association	\$ 138,105	\$ 73,770	\$ 24,421	\$ -
Jackson County Historical Society	73,183	13,321	20,610	-
Total Component Units	<u>\$ 211,288</u>	<u>\$ 87,091</u>	<u>\$ 45,031</u>	<u>\$ -</u>

**GENERAL REVENUES**

Taxes

Property Taxes, Levied for General Purposes  
Property Taxes, Levied for Debt Service  
Property Taxes, Levied for Fair Association  
Property Taxes, Levied for Historical Society  
Other Taxes

Grants and Contributions not Restricted for a Particular Purpose

Investment Earnings

Miscellaneous

Total General Revenues

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

Restatement

Net Position - Beginning of Year, as Restated

**NET POSITION - END OF YEAR**

Net (Expense) Revenue and Changes in Net Position		
Primary	Component Units	
Governmental Activities	Jackson County Fair Association	Jackson County Historical Society
\$ (3,237,321)	\$ -	\$ -
(1,666,958)	-	-
(10,645)	-	-
(3,019,694)	-	-
(559,113)	-	-
380,793	-	-
(33,549)	-	-
(703,631)	-	-
(8,850,118)	-	-
-	(39,914)	-
-	-	(39,252)
-	(39,914)	(39,252)
8,948,119	-	-
527,554	-	-
-	42,000	-
-	-	51,000
1,590,290	-	-
502,999	-	-
173,622	-	38
847,522	-	-
12,590,106	42,000	51,038
3,739,988	2,086	11,786
93,090,823	136,145	125,013
(801,823)	-	-
92,289,000	136,145	125,013
\$ 96,028,988	\$ 138,231	\$ 136,799

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	General Fund	Road and Bridge Fund	Ditch Fund
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 8,622,801	\$ 4,192,880	\$ 1,404,245
Receivables			
Taxes	72,975	18,845	-
Accounts	20,839	131,597	567
Notes	1,072,080	-	16,785
Special Assessments	1,806	-	1,390,094
Interest	15,201	-	-
Due from Other Funds	-	-	22,921
Due from Other Governments	89,130	3,722,234	16,260
Advances to Other Funds	1,096,139	-	-
Advances to Other Governments	3,996,000	-	-
Inventories and Prepaid Items	573,612	156,103	-
Restricted Assets			
Cash and Investments	-	-	1,146,201
Total Assets	\$ 15,560,583	\$ 8,221,659	\$ 3,997,073
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 179,538	\$ 175,865	\$ 45,259
Accrued Liabilities	123,595	50,701	-
Due to Other Funds	-	22,921	-
Due to Other Governments	9,299	14,519	10,818
Advance from Other Funds	-	-	1,096,139
Unearned Revenue	173,491	-	-
Deposits	25,967	-	50,000
Total Liabilities	511,890	264,006	1,202,216
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	1,150,628	3,849,559	1,403,074
<b>FUND BALANCES</b>			
Nonspendable	5,665,751	156,103	-
Restricted	1,426,115	-	1,391,783
Committed	1,887,116	3,868,868	-
Assigned	1,130,194	83,123	-
Unassigned	3,788,889	-	-
Total Fund Balances	13,898,065	4,108,094	1,391,783
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,560,583	\$ 8,221,659	\$ 3,997,073

See accompanying Notes to Financial Statements.

Heron Lake Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,135,187	\$ 15,355,113
-	17,932	109,752
-	-	153,003
-	-	1,088,865
-	-	1,391,900
-	-	15,201
-	-	22,921
-	-	3,827,624
-	-	1,096,139
2,405,759	1,345,000	7,746,759
-	-	729,715
<u>1,645,302</u>	<u>1,342,172</u>	<u>4,133,675</u>
<u>\$ 4,051,061</u>	<u>\$ 3,840,291</u>	<u>\$ 35,670,667</u>

\$ -	\$ 188,506	\$ 589,168
-	9,295	183,591
-	-	22,921
-	144	34,780
-	-	1,096,139
-	-	173,491
-	-	75,967
-	197,945	2,176,057
2,405,759	11,035	8,820,055
-	-	5,821,854
1,645,302	3,452,873	7,916,073
-	178,438	5,934,422
-	-	1,213,317
-	-	3,788,889
<u>1,645,302</u>	<u>3,631,311</u>	<u>24,674,555</u>
<u>\$ 4,051,061</u>	<u>\$ 3,840,291</u>	<u>\$ 35,670,667</u>

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

<b>TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS</b>	<b>\$ 24,674,555</b>
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	90,642,637
Revenues that are not available to pay current liabilities are reported as unavailable revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements. These types of unavailable revenue at year end consist of:	
Advances to Other Governments	3,750,759
Special Assessments	1,391,900
Grants and State Aid	2,478,779
Taxes	109,752
Notes Receivable	1,088,865
The net pension liability and related inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:	
Net Pension Liability	(3,960,837)
Deferred Outflows of Resources Related to Pensions	712,096
Deferred Inflows of Resources Related to Pensions	(474,788)
Long-term liabilities, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General Obligation Debt	\$ (16,000,000)
General Obligation Revenue Bonds	(3,945,000)
General Obligation Drainage Bonds	(3,070,000)
Loans Payable	(73,120)
Land Contract	(24,000)
Compensated Absences	(573,716)
Other Postemployment Benefits Payable	(295,683)
Accrued Interest Payable	(253,039)
Unamortized Premium on Bonds	(150,172)
	(24,384,730)
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 96,028,988</b>

See accompanying Notes to Financial Statements

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	General Fund	Road and Bridge Fund	Ditch Fund
<b>REVENUES</b>			
Taxes	\$ 7,382,390	\$ 1,781,757	\$ -
Intergovernmental	1,105,711	4,591,051	-
License and Permits	13,844	22,347	-
Fines, Forfeitures, and Penalties	32,651	-	-
Charges for Services	1,249,300	640,265	-
Special Assessments	196,402	-	1,457,994
Investment Earnings	103,012	-	67,594
Miscellaneous	852,402	60,554	95,326
Total Revenues	<u>10,935,712</u>	<u>7,095,974</u>	<u>1,620,914</u>
<b>EXPENDITURES</b>			
Current			
General Government	3,593,558	-	-
Public Safety	2,539,612	-	-
Bridges and Roads	-	3,240,783	-
Health and Human Services	3,091,694	-	-
Culture and Recreation	96,154	296,479	1,685,642
Conservation of Natural Resources	626,742	-	-
Economic Development	237,926	-	-
Capital Outlay	483,272	3,597,451	-
Debt Service			
Principal	13,390	8,000	80,000
Interest	-	1,920	135,796
Total Expenditures	<u>10,682,348</u>	<u>7,144,633</u>	<u>1,901,438</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	253,364	(48,659)	(280,524)
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Long-term Debt	-	-	915,000
Premium on Long-term Debt	-	-	3,652
Transfers In	-	215,431	-
Transfers Out	(215,431)	-	-
Proceeds from Sale of Assets	108,946	382,330	-
Total Other Financing Sources (Uses)	<u>(106,485)</u>	<u>597,761</u>	<u>918,652</u>
<b>NET CHANGE IN FUND BALANCES</b>	146,879	549,102	638,128
Fund Balances - Beginning of Year	9,578,936	3,581,218	753,655
Restatement	4,172,250	-	-
Fund Balances - Beginning of Year, As Restated	<u>13,751,186</u>	<u>3,581,218</u>	<u>753,655</u>
<b>DECREASE IN INVENTORY</b>	-	(22,226)	-
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 13,898,065</u></u>	<u><u>\$ 4,108,094</u></u>	<u><u>\$ 1,391,783</u></u>

See accompanying Notes to Financial Statements.



Heron Lake Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,772,679	\$ 10,936,826
-	105,204	5,801,966
-	-	36,191
-	-	32,651
-	19,592	1,909,157
-	-	1,654,396
924	2,089	173,619
548,182	90,619	1,647,083
<u>549,106</u>	<u>1,990,183</u>	<u>22,191,889</u>
-	-	3,593,558
-	-	2,539,612
-	-	3,240,783
-	-	3,091,694
-	422,622	2,500,897
-	-	626,742
-	-	237,926
-	295,736	4,376,459
370,000	985,000	1,456,390
59,827	536,318	733,861
<u>429,827</u>	<u>2,239,676</u>	<u>22,397,922</u>
119,279	(249,493)	(206,033)
-	-	915,000
-	-	3,652
-	740,971	956,402
-	(740,971)	(956,402)
-	-	491,276
<u>-</u>	<u>-</u>	<u>1,409,928</u>
119,279	(249,493)	1,203,895
1,526,023	3,880,804	19,320,636
-	-	4,172,250
<u>1,526,023</u>	<u>3,880,804</u>	<u>23,492,886</u>
-	-	(22,226)
<u>\$ 1,645,302</u>	<u>\$ 3,631,311</u>	<u>\$ 24,674,555</u>

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 1,203,895

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

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

Expenditures for Capital Assets	\$ 4,468,686	
Current Year Depreciation	<u>(2,980,998)</u>	1,487,688

The governmental funds report proceeds received on the sale of assets. Conversely, the statement of activities report the gain or loss on the sale of assets.		(680,408)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		1,327,247
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Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.

Pension Expense		(119,473)
-----------------	--	-----------

The issuance of long-term debt (e.g., bonds payable, loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities.

Bond Proceeds	(915,000)	
Premium on Bonds Issued	<u>(3,652)</u>	(918,652)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments		
General Obligation Debt	925,000	
General Obligation Revenue Bonds	430,000	
General Obligation Drainage Bonds	80,000	
Loans Payable	13,390	
Land Contract	<u>8,000</u>	1,456,390

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.

Change in Accrued Interest Payable	8,423	
Amortization of Discounts and Premiums	6,370	
Change in Compensated Absences	6,544	
Change in Other Postemployment Benefits	(15,810)	
Change in Inventory	<u>(22,226)</u>	<u>(16,699)</u>

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ 3,739,988</u></u>
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**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2015**

**ASSETS**

Cash and Pooled Investments	\$ 500,336
Accounts Receivable	<u>7,286</u>
	<u>\$ 507,622</u>

**LIABILITIES**

Due to Other Governments	\$ 507,204
Deposits	<u>418</u>
Total Liabilities	<u>\$ 507,622</u>

*See accompanying Notes to Financial Statements.*

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Jackson County (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Jackson County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes Chapter 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Jackson County (primary government) and its component units for which the County is financially accountable. There is financial accountability if the primary government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the primary government. Based on the criteria for determining component units, the County is required to include two discrete component units. The County is governed by a five-member Board of County Commissioners (the Board) elected from districts within the County. The Board is organized with a chair and vice-chair elected at the annual meeting in January of each year.

Blended Component Unit

Blended component units are legally separate organizations that are so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County.

The County does not present any blended component units.

Discretely Presented Component Unit

While part of the reporting entity, a discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following are component units of the County are discretely presented:

*Jackson County Fair Association*

The government-wide financial statements include the Jackson County Fair Association (Fair Association) as a component unit. The Fair Association is a legally separate organization. The board of the Fair Association is self-appointed, except for one member who is appointed by the Jackson County Board. The County is financially accountable for the Fair Association as a result of fiscal dependency. As a component unit, the Fair Association's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended September 30, 2015. Separately issued financial statements of the Fair Association are not issued.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit (Continued)

*Jackson County Historical Society*

The government-wide financial statements include the Jackson County Historical Society (Historical Society) as a component unit. The Historical Society is a legally separate organization. The board of the Historical Society is self-appointed, except for one member who is appointed by the Jackson County Board. The County is financially accountable for the Historical Society as a result of fiscal dependency. As a component unit, the Historical Society's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended November 30, 2015. Separately issued financial statements of the Historical Society are not issued.

Significant accounting policies of the component unit do not differ significantly from those of the County.

Joint Ventures

The County participates in joint ventures which are described in Note 8.B. The County also participates in jointly-governed organizations which are described in Note 8.C and participates in three related organizations which are described in Note 8.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County'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 Road and Bridge Fund is used to account for revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting county roadways. Intergovernmental revenues are the primary funds committed for these projects.

The Ditch Fund is used to account for and reports resources legally restricted for the financing of construction and maintenance of the County's drainage ditches.

The Heron Lake Debt Service Fund is used to account for the accumulation of resources that are restricted to expenditures for the payment of long-term debt principal, interest, and related costs, related to the Heron Lake pipeline.

Additionally, the County reports the following fund type:

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agency capacity.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. Jackson County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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



**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Pooled Investments

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

The cash balances of substantially all funds are pooled and invested by the Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value based on market prices. Pursuant to Minnesota Statutes §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

2. 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 noncurrent maturities of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables are shown net of an allowance for uncollectibles which is calculated on a case-by-case basis.

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

3. Materials, Supplies and Prepaid Items

Materials and supplies in the Road and Bridge Fund are valued at cost based on average cost and consist of supplies held for consumption. Reported materials and supplies are offset by restricted fund balance in the fund financial statements to indicate they are not available, spendable resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Cash and Investments

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Certain liabilities payable from these assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and the following initial cost:

Assets	Cost
Buildings	\$ 1
Other Improvements	25,000
Machinery, Equipment and Vehicles	5,000
Infrastructure	50,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

5. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25-100
Other Improvements	7-30
Machinery, Equipment and Vehicles	3-20
Infrastructure	50

6. Deferred Outflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The County will not recognize the related outflow until a future event occurs. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements.

8. Unearned Revenue

Governmental funds and the government-wide financial statements report revenue for resources that have been received, but not yet earned.

9. Deferred Inflows of Resources

The County's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related inflow until a future event occurs. The County reports deferred inflows of resources related to revenue recognition under the modified accrual basis of account and as related to the requirements of reporting pensions.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net pension of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables and corpus of any permanent fund. Nonspendable portions of fund balance are related to prepaid items, loans receivable, and inventory. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of County Commissioners (the highest level of authority). Assigned fund balances are established and modified by the Board of County Commissioners or their designee. The Board, as part of the adoption of the accounting standards statement, has designated the County Auditor-Treasurer as the responsible party in determining assigned fund balance.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

12. Fund Balance (Continued)

Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then, unrestricted fund balance. When an expenditure is incurred for which committed, assigned and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

13. Net Position

Fund equity is classified as net position in the government-wide financial statements and is displayed in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is displayed as unrestricted. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the County's policy to use restricted first, then, unrestricted net position.

14. Use of Estimates

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenues are not recognized in the financial statements unless it is available to finance current expenditures.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues (Continued)

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on non-governmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as unavailable revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditures is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

Exchange Transactions

Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income, are recognized as revenue when earned.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Excess Expenditures over Appropriations

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2015:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General Fund	\$ 9,797,013	\$ 10,682,348	\$ 885,335
Road and Bridge Fund	6,592,376	7,144,633	552,257
Library Special Revenue Fund	418,231	422,622	4,391
Debt Service Fund	1,110,528	1,228,814	118,286
Street Reconstruction Debt Service Fund	292,053	292,504	451

Some individual departments in the general fund experienced expenditures which exceeded appropriations. The detail of those items can be found in the County's year-end budget to actual report.

A budget has been adopted for the General Fund, certain special revenue funds, and certain debt service funds. Budgets have not been formally adopted for the Ditch Special Revenue Fund, the Public Works Capital Project Fund and the Heron Lake Debt Service Fund.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Deposits	\$ 16,475,848
Negotiable Certificate of Deposit	2,988,000
Non-Negotiable Certificate of Deposit	524,376
Petty Cash	900
Total Cash and Investments	\$ 19,989,124

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Primary Government	
Cash and Pooled Investments	\$ 15,355,113
Restricted Cash and Pooled Investments	4,133,675
Agency Funds	
Cash and Pooled Investments	
Agency Fund	65,029
Taxes and Penalties Fund	434,889
Sheriff's Trust Account	418
Total Agency Funds	500,336
Total Cash and Investments	\$ 19,989,124

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

The County maintains collateral agreements with its banks. At December 31, 2015, the banks had pledged various government securities of approximately \$15,079,000 to secure the County's deposits.



**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

a. Deposits

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, or bonds, issues of U.S. government agency; general obligation of the state or local government rated "A" or better; revenue obligations of the state or local government rated "AA" or better; irrevocable standby letters of credit issue by the Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk: In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County will minimize deposit custodial credit risk by obtaining collateral or bonds for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2015, all of the County's \$17,608,528 bank deposits (book value) were covered by federal depository insurance or by collateral in accordance with Minnesota Statutes.

b. Investments

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04, Subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy does not address credit risk. At December 31, 2015, the County had no investments required to be rated.

Interest Rate Risk: Is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity and operating funds will be primarily invested in shorter-term securities, liquid asset funds, money market mutual funds or similar investment pools limiting the average maturity in accordance with the County's cash requirement.

As of December 31, 2015, the County's Investments were as follows:

Investment Type	Fair Value	Maturity	
		Less than 1 Year	1-3 Years
Negotiable Certificate of Deposit	\$ 2,988,000	\$ 2,490,000	\$ 498,000

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Custodial Credit Risk: 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 County will eliminate Investment Custodial Credit Risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed available SIPC coverages shall be transferred to the County's Custodian. Financial institutions, brokers/dealers, intermediaries, and advisors with which the county does business will be prequalified.

Concentration of Credit Risk: Is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that portfolio maturities be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities shall provide for stability of income and reasonable liquidity. Positions in securities having potential default risk (i.e., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities. Risks of market price volatility shall be controlled through maturity diversification

At December 31, 2015 the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Oriental Bank & Trust	Negotiable CD	8.33 %
Ally Bank UT	Negotiable CD	8.33
Goldman Sachs BK USA NY	Negotiable CD	8.33
Berkshire Bank Pittsfield MA	Negotiable CD	8.33
Comenity Cap Bk Salt Lake City UT	Negotiable CD	8.33
Xenith Bank, Richmond Va	Negotiable CD	8.33
Capital Bank/Miami Florida	Negotiable CD	8.33
Bank of Baroda, New York NY	Negotiable CD	8.33
Currie St BK Currie MN	Negotiable CD	8.34
Compass Bk Birmingham ALA	Negotiable CD	8.34
Firstbank Puerto Rico Santurce Pr	Negotiable CD	8.34
Discover BK Greenwood, DE	Negotiable CD	8.34

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, for the County' individual major funds and nonmajor funds in the aggregate, are as shown below.

Fund	Receivable	Amounts Not Scheduled for Collection During the Subsequent Year
General Fund	\$ 5,268,031	\$ 4,741,717
Road and Bridge Fund	3,872,676	3,957
Ditch Fund	1,423,706	1,303,879
Heron Lake Debt Service	2,405,759	2,011,908
Nonmajor Governmental Funds	1,362,932	1,288,766
Total Governmental Activities	<u>\$ 14,333,104</u>	<u>\$ 9,350,227</u>

Governmental funds report unavailable in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

Receivable	Receivable	Unavailable
Advance to Other Governments	\$ 7,746,759	\$ 2,405,759
Accounts Receivable	153,003	129,309
Special Assessments	1,391,900	1,386,812
Due From Other Governments	3,827,624	3,737,838
Taxes	109,752	71,472
Interest on Investments	15,201	-
Notes Receivable	1,088,865	1,088,865
Total	<u>\$ 14,333,104</u>	<u>\$ 8,820,055</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

3. Restricted Assets

The restricted assets at year-end consisted of the following accounts:

	Reserve Account	Debt Service Account	Construction Account	Total
2015 Debt Issue - \$915,000	\$ -	\$ 9,343	\$ 391,157	\$ 400,500
2014 Debt Issue - \$1,380,000	-	412,998	95,114	508,112
2013 Debt Issue - \$700,000	-	237,589	-	237,589
2013 Debt Issue - \$14,260,000	-	769,851	572,321	1,342,172
2011 Debt Issue - \$1,670,000	160,000	881,202	-	1,041,202
2011 Debt Issue - \$3,665,000	364,000	240,100	-	604,100
Total Restricted Assets	<u>\$ 524,000</u>	<u>\$ 2,551,083</u>	<u>\$ 1,058,592</u>	<u>\$ 4,133,675</u>

Reserve Account - Used to secure principal and interest payments. This account will be liquidated to cover a portion of the final bond payment.

Debt Service Account - Used to segregate resources accumulated for debt service payments for the life of the issue.

Construction Account - Used to report proceeds of bond issuances that are restricted for use in construction.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Construction-in-Process	\$ 12,844,831	\$ 3,200,906	\$ 3,902,778	\$ 12,142,959
Land	645,625	67,623	50,810	662,438
Total Capital Assets, Not Being Depreciated	13,490,456	3,268,529	3,953,588	12,805,397
Capital Assets, Being Depreciated				
Buildings	10,274,888	213,913	674,152	9,814,649
Other Improvements	5,844,907	34,596	166,847	5,712,656
Machinery and Equipment	9,595,973	986,108	628,943	9,953,138
Infrastructure	84,957,089	3,868,318	-	88,825,407
Total Capital Assets, Being Depreciated	110,672,857	5,102,935	1,469,942	114,305,850
Less Accumulated Depreciation for				
Buildings	(2,952,729)	(256,111)	(286,799)	(2,922,041)
Other Improvements	(1,924,503)	(146,354)	(84,720)	(1,986,137)
Machinery, Furniture, and Equipment	(5,206,311)	(814,209)	(468,825)	(5,551,695)
Infrastructure	(24,244,413)	(1,764,324)	-	(26,008,737)
Total Accumulated Depreciation	(34,327,956)	(2,980,998)	(840,344)	(36,468,610)
Total Capital Assets, Being Depreciated, Net	76,344,901	2,121,937	629,598	77,837,240
Governmental Activities Capital Assets, Net	<u>\$ 89,835,357</u>	<u>\$ 5,390,466</u>	<u>\$ 4,583,186</u>	<u>\$ 90,642,637</u>

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

Governmental Activities	
General Government	\$ 383,045
Public Safety	257,186
Public Works	2,258,457
Conservation of Natural Resources	82,310
Total Governmental Activities	<u>\$ 2,980,998</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The following is a schedule of interfund receivables and payables as of December 31, 2015:

Receivable Fund	Payable Fund	Amount
Ditch Fund	Road and Bridge Fund	\$ 22,921

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services (postage, copies, and fuel) are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

All balances are expected to be liquidated in the subsequent year.

2. Transfers In/Out

The following is a schedule of interfund transfers:

<b>Transfers In/Out</b>		
Fund Transferred To	Fund Transferred From	Amount
General Fund	Road and Bridge Fund	\$ 215,431
Public Works Capital Project Fund	Debt Service Fund	740,971
	Total	\$ 956,402

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfers from the General Fund to the Road and Bridge Fund were for salary increases and vacation time paid to employees leaving employment with the County.

The transfer from the Public Works Capital Project Fund to the Debt Service Fund was to move the debt service reserves to the appropriate fund.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Interfund Advances

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Fund	<u>\$ 1,096,139</u>

The General Fund has made advances to the Ditch Fund to cover individual ditch cash deficits.

C. Liabilities

1. Long-Term Debt

Long-term obligations activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General Obligation Debt	\$ 16,925,000	\$ -	\$ 925,000	\$ 16,000,000	\$ 945,000
General Obligation Revenue Bonds	4,375,000	-	430,000	3,945,000	445,000
General Obligation Drainage Bonds	2,235,000	915,000	80,000	3,070,000	110,000
Loans Payable	86,510	-	13,390	73,120	13,390
(Discount)/Premiums	152,890	3,652	6,370	150,172	-
Total Bonds Payable	23,774,400	918,652	1,454,760	23,238,292	1,513,390
Other Liabilities					
Land Contract	32,000	-	8,000	24,000	8,000
Vested Compensated Absences	580,260	407,821	414,365	573,716	367,744
Governmental Activity Long-Term Liabilities	<u>\$ 24,386,660</u>	<u>\$ 1,326,473</u>	<u>\$ 1,877,125</u>	<u>\$ 23,836,008</u>	<u>\$ 1,889,134</u>

Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund and Road and Bridge Fund.



**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

***General Obligation Debt***

All general obligation notes and bonds payable are backed by the full faith and credit of the county. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

In accordance with Minnesota Statutes, net indebtedness of the county may not exceed three percent of the market value of taxable property within the county's jurisdiction. The debt limit as of December 31, 2015, was \$110,614,152. General obligation debt outstanding at year end was \$16,000,000.

The County entered into a joint powers agreement with the City of Jackson to jointly construct a public works facility. The 2013 GO Bonds were issued to construct the facility. At December 31, 2015, the County recognized an advance of \$3,996,000 representing the City's portion of the GO Bonds.

General obligation debt payable at December 31, 2015, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2015
Capital Improvement Bonds:					
Street Reconstruction	2008	2018	2.00-4.00%	\$ 2,290,000	\$ 835,000
Series B - Refunding	2009	2022	0.85-3.55%	3,220,000	1,375,000
Capital Improvement	2013	2038	2.00-3.125%	14,260,000	13,790,000
Total Governmental Activities - General Obligation Debt					<u>\$ 16,000,000</u>

Debt service requirements to maturity for the general obligation debt are as follows:

	Principal	Interest
2016	\$ 945,000	\$ 453,808
2017	975,000	428,213
2018	945,000	401,778
2019	670,000	380,798
2020	690,000	364,835
2021-2025	3,035,000	1,555,516
2026-2030	2,955,000	1,126,300
2031-2035	3,430,000	642,097
2036-2038	2,355,000	112,266
Totals	<u>\$ 16,000,000</u>	<u>\$ 5,465,611</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

***General Obligation Revenue Debt***

Governmental activities general obligation revenue debt is payable primarily from water system/pipeline revenue, with any deficiency to be provided for by general property taxes. The County has entered various agreements with other entities to secure all the revenue needed to repay both general obligation revenue debt issues. The Red Rock Rural Water System makes all payments on the 2009 Water Revenue Bonds. See Note 8.B. for further information. The City of Heron Lake provides revenue through special assessments and user fees to the County to repay the 2011 Water Revenue Bonds. See Note 8.D. for further information.

General obligation revenue debt payable at December 31, 2015, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2015
General Obligation Revenue Debt					
Water Revenue Bonds - Red Rock	2009	2033	2.00-4.50%	\$ 1,745,000	\$ 1,345,000
Water Revenue Bonds - Heron Lake	2011	2022	0.50-3.00%	3,665,000	2,600,000
Total Governmental Activities - General Obligation Revenue Debt					<u>\$ 3,945,000</u>

Debt service requirements to maturity for the general obligation revenue debt are as follows:

	Principal	Interest
2016	\$ 445,000	\$ 109,997
2017	460,000	102,094
2018	475,000	92,213
2019	500,000	80,713
2020	370,000	69,550
2021-2025	1,015,000	213,513
2026-2030	470,000	110,948
2031-2033	210,000	14,172
Totals	<u>\$ 3,945,000</u>	<u>\$ 793,200</u>

***General Obligation Drainage Debt***

Governmental activities general obligation drainage debt is payable primarily from special assessments (drainage liens) levied against properties benefited, with any deficiency to be provided for by general property taxes.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

***General Obligation Drainage Debt (Continued)***

General obligation drainage debt payable at December 31, 2015, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2015
General Obligation Drainage Debt					
Drainage Bonds	1998	2019	4.125-5.0%	\$ 710,000	\$ 105,000
Drainage Bonds	2013	2034	2.00-3.25%	700,000	670,000
Drainage Bonds	2014	2035	3.00-3.50%	1,380,000	1,380,000
Drainage Bonds	2015	2036	1.00-3.5%	915,000	915,000
Total Governmental Activities - General Obligation Drainage Debt					<u><u>\$ 3,070,000</u></u>

Debt service requirements to maturity for the general obligation drainage debt are as follows:

	Principal	Interest
2016	\$ 110,000	\$ 86,489
2017	145,000	86,958
2018	145,000	83,108
2019	155,000	79,020
2020	130,000	75,220
2021-2025	680,000	324,481
2026-2030	775,000	219,920
2031-2035	870,000	84,970
2036	60,000	1,050
Totals	<u><u>\$ 3,070,000</u></u>	<u><u>\$ 1,041,216</u></u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

***Loan Agreements***

The county has entered into various loan agreements to finance the repair of failing private septic systems. These loans are secured by special assessments.

Loan agreements payable at December 31, 2015, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2015
Loan Agreements					
Septic Loans	2001	2023	- %	\$ 45,000	\$ 34,220
Septic Loans	2003	2023	-	38,900	38,900
Total Governmental Activities - Loan Agreements					<u>\$ 73,120</u>

Debt service requirements for the loan agreements are as follows:

	Principal	Interest
2016	\$ 13,390	\$ -
2017	13,390	-
2018	13,390	-
2019	8,390	-
2020	8,390	-
2021-2023	16,170	-
Totals	<u>\$ 73,120</u>	<u>\$ -</u>

***Land Contract***

Land contract payable at December 31, 2015, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2015
Land Contract	2001	2018	- %	\$ 116,600	\$ 24,000

Debt service requirements for the land contract are as follows:

	Principal	Interest
2016	\$ 8,000	\$ 1,440
2017	8,000	960
2018	8,000	480
Totals	<u>\$ 24,000</u>	<u>\$ 2,880</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Fund Balance**

The fund balance classifications of the governmental funds as of December 31, 2015, were as follows:

Fund	General Fund	Road and Bridge Fund	Ditch Fund	Heron Lake Debt Service Fund	Other Governmental Funds	Total
<b>Nonspendable</b>						
Advance to Other Funds	\$ 1,096,139	\$ -	\$ -	\$ -	\$ -	\$ 1,096,139
Advances to Other Governments	3,996,000	-	-	-	-	3,996,000
Inventory and Prepaid Items	573,612	156,103	-	-	-	729,715
Total Nonspendable	<u>5,665,751</u>	<u>156,103</u>	-	-	-	<u>5,821,854</u>
<b>Restricted</b>						
Cemetery	1,000	-	-	-	-	1,000
Court Services	1,000	-	-	-	-	1,000
Recorder's Equipment	143,533	-	-	-	-	143,533
E-911	396,280	-	-	-	-	396,280
Integrated Land Records	176,173	-	-	-	-	176,173
Aquatic Invasive Species	109,306	-	-	-	-	109,306
Sheriff's Contingency	81,182	-	-	-	-	81,182
Sheriff's Forfeiture Fund	20,000	-	-	-	-	20,000
Fish and Wildlife Trust	137,297	-	-	-	-	137,297
Water Plan	145,781	-	-	-	-	145,781
SCORE	194,105	-	-	-	-	194,105
Juvenile Restitution	1,146	-	-	-	-	1,146
Attorney	19,312	-	-	-	-	19,312
Ditch	-	-	731,853	-	-	731,853
Public Works Building	-	-	-	-	387,114	387,114
Debt Service	-	-	659,930	1,645,302	3,065,759	5,370,991
Total Restricted	<u>1,426,115</u>	<u>-</u>	<u>1,391,783</u>	<u>1,645,302</u>	<u>3,452,873</u>	<u>7,916,073</u>
<b>Committed</b>						
Change Funds	900	-	-	-	-	900
Capital Projects	1,633,845	-	-	-	-	1,633,845
Jackson Sheriff	148,454	-	-	-	-	148,454
Revolving Loan Fund	103,917	-	-	-	-	103,917
Future Road and Bridge Expenditures	-	3,868,868	-	-	-	3,868,868
Future Library Expenditures	-	-	-	-	178,438	178,438
Total Committed	<u>1,887,116</u>	<u>3,868,868</u>	<u>-</u>	<u>-</u>	<u>178,438</u>	<u>5,934,422</u>
<b>Assigned</b>						
Severance Pay	92,263	-	-	-	-	92,263
Health Insurance	92,136	-	-	-	-	92,136
WESCAP	14,947	-	-	-	-	14,947
Information Systems	214,315	-	-	-	-	214,315
Lakes Improvement	10,406	-	-	-	-	10,406

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Fund Balance (Continued)**

	General Fund	Road and Bridge Fund	Ditch Fund	Heron Lake Debt Service Fund	Other Governmental Funds	Total
Abatements	\$ 12,371	\$ -	\$ -	\$ -	\$ -	\$ 12,371
Addiction Prevention Coalition	2,981	-	-	-	-	2,981
Veteran's Van	35,001	-	-	-	-	35,001
Furniture	4,490	-	-	-	-	4,490
Rural Signage	22,304	-	-	-	-	22,304
Buildings	70,534	-	-	-	-	70,534
Compensation Plan Pool	54,095	-	-	-	-	54,095
Emergency Management	31,601	-	-	-	-	31,601
Elections and Redistricting	35,000	-	-	-	-	35,000
Treasurer	9,751	-	-	-	-	9,751
Assessor	5,963	-	-	-	-	5,963
Planning and Zoning	5,660	-	-	-	-	5,660
Sheriff K-9 Unit	3,947	-	-	-	-	3,947
Parks Improvement and Maintenance	-	83,123	-	-	-	83,123
Landfill Assurance	130,973	-	-	-	-	130,973
Septic Loan	281,456	-	-	-	-	281,456
Total Assigned	<u>1,130,194</u>	<u>83,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,213,317</u>
<b>Unassigned</b>	<u>3,788,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,788,889</u>
Total Fund Balances	<u>\$ 13,898,065</u>	<u>\$ 4,108,094</u>	<u>\$ 1,391,783</u>	<u>\$ 1,645,302</u>	<u>\$ 3,631,311</u>	<u>\$ 24,674,555</u>

**E. Component Unit – Fair Association**

This report contains the Jackson County Fair Association ("Fair Association"), which is included as a component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities. In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

**1. Basis of Accounting/Measurement Focus**

The Fair Association follows the full accrual basis of accounting and the flow of economic resources measurement focus.

**2. Deposits and Investments**

The Fair Association's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance
Deposits	\$ 23,788	<u>\$ 28,464</u>
Petty Cash	<u>355</u>	
Total	<u>\$ 24,143</u>	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

E. Component Unit – Fair Association (Continued)

2. Deposits and Investments (Continued)

For purposes of the statement of cash flows, the county considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Fair Association’s deposits may not be returned to the Fair Association.

The Fair Association does not have any deposits exposed to custodial credit risk.

The Fair Association does not have an investment policy.

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Equipment	\$ 70,867	\$ 7,728	\$ -	\$ 78,595	15 Years
Land Improvements	129,327	-	-	129,327	20 Years
Total Capital Assets	200,194	7,728	-	207,922	
Less: Accumulated Depreciation	(69,884)	(13,239)	-	(83,123)	
Totals	<u>\$ 130,310</u>	<u>\$ (5,511)</u>	<u>\$ -</u>	<u>\$ 124,799</u>	

4. Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bank Note	\$ 6,840	\$ -	\$ 2,047	\$ 4,793	\$ 2,419

**JACKSON COUNTY  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

E. Component Unit – Fair Association (Continued)

4. Long-Term Liabilities (Continued)

The Fair Association obtained a bank loan to finance the purchase of a Kawasaki Mule. The loan bears interest at 4.60% and requires annual payments of \$2,496 beginning on May 22, 2015.

The Fair Association has a \$5,000 bank line of credit that bears interest at 18% as of September 30, 2015. There were no draws made on the line of credit during the year ended September 30, 2015.

Debt service requirements for the bank loan are as follows:

	Principal	Interest	
2016	\$ 2,419	\$ 214	
2017	2,374	109	
Totals	\$ 4,793	\$ 323	

F. Component Unit – Historical Society

This report contains the Jackson County Historical Society (“Historical Society”), which is included as a component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities. In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

1. Basis of Accounting/Measurement Focus

The Historical Society follows the full accrual basis of accounting and the flow of economic resources measurement focus.

2. Deposits and Investments

The Historical Society’s cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	
Deposits	\$ 66,832	\$ 78,724	
Certificates of Deposit	6,627	6,627	
Total Cash and Investments	\$ 73,459	\$ 85,351	



**JACKSON COUNTY  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

F. Component Unit – Historical Society (Continued)

2. Deposits and Investments (Continued)

For purposes of the statement of cash flows, the county considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Historical Society’s deposits may not be returned to the Historical Society.

The Historical Society does not have any deposits exposed to custodial credit risk.

The Historical Society does not have an investment policy.

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Equipment	\$ 79,524	\$ 9,385	\$ (9,500)	\$ 98,409	15-20
Less: Accumulated Depreciation	(18,829)	(4,739)	9,500	(33,068)	
Totals	<u>\$ 60,695</u>	<u>\$ 4,646</u>	<u>\$ -</u>	<u>\$ 65,341</u>	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4    DEFINED BENEFIT PENSION PLANS**

A. Plan Description

The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of Jackson County are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

3. Public Employees Correctional Fund (PECF)

The Local Government Correctional Fund, referred to as the Public Employees Correctional Fund (PECF), was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

**JACKSON COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

1. GERF Benefits

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 a 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 % of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

3. PECF Benefits

Benefits for PECF members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For PECF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

C. Contributions (Continued)

1. GERS Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The County contributions to the GERS for the year ended December 31, 2015, were \$250,132. The County contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The County was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The County contributions to the PEPFF for the year ended December 31, 2015, were \$137,126. The County contributions were equal to the required contributions as set by state statute.

3. PECF Contributions

In calendar year 2015 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for PECF members in calendar year 2015. The County contributions to the PECF for the year ended December 31, 2015, were \$47,952. The County contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERS Pension Costs

At December 31, 2015, the County reported a liability of \$2,891,846 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion share was .0558%.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

1. GERS Pension Costs (Continued)

For the year ended December 31, 2015, the County recognized pension expense of \$343,198 for its proportionate share of the GERS's pension expense.

At December 31, 2015, the County reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 145,798
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	273,758	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	126,832
County Contributions Subsequent to the Measurement Date	128,375	-
Total	<u>\$ 402,133</u>	<u>\$ 272,630</u>

\$128,375 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2016	\$ (22,438)
2017	(22,438)
2018	(22,438)
2019	68,442

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. PEPFF Pension Costs

At December 31, 2015, the County reported a liability of \$1,022,611 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was .0900%.

For the year ended December 31, 2015, the County recognized pension expense of \$172,620 for its proportionate share of the PEPFF's pension expense. The County also recognized \$8,100 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the County reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 165,834
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	178,173	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	18,001
County Contributions Subsequent to the Measurement Date	69,001	-
Total	<u>\$ 247,174</u>	<u>\$ 183,835</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

\$69,001 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2016	\$ 7,776
2017	7,776
2018	7,776
2019	7,776
2020	(36,766)

3. PECF Pension Costs

At December 31, 2015, the County reported a liability of \$46,380 for its proportionate share of the PECF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was .300%.

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 17,757
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	38,661	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	566
County Contributions Subsequent to the Measurement Date	24,128	-
Total	\$ 62,789	\$ 18,323

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

3. PECF Pension Costs (Continued)

\$24,128 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2016	\$ 3,558
2017	3,558
2018	3,558
2019	9,664

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	
Inflation	2.75% per Year
Active Member Payroll Growth	3.50% per Year
Investment Rate of Return	7.90% per Year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% effective every January 1<sup>st</sup> until 2034, then 2.5% for GERP and PEPFF, and 2.5% for all years (PECF).

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for the PECF, but assumptions are reviewed annually.



**JACKSON COUNTY  
JACKSON, MINNESOTA  
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**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

F. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>Discount Rate</u>	6.90%	7.90%	8.90%
County's Proportionate Share of the GERF Net Pension Liability	\$ 4,538,009	\$ 2,891,846	\$ 1,524,934
County's Proportionate Share of the PEPFF Net Pension Liability	1,993,079	1,022,611	220,835
County's Proportionate Share of the PECF Net Pension Liability (Asset)	322,998	46,380	(175,026)

G. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org)

**JACKSON COUNTY  
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**NOTE 5    DEFINED CONTRIBUTION PLAN**

Commissioners of the County 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 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. 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 two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

The employer's contribution amounts for the years ending December 31, 2015, 2014, and 2013 were \$5,563, \$4,280, and \$4,393, respectively, equal to the contractually required contributions for each year as set by state statute.

**JACKSON COUNTY  
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**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS**

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their spouse/partner under the County's health benefits program. Pursuant to the provisions of the plan, retirees pay the total premium cost. As of January 1, 2014, there were 22 retirees receiving health benefits from the County's health plan.

**A. Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 127,458
Interest on Net OPEB Obligation	8,396
Adjustment to ARC	(14,071)
Annual OPEB Cost	<u>121,783</u>
Contributions during the year	<u>(105,973)</u>
Increase (Decrease) in Net OPEB Obligation	15,810
Net OPEB - Beginning of the Year	<u>279,873</u>
Net OPEB - End of the Year	<u><u>\$ 295,683</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2014, and 2013 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2015	\$ 121,783	\$ 105,973	87.0 %	\$ 295,683
December 31, 2014	121,660	127,724	105.0	279,873
December 31, 2013	118,203	90,537	76.6	285,937

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**B. Funding Status**

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

The County Board's Finance Committee has evaluated its option in funding its OPEB liabilities. It has preliminarily determined that it will use a combination of small incremental property tax levy and non-levy increases. Under these scenarios the County has determined that it will be able to meet its OPEB obligations and fund the necessary reserves using a 30 year amortization assumption.

The funding status of the plan as of January 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 1,162,300	\$ 1,162,300	- %	\$ 4,669,284	24.9 %
1/1/2011	-	1,093,283	1,093,283	-	5,508,356	19.8
1/1/2008	-	821,035	821,035	-	5,388,984	15.2

**C. Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

C. Actuarial Methods and Assumptions (Continued)

In the January 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.00% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 3.00%. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

**NOTE 7 RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). For other risks, the County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risk, the County carried commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the in a method and amount to be determined by MCIT.

**JACKSON COUNTY  
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**NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS**

A. 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 the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County may be involved in various claims. Although the outcome of any claims is not presently determinable, in the opinion of the Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

At December 31, 2015, the County had approximately \$81,720 in contracts for construction projects on which work had not been completed or billed.

B. Joint Ventures

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minnesota Statutes, Chapter 116A through a joint powers agreement pursuant to Minnesota Statutes §471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district.

The Red Rock Rural Water System is governed by a nine-member board appointed for terms of three years by the District Court. Each County is responsible for levying and collecting the special assessments from the benefited properties within the County.

Complete financial statements of the Red Rock Rural Water System can be obtained from the main office in Jeffers, Minnesota 56145.

Jackson County has issued general obligation revenue bonds on behalf of Red Rock Rural Water System. An equal amount has been advanced to Red Rock Rural Water System and is recorded as an advance to other governments on the county's financial statements. At December 31, 2015, a balance of \$1,345,000 is outstanding for the general obligation revenue bonds and the advance.

**JACKSON COUNTY  
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**NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

B. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

Lincoln County, along with Jackson, Lac qui Parle, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to Minnesota Statutes §116A. The system is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges. The Lincoln-Pipestone Rural Water System is governed by the District Court. The Water System's Board is solely responsible for the budgeting and financing of the Water System.

Bonds were issued by Lincoln County, Nobles County, and Yellow Medicine County to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85% of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System.

The Lincoln-Pipestone Rural Water System's 2015 financial report shows total net position of \$50,526,126 including unrestricted net position of \$21,886,493. The increase in net position for the year ended December 31, 2015, was \$276,593.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board (the Board) under the authority of Minnesota Statutes §471.59. The Consortium is headquartered in Willmar, Minnesota.

The Board takes actions and enters into such agreements as necessary to plan and develop, within the Board's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.



**JACKSON COUNTY  
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**NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

B. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2014 (the most recent information available):

Total Assets	\$ 1,431,123
Total Liabilities	349,247
Total Net Position	1,081,876
Total Revenues	3,305,574
Total Expenditures	3,508,999
Net Increase (Decrease) in Net Position	(203,425)

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota, 56101.

Southwestern Mental Health Center, Inc.

The Southwestern Mental Health Center, Inc., is a private, non-profit agency established in 1959 by Cottonwood, Jackson, Nobles, Pipestone, and Rock Counties in southwest Minnesota. It was formed for the purpose of providing mental health services and programs to the residents of these counties.

Complete financial statements for the Southwestern Mental Health Center, Inc., can be obtained at 216 E. Luverne Street, Luverne, Minnesota 56156.

Des Moines Valley Health and Human Services

Des Moines Valley Health and Human Services (DVHHS) was established pursuant to Minnesota Statutes §145A through a joint powers agreement effective January 1, 2014. DVHHS's Board is made up of the five elected county commissioners from both Cottonwood and Jackson Counties. Both counties levy a tax to help support DVHHS.

For 2015, Jackson County contributed \$2,972,247 to DVHHS. Complete financial statements for DVHHS can be obtained at 407 Fifth Street, Jackson, Minnesota, 56143.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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**NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

C. Jointly-Governed Organizations

Jointly governed organizations are a regional government or multi-governmental arrangement governed by representatives of each creating government. Participants do not retain an ongoing financial interest or responsibility.

Jackson County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County appoints at least one member to the following organizations:

Greater Blue Earth River Basin Alliance provides joint exercise of powers to cooperatively establish policies, goals, and objectives; select priority management areas; and coordinate implementation programs and activities that protect and enhance land and water resources in the Greater Blue Earth River Basin. During the year, \$1,619 was paid to the board and the county acted as the fiscal host.

Rural Minnesota Energy Board provides policy guidance on issues surrounding energy development in rural Minnesota and fosters the diversification of the economic climate in rural Minnesota. During the year, \$1,000 was paid to the board by the County.

Jackson County Children's Mental Health and Family Services Network Collaborative Joint Powers Board provide a comprehensive system of collaborative service delivery to improve the ability of families to meet the needs of their children. During the year, \$10,000 was paid to the board by the County; the County acted as the fiscal host for the board.

The Rural Development Financing Authority is a jointly governed authority of Jackson and Nobles Counties. Each county appoints three members, and each county has one vote. The Authority must obtain approval by resolution of the Boards of County Commissioners of Jackson and Nobles Counties prior to exercising any powers granted to rural development financing authorities under Minnesota Statutes §469.142 to 469.151. Each county is responsible for financing projects within the project area established by the Authority.

The Minnesota Counties Computer Cooperative provides computer programming services for the county. During the year, the County purchased \$82,143 of services.

**JACKSON COUNTY  
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**NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

D. Related Organization

Industrial Water Supply Treatment Agreement – Heron Lake Water Treatment Plant

The County entered into a joint powers agreement with the City of Heron Lake pursuant to Minnesota Statutes §471.59, to develop an industrial water supply treatment plant to supply treated water to Heron Lake BioEnergy for its ethanol production facility. In 2006, the County issued \$3,550,000 of general obligation revenue bonds to finance the water treatment plant. In 2011, the County issued taxable general obligation refunding bonds; a portion of the proceeds of those bonds were used to pay off the balance of the 2006 general obligation bonds early in 2012. The joint powers agreement provides for the City of Heron Lake to operate the water treatment plant and make semi-annual payments to the County sufficient to cover scheduled bond payments. Should the operating revenues fall short of requirements, Heron Lake has pledged to contribute up to \$20,000 annually of other city funds. The water treatment plant financed with these bonds is included in the County's capital assets. The County recognized an advance from the City of Heron Lake totaling \$2,405,759 as of December 31, 2015.

During 2013, Heron Lake BioEnergy's interest in the above described joint powers agreement was assigned to Guardian Energy Heron Lake, LLC.

Industrial Water Supply Development and Distribution Agreement – Heron Lake Pipeline

The County entered into a joint powers agreement with the City of Heron Lake pursuant to Minnesota Statutes §471.59, to develop an industrial water system serving the Heron Lake/Brewster area of Jackson County. In 2003, the County issued \$1,670,000 of general obligation revenue bonds to finance a trunk water line linking Heron Lake's industrial well field with Minnesota Soybean Processor's new plant in Brewster. This debt issue, along with the debt issue in the preceding paragraph, was refinanced with the 2011 Heron Lake Taxable GO Refunding Bonds in the amount of \$3,665,000. The joint powers agreement provides for Heron Lake to operate the industrial water system and make semi-annual payments to the County sufficient to cover scheduled bond payments. Should the operating revenues fall short of requirements, Heron Lake has pledged to contribute up to \$20,000 annually of other city funds. There is also a mortgage on the assets of Minnesota Soybean Processors. The pipeline financed with these bonds is included in the County's capital assets.

During 2013, Heron Lake BioEnergy's interest in the above described joint powers agreement was assigned to Guardian Energy Heron Lake, LLC.

Housing and Redevelopment Authority

The County's officials are responsible for appointing the board members of the Jackson County Housing and Redevelopment Authority, but the County's accountability for this organization does not extend beyond making the appointments.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

E. Subsequent Events

Subsequent to December 31, 2015, the County Board authorized the issuance and sale of the following bonds:

- General Obligation Water Revenue Crossover Refunding Bonds, Series 2016A, in the amount of \$1,245,000 to refund the 2020 through 2033 maturities of the County's General Obligation Refunding Bonds, Series 2009 on January 1, 2019.
- General Obligation Drainage Bonds, Series 2016A in the amount of \$3,495,000 to provide funds for the County Judicial Ditches.
- General Obligation Bond in the amount of \$2,879,000 on behalf of the Red Rock Rural Water System to expand and upgrade the existing water distribution system to provide potable water to new individuals, farms and cities.

**NOTE 9 RESTATEMENT**

During the year ended December 31, 2015, the County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014, net position of the governmental activities as shown below.

Beginning net position of the governmental activities was restated by \$2,802,233 to account for the 2014 state aid allocation.

General Fund beginning fund balance was restated by \$4,172,250 to properly account for the advance to the City of Jackson in accordance with generally accepted accounting principles.

	Governmental Activities	General Fund
Beginning Net Position/Fund Balance, as Previously Stated	\$ 93,090,823	\$ 9,578,936
Cumulative Affect of Application of GASB 68 Net Pension Liability	(3,807,338)	-
Cumulative Affect of Application of GASB 71 Deferred Outflow of Resources for Contributions Made During Measurement Period	203,282	-
Intergovernmental Advance Correction	-	4,172,250
State Aid Receivable Correction	2,802,233	-
Beginning Net Position/Fund Balance, As Restated	\$ 92,289,000	\$ 13,751,186

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A**



**JACKSON COUNTY  
 JACKSON, MINNESOTA  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS  
 DECEMBER 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 1,162,300	\$ 1,162,300	-	\$ 4,669,284	24.9 %
1/1/2011	-	1,093,283	1,093,283	-	5,508,356	19.8
1/1/2008	-	821,035	821,035	-	5,388,984	15.2

*The Notes to Required Supplementary Information are an Integral Part of this Schedule.*

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
DECEMBER 31, 2015**

	<u>Measurement Date June 30, 2015</u>
<b>PERA - GERF</b>	
County's Proportion of the Net Pension Liability	0.0558%
County's Proportionate Share of the Net Pension Liability	\$ 2,891,846
County's Covered-Employee Payroll	\$ 3,280,990
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	88.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%
<b>PERA - PEPFF</b>	
County's Proportion of the Net Pension Liability	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 1,022,611
County's Covered-Employee Payroll	\$ 825,683
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	123.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.30%
<b>PERA - PECF</b>	
County's Proportion of the Net Pension Liability	0.3000%
County's Proportionate Share of the Net Pension Liability	\$ 46,380
County's Covered-Employee Payroll	\$ 545,796
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	8.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.90%



**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF COUNTY PENSION CONTRIBUTIONS  
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
<b>PERA - GERF</b>		
Contractually Required Contribution	\$ 250,132	\$ 237,443
Contributions in Relation to the Contractually Required Contribution	<u>(250,132)</u>	<u>(237,443)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
County's Covered-Employee Payroll	\$ 3,335,094	\$ 3,275,076
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.25%
 <b>PERA - PEPFF</b>		
Contractually Required Contribution	\$ 137,126	\$ 125,159
Contributions in Relation to the Contractually Required Contribution	<u>(137,126)</u>	<u>(125,159)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
County's Covered-Employee Payroll	\$ 846,454	\$ 818,033
Contributions as a Percentage of Covered Employee Payroll	16.20%	15.30%
 <b>PERA - PECF</b>		
Contractually Required Contribution	\$ 47,952	\$ 48,092
Contributions in Relation to the Contractually Required Contribution	<u>(47,952)</u>	<u>(48,092)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
County's Covered-Employee Payroll	\$ 548,018	\$ 549,623
Contributions as a Percentage of Covered Employee Payroll	8.75%	8.75%

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 7,343,157	\$ 7,382,390	\$ 39,233
Intergovernmental	779,873	1,105,711	325,838
License and Permits	10,000	13,844	3,844
Fines, Forfeitures, and Penalties	4,750	32,651	27,901
Charges for Services	1,104,536	1,249,300	144,764
Special Assessments	136,900	196,402	59,502
Investment Earnings	25,000	103,012	78,012
Miscellaneous	577,303	852,402	275,099
Total Revenues	9,981,519	10,935,712	954,193
<b>EXPENDITURES</b>			
Current			
General Government	3,078,057	3,593,558	(515,501)
Public Safety	2,610,656	2,539,612	71,044
Health and Human Services	2,810,679	3,091,694	(281,015)
Culture and Recreation	101,500	96,154	5,346
Conservation of Natural Resources	699,294	626,742	72,552
Economic Development	276,327	237,926	38,401
Capital Outlay	220,500	483,272	(262,772)
Debt Service			
Principal	-	13,390	(13,390)
Total Expenditures	9,797,013	10,682,348	(885,335)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	184,506	253,364	68,858
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(111,711)	(215,431)	(103,720)
Proceeds from Sale of Assets	500	108,946	108,446
Total Other Financing Sources (Uses)	(111,211)	(106,485)	4,726
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 73,295</u>	<u>146,879</u>	<u>\$ 73,584</u>
Fund Balance - Beginning of Year, As Originally Stated		9,578,936	
Restatement		4,172,250	
Fund Balance - Beginning of Year, As Restated		<u>13,751,186</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 13,898,065</u>	

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2015**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 1,737,898	\$ 1,781,757	\$ 43,859
Licenses and Permits	-	22,347	22,347
Intergovernmental	3,750,515	4,591,051	840,536
Charges for Services	828,104	640,265	(187,839)
Miscellaneous	44,438	60,554	16,116
	<u>6,360,955</u>	<u>7,095,974</u>	<u>735,019</u>
Total Revenues			
<b>EXPENDITURES</b>			
Current			
Administration	332,750	408,567	(75,817)
Maintenance	1,500,587	1,563,794	(63,207)
Construction	309,874	211,991	97,883
Equipment Maintenance and Shop	947,410	819,180	128,230
Materials and Services for Resale	180,196	237,251	(57,055)
Other	211,706	296,479	(84,773)
Capital Outlay	3,099,933	3,597,451	(497,518)
Debt Service			
Principal	8,000	8,000	-
Interest	1,920	1,920	-
	<u>6,592,376</u>	<u>7,144,633</u>	<u>(552,257)</u>
Total Expenditures			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(231,421)</u>	<u>(48,659)</u>	<u>182,762</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	60,000	215,431	155,431
Proceeds from Sale of Assets	-	382,330	382,330
	<u>60,000</u>	<u>597,761</u>	<u>537,761</u>
Total Other Financing Sources (Uses)			
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (171,421)</u>	549,102	<u>\$ 720,523</u>
Fund Balance - Beginning of Year		3,581,218	
Decrease in Inventory		<u>(22,226)</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 4,108,094</u>	

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2015**

**I. Budgetary Information**

The Board of County Commissioners adopts an annual budget for the following major funds: The General Fund, Road and Bridge Special Revenue Fund, Library Special Revenue Fund, Debt Service fund and the Street Reconstruction Debt Service Fund. These budgets are prepared on the modified accrual basis of accounting. Annual budgets are not adopted for the Ditch, Heron Lake Debt Service Fund and Public Works Capital Project Fund. Based on a process established by the County Board, all departments of the County submit requests for appropriations to the County Auditor-Treasurer each year. After review, analysis and discussions with the departments, the County Auditor-Treasurer's proposed budget is presented to the County Board for review. The County Board holds public hearings and a final budget must be prepared and adopted no later than December 31.

The overall budget is prepared by fund, function, and department. The legal level of budgetary control – the level at which expenditures may not legally exceed appropriations – is the fund level. Budgets may be amended during the year with proper approval.

The budgets may be amended or modified at any time by the Board of County Commissioners. No amendments were adopted during 2015.

**II. Excess of Expenditures over Budget**

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2015:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General Fund	\$ 9,797,013	\$ 10,682,348	\$ 885,335
Road and Bridge Fund	6,592,376	7,144,633	552,257
Library Special Revenue Fund	418,231	422,622	4,391
Debt Service Fund	1,110,528	1,228,814	118,286
Street Reconstruction Debt Service Fund	292,053	292,504	451

These over-expenditures were funded by greater than anticipated revenues and existing fund balance.

**III. Pension**

The pension schedules are provided prospectively beginning with the year ended December 31, 2015.

## **SUPPLEMENTARY INFORMATION**



**JACKSON COUNTY  
JACKSON, MINNESOTA  
DESCRIPTION OF FUNDS  
DECEMBER 31, 2015**

**NONMAJOR GOVERNMENTAL FUNDS**

The Library Special Revenue Fund is used to account for the revenues and expenditures of the County libraries.

The Public Works Facility Capital Project Fund is used to account for and report financial resources that are restricted to expenditures for capital outlays related to the construction of a public works facility.

The Debt Service Fund is used to account for and report financial resources that are restricted for the payment of general long-term debt principal, interest and related costs.

The Street Reconstruction Fund is used to account for and report financial resources that are restricted for the payment of general long-term debt principal, interest and related costs.





**JACKSON COUNTY  
JACKSON, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	Library Special Revenue	Public Works Facility Capital Project	Debt Service	Street Reconstruction Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Pooled Investments	\$ 188,301	\$ 1,475	\$ 420,143	\$ 525,268	\$ 1,135,187
Receivables					
Taxes	4,048	-	10,956	2,928	17,932
Advances to Other Governments	-	-	1,345,000	-	1,345,000
Restricted Assets					
Cash and Investments	-	572,321	769,851	-	1,342,172
Total Assets	<u>\$ 192,349</u>	<u>\$ 573,796</u>	<u>\$ 2,545,950</u>	<u>\$ 528,196</u>	<u>\$ 3,840,291</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,824	\$ 186,682	\$ -	\$ -	\$ 188,506
Accrued Liabilities	9,295	-	-	-	9,295
Due to Other Governments	144	-	-	-	144
Total Liabilities	11,263	186,682	-	-	197,945
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	2,648	-	6,618	1,769	11,035
<b>FUND BALANCES</b>					
Restricted	-	387,114	2,539,332	526,427	3,452,873
Committed	178,438	-	-	-	178,438
Total Fund Balances	178,438	387,114	2,539,332	526,427	3,631,311
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 192,349</u>	<u>\$ 573,796</u>	<u>\$ 2,545,950</u>	<u>\$ 528,196</u>	<u>\$ 3,840,291</u>

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	Library Special Revenue	Public Works Facility Capital Project	Debt Service	Street Reconstruction Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 377,114	\$ -	\$ 1,102,811	\$ 292,754	\$ 1,772,679
Intergovernmental	23,528	-	62,289	19,387	105,204
Charges for Services	-	19,592	-	-	19,592
Investment Earnings	222	833	371	663	2,089
Miscellaneous	33,206	-	57,413	-	90,619
<b>Total Revenues</b>	<b>434,070</b>	<b>20,425</b>	<b>1,222,884</b>	<b>312,804</b>	<b>1,990,183</b>
<b>EXPENDITURES</b>					
Current					
Culture and Recreation	422,622	-	-	-	422,622
Capital Outlay	-	295,736	-	-	295,736
Debt Service					
Principal	-	-	730,000	255,000	985,000
Interest	-	-	498,814	37,504	536,318
<b>Total Expenditures</b>	<b>422,622</b>	<b>295,736</b>	<b>1,228,814</b>	<b>292,504</b>	<b>2,239,676</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>11,448</b>	<b>(275,311)</b>	<b>(5,930)</b>	<b>20,300</b>	<b>(249,493)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	740,971	-	740,971
Transfers Out	-	(740,971)	-	-	(740,971)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(740,971)</b>	<b>740,971</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,448</b>	<b>(1,016,282)</b>	<b>735,041</b>	<b>20,300</b>	<b>(249,493)</b>
Fund Balances - Beginning of Year	166,990	1,403,396	1,804,291	506,127	3,880,804
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 178,438</b>	<b>\$ 387,114</b>	<b>\$ 2,539,332</b>	<b>\$ 526,427</b>	<b>\$ 3,631,311</b>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
DETAILED BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND EXPENDITURES  
YEAR ENDED DECEMBER 31, 2015**

<b>EXPENDITURES</b>	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Current			
General Government			
Commissioners	\$ 172,364	\$ 194,056	\$ (21,692)
Court Administrator	50,000	49,930	70
Drivers License	1,450	734	716
County Assessor	374,582	364,287	10,295
Elections	9,065	9,118	(53)
Attorney	278,516	270,940	7,576
Law Library	-	19,596	(19,596)
Recorder	111,768	173,493	(61,725)
Buildings and Plant	264,812	327,793	(62,981)
Veterans Service Officer	87,083	90,970	(3,887)
County Auditor-Treasurer	256,376	261,548	(5,172)
Planning and Zoning Coordinator	68,955	68,042	913
Information Systems	184,925	203,856	(18,931)
Central Services	460,061	440,884	19,177
Health Insurance	24,600	22,973	1,627
Fleet Management	733,500	700,527	32,973
Other General Government	-	28,294	(28,294)
	-	366,517	(366,517)
Total General Government	3,078,057	3,593,558	(515,501)
Public Safety			
Sheriff	1,437,825	1,457,022	(19,197)
Jail	796,063	726,458	69,605
Court Services	158,744	159,943	(1,199)
E911	35,000	29,699	5,301
Remote Electronic Alcohol Monitor	4,000	2,472	1,528
Probation	88,040	55,466	32,574
Emergency Management	76,434	96,208	(19,774)
Other Public Safety	14,550	12,344	2,206
Total Public Safety	2,610,656	2,539,612	71,044
Health and Human Services			
Environmental Health	32,139	109,447	(77,308)
Appropriations for Health and Human Services	2,778,540	2,982,247	(203,707)
Total Health and Human Services	2,810,679	3,091,694	(281,015)
Culture and Recreation			
Fairgrounds	8,500	3,154	5,346
Other	93,000	93,000	-
Total Culture and Recreation	101,500	96,154	5,346

**JACKSON COUNTY  
 JACKSON, MINNESOTA  
 DETAILED BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
 GENERAL FUND EXPENDITURES  
 YEAR ENDED DECEMBER 31, 2015**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>EXPENDITURES (CONTINUED)</b>			
Conservation of Natural Resources			
County Extension	\$ 134,562	\$ 122,436	\$ 12,126
Recycling	276,327	268,523	7,804
Water Planning	128,062	78,631	49,431
Agricultural Inspector	910	307	603
Soil and Water Conservation	102,506	102,354	152
Soil and Water Technician	56,927	54,491	2,436
Total Conservation of Natural Resources	699,294	626,742	72,552
Economic Development			
Appropriations for Economic Development	276,327	237,926	38,401
Capital Outlay	220,500	483,272	(262,772)
Debt Service			
Principal	-	13,390	(13,390)
Total Expenditures	<u>\$ 9,797,013</u>	<u>\$ 10,682,348</u>	<u>\$ (885,335)</u>

**JACKSON COUNTY  
 JACKSON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 LIBRARY SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2015**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 393,527	\$ 377,114	\$ (16,413)
Intergovernmental	308	23,528	23,220
Investment Income	600	222	(378)
Miscellaneous	12,200	33,206	21,006
Total Revenues	<u>406,635</u>	<u>434,070</u>	<u>27,435</u>
<b>EXPENDITURES</b>			
Current			
Culture and Recreation	<u>418,231</u>	<u>422,622</u>	<u>(4,391)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(11,596)	11,448	23,044
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	<u>4,697</u>	<u>-</u>	<u>(4,697)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (6,899)</u>	11,448	<u>\$ 18,347</u>
Fund Balance - Beginning of Year		<u>166,990</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u><u>\$ 178,438</u></u>	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
YEAR ENDED DECEMBER 31, 2015**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 1,169,257	\$ 1,102,811	\$ (66,446)
Intergovernmental	-	62,289	62,289
Investment Income	-	371	371
Miscellaneous	-	57,413	57,413
Total Revenues	<u>1,169,257</u>	<u>1,222,884</u>	<u>53,627</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	670,000	730,000	(60,000)
Interest and Fiscal Charges	440,528	498,814	(58,286)
Total Expenditures	<u>1,110,528</u>	<u>1,228,814</u>	<u>(118,286)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	58,729	(5,930)	(64,659)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	740,971	740,971
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 58,729</u>	735,041	<u>\$ 676,312</u>
Fund Balance - Beginning of Year		<u>1,804,291</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u><u>\$ 2,539,332</u></u>	

**JACKSON COUNTY  
 JACKSON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 STREET RECONSTRUCTION DEBT SERVICE FUND  
 YEAR ENDED DECEMBER 31, 2015**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 312,470	\$ 292,754	\$ (19,716)
Intergovernmental	-	19,387	19,387
Investment Earnings	-	663	663
Total Revenues	<u>312,470</u>	<u>312,804</u>	<u>334</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	255,000	255,000	-
Interest and Fiscal Charges	37,053	37,504	(451)
Total Expenditures	<u>292,053</u>	<u>292,504</u>	<u>(451)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 20,417</u>	20,300	<u>\$ (117)</u>
Fund Balance - Beginning of Year		<u>506,127</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 526,427</u>	



**JACKSON COUNTY  
JACKSON, MINNESOTA  
DESCRIPTION OF AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2015**

**AGENCY FUNDS**

Agency – accounts for and reports the collection and payment of funds collected on behalf of others.

Taxes and Penalties – accounts for and reports the collection of taxes and penalties and their payment to the various taxing districts.

Sheriff – accounts for and reports the collection and disbursement of inmate's funds.



**JACKSON COUNTY  
JACKSON, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<b>AGENCY</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 50,655	\$ 732,630	\$ 718,256	\$ 65,029
Accounts Receivable	8,084	7,286	8,084	7,286
Total Assets	<u>\$ 58,739</u>	<u>\$ 739,916</u>	<u>\$ 726,340</u>	<u>\$ 72,315</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 58,739</u>	<u>\$ 739,916</u>	<u>\$ 726,340</u>	<u>\$ 72,315</u>
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Investments	<u>\$ 395,403</u>	<u>\$ 11,488,488</u>	<u>\$ 11,449,002</u>	<u>\$ 434,889</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 395,403</u>	<u>\$ 11,488,488</u>	<u>\$ 11,449,002</u>	<u>\$ 434,889</u>
<b>SHERIFF</b>				
<b>ASSETS</b>				
Cash and Investments	<u>\$ 3,542</u>	<u>\$ 100,688</u>	<u>\$ 103,812</u>	<u>\$ 418</u>
<b>LIABILITIES</b>				
Deposits	<u>\$ 3,542</u>	<u>\$ 100,688</u>	<u>\$ 103,812</u>	<u>\$ 418</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 449,600	\$ 12,321,806	\$ 12,271,070	\$ 500,336
Accounts Receivable	8,084	7,286	8,084	7,286
Total Assets	<u>\$ 457,684</u>	<u>\$ 12,329,092</u>	<u>\$ 12,279,154</u>	<u>\$ 507,622</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 454,142	\$ 12,228,404	\$ 12,175,342	\$ 507,204
Deposits	3,542	100,688	103,812	418
Total Liabilities	<u>\$ 457,684</u>	<u>\$ 12,329,092</u>	<u>\$ 12,279,154</u>	<u>\$ 507,622</u>

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**JACKSON COUNTY  
 JACKSON, MINNESOTA  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION – COMPONENT UNIT  
 JACKSON COUNTY FAIR ASSOCIATION  
 YEAR ENDED SEPTEMBER 30, 2015**

**OPERATING REVENUES**

County Appropriation	\$	42,000
Fair Operations		59,556
Grants		17,804
Donations		6,617
Rental Income and Other Miscellaneous		14,214
Total Operating Revenues		140,191

**OPERATING EXPENSES**

Repairs and Maintenance		5,003
Salaries and Fringe Benefits		26,015
Utilities		17,689
Insurance		5,708
Depreciation		13,239
Miscellaneous		70,451
Total Operating Expenses		138,105

**OPERATING INCOME**

2,086

Net Position - Beginning of Year

136,145

**NET POSITION - END OF YEAR**

\$ 138,231

**JACKSON COUNTY  
 JACKSON, MINNESOTA  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION – COMPONENT UNIT –  
 JACKSON COUNTY HISTORICAL SOCIETY  
 YEAR ENDED NOVEMBER 30, 2015**

<b>OPERATING REVENUES</b>	
County Appropriation	\$ 51,000
Grants and Donations	20,610
Miscellaneous	13,321
Total Operating Revenues	84,931
 <b>OPERATING EXPENSES</b>	
Repairs and Maintenance	655
Salaries and Fringe Benefits	34,177
Utilities	7,451
Insurance	3,428
Depreciation	4,739
Miscellaneous	22,733
Total Operating Expenses	73,183
 <b>OPERATING INCOME</b>	 11,748
 <b>INVESTMENT INCOME</b>	 38
 <b>CHANGE IN NET POSITION</b>	 11,786
Net Position - Beginning of Year	125,013
 <b>NET POSITION - END OF YEAR</b>	 \$ 136,799

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF CASH FLOWS – COMPONENT UNIT  
JACKSON COUNTY FAIR ASSOCIATION  
YEAR ENDED SEPTEMBER 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from County	\$	42,000
Received from Various Other Sources		98,191
Paid to Suppliers for Goods and Services		(101,443)
Paid to Employers and Others for Services and Related Benefits		(24,377)
Net Cash Flows From Operating Activities		14,371

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Payments on Bank Note		(2,047)
Purchase Capital Assets		(7,728)
Net Cash Flows From Capital and Related Financing Activities		(9,775)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

4,596

Cash and Cash Equivalents - Beginning of Year

18,319

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 22,915

**RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$	2,086
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		13,239
Change in Payables		(2,592)
Change in Accrued Liabilities		1,638
Net Cash Flows From Operating Activities	\$	14,371

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF CASH FLOWS – COMPONENT UNIT  
JACKSON COUNTY HISTORICAL SOCIETY  
YEAR ENDED NOVEMBER 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from County	\$ 51,000
Received from Various Other Sources	33,931
Paid to Suppliers for Goods and Services	(37,184)
Paid to Employers and Others for Services and Related Benefits	(32,714)
Net Cash Flows From Operating Activities	15,033

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Earnings	18
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase Capital Assets	(9,385)
-------------------------	---------

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

5,666

Cash and Cash Equivalents - Beginning of Year

61,166

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 66,832

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Cash and Investments per Statement of Net Position	\$ 73,459
Less: Noncash Equivalents	(6,627)
Cash and Cash Cash Equivalents per Statement of Cash Flows	\$ 66,832

**RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income	\$ 11,748
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	4,739
Change in Payables	(2,917)
Change in Accrued Liabilities	1,463
Net Cash Flows From Operating Activites	\$ 15,033



**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUES  
YEAR ENDED DECEMBER 31, 2015**

	<u>Total Primary Government</u>
<b>SHARED REVENUE</b>	
<b>STATE</b>	
Highway Users Tax	\$ 4,077,245
County Program Aid	173,248
PERA Rate Increase	35,417
Performance Aid	1,437
Disparity Reduction Aid	51,421
Police aid	56,028
Enhanced 911	81,544
Aquatic Invasive Species	85,746
Market Value Credit	<u>336,365</u>
Total Shared Revenue	4,898,451
<b>PAYMENTS</b>	
Local	
Local - Payments in Lieu of Taxes	143,230
<b>GRANTS</b>	
<b>STATE</b>	
Minnesota Department of Corrections	19,953
Natural Resources	9,084
Public Safety	34,458
Revenue	1,105
Veterans Services	7,898
Supreme Court	78,290
Water and Soil Resources Board	40,320
Pollution Control Agency	69,692
Peace Officer Standards and Training Board	<u>5,998</u>
Total State	266,798
<b>FEDERAL</b>	
Department of Agriculture	20,928
Transportation	278,776
Health and Human Services	47,661
Homeland Security	<u>146,122</u>
Total Federal	<u>493,487</u>
Total State and Federal Grants	<u>760,285</u>
Total Intergovernmental Revenue	<u><u>\$ 5,801,966</u></u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET – BY DITCH – NON-GAAP BASIS  
DITCH SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2015**

	Assets							Total Assets
	Cash Balance 12/31/2015	Special Assessment Receivable		Accounts Receivable	Due From Other Governments	Notes Receivable	Due From Other Funds	
		Deferred	Delinquent					
Cons 1JC	\$ 67,641	\$ 27,906	\$ 17	\$ -	\$ 937	\$ -	\$ 4	\$ 96,505
JD 2	545	5,625	140	-	-	-	1,001	7,311
JD 3	531	-	563	-	-	-	1,105	2,199
CD 3	30,295	-	1,305	-	-	-	847	32,447
JD 4NJ	513	-	277	-	783	-	-	1,573
JD 6	532	-	211	-	-	-	803	1,546
JD 7	20,336	-	-	-	-	-	-	20,336
CD 7	8,526	-	-	-	-	-	-	8,526
JD 8	17,585	-	-	-	-	-	1,138	18,723
CD 8	9,231	-	-	-	-	-	193	9,424
JD 9NJ	9,776	-	-	-	76	-	-	9,852
CD 10	3,290	-	-	-	-	-	150	3,440
JD 11JM	37,857	-	1	-	2,468	-	257	40,583
CD 11	512	-	-	-	-	-	844	1,356
JD 12	13,589	-	-	-	-	-	-	13,589
JD 12CJ	1,583	-	-	-	10	-	173	1,766
JD 13JN	20,308	-	50	-	6,851	-	603	27,812
JD 13JN Petition	517	-	-	-	-	-	-	517
CD 13	514	-	-	-	-	-	493	1,007
JD 14	14,304	-	-	-	-	-	3	14,307
CD 14	526	-	-	-	-	-	394	920
JD 15MJ	14,101	-	29	-	2,291	-	510	16,931
JD 15 Bond	104,329	45,844	-	-	-	16,785	-	166,958
CD 15	509	-	-	-	-	-	75	584
JD 16JC	8,655	-	-	-	25	-	143	8,823
CD 16	13,426	-	-	-	-	-	-	13,426
JD 17NJ	1,930	-	-	-	13	-	-	1,943
JD 18	506	-	70	-	-	-	825	1,401
JD 19	21,818	-	17	-	-	-	313	22,148
JD 20	521	-	16	-	-	-	1,610	2,147
JD 22	29,123	-	-	-	-	-	374	29,497
JD 22 Bond	237,589	433,202	-	-	-	-	319	671,110
JD 23	3,936	-	-	-	-	-	225	4,161
JD 24JN	15,125	-	508	-	11	-	288	15,932
JD 24JN Petition	8,397	-	-	-	-	-	-	8,397
JD 25	14,526	-	105	-	-	-	50	14,681
JD 27	259	-	-	-	-	-	355	614
JD 27CJ	3,920	-	-	-	14	-	-	3,934
JD 28	49,726	-	157	-	-	-	365	50,248
JD 29	3,978	-	-	-	-	-	45	4,023
JD 30	46,541	-	355	-	-	-	832	47,728
JD 31	535	-	1,135	-	-	-	806	2,476
JD 31 Bond	508,112	863,842	6,361	-	-	-	555	1,378,870
JD 32	6,692	-	9	-	-	-	180	6,881
JD 33	16,585	-	-	-	-	-	150	16,735
JD 35	155,353	-	52	537	-	-	-	155,942
JD 35 Bond	547	-	-	-	-	-	-	547
JD 36	5,105	-	-	-	-	-	75	5,180
JD 37	6,986	-	-	-	-	-	94	7,080
JD 38	468	-	-	-	-	-	-	468
JD 39	6,702	-	-	-	-	-	-	6,702
JD 39CJ	4,473	-	-	-	11	-	-	4,484
JD 40CJ	3,580	-	-	-	14	-	-	3,594
JD 42	61,639	-	-	-	-	-	100	61,739
JD 43	12,183	-	-	-	-	-	55	12,238
JD 44	507	-	361	-	-	-	50	918

Liabilities							Total Liabilities, Deferred Inflows of Resources and Fund Balance
Due To Other Governments	Advance From Other Funds	Accounts Payable	Bonds Payable	Total Liabilities	Deferred Inflows of Resources	Fund Balance	Fund Balance
\$	\$	\$	\$	\$	\$	\$	\$
-	27,914	-	-	27,914	-	68,591	96,505
-	115,075	720	-	115,795	-	(108,484)	7,311
-	19,350	-	-	19,350	-	(17,151)	2,199
-	-	-	-	-	-	32,447	32,447
184	1,900	-	-	2,084	-	(511)	1,573
-	46,400	-	-	46,400	-	(44,854)	1,546
-	-	-	-	-	-	20,336	20,336
-	-	-	-	-	-	8,526	8,526
-	-	-	-	-	-	18,723	18,723
-	-	-	-	-	-	9,424	9,424
3,594	-	-	-	3,594	-	6,258	9,852
-	-	-	-	-	-	3,440	3,440
379	-	-	-	379	-	40,204	40,583
-	16,600	-	-	16,600	-	(15,244)	1,356
-	-	-	-	-	-	13,589	13,589
-	-	-	-	-	-	1,766	1,766
625	-	-	-	625	-	27,187	27,812
-	290,250	18,829	-	309,079	-	(308,562)	517
-	11,750	-	-	11,750	-	(10,743)	1,007
-	-	-	-	-	-	14,307	14,307
-	3,700	-	-	3,700	-	(2,780)	920
3,161	-	-	-	3,161	-	13,770	16,931
-	-	-	105,000	105,000	-	61,958	166,958
-	5,900	-	-	5,900	-	(5,316)	584
-	-	-	-	-	-	8,823	8,823
-	-	-	-	-	-	13,426	13,426
128	-	-	-	128	-	1,815	1,943
-	6,650	-	-	6,650	-	(5,249)	1,401
-	-	-	-	-	-	22,148	22,148
-	74,950	-	-	74,950	-	(72,803)	2,147
-	-	-	-	-	-	29,497	29,497
-	-	-	700,000	700,000	-	(28,890)	671,110
-	-	-	-	-	-	4,161	4,161
139	-	-	-	139	-	15,793	15,932
-	-	50,000	-	50,000	-	(41,603)	8,397
-	-	-	-	-	-	14,681	14,681
-	-	-	-	-	-	614	614
124	-	-	-	124	-	3,810	3,934
-	-	-	-	-	-	50,248	50,248
-	-	-	-	-	-	4,023	4,023
-	-	-	-	-	-	47,728	47,728
-	6,400	-	-	6,400	-	(3,924)	2,476
-	-	211	1,380,000	1,380,211	-	(1,341)	1,378,870
-	-	-	-	-	-	6,881	6,881
-	-	-	-	-	-	16,735	16,735
-	-	-	-	-	-	155,942	155,942
-	231,850	9,053	-	240,903	-	(240,356)	547
-	-	-	-	-	-	5,180	5,180
-	-	-	-	-	-	7,080	7,080
-	-	-	-	-	-	468	468
-	-	-	-	-	-	6,702	6,702
-	-	-	-	-	-	4,484	4,484
-	-	-	-	-	-	3,594	3,594
-	-	-	-	-	-	61,739	61,739
-	-	-	-	-	-	12,238	12,238
-	21,200	-	-	21,200	-	(20,282)	918

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET – BY DITCH – NON-GAAP BASIS  
DITCH SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2015**

	Assets							Total Assets
	Cash Balance	Special Assessment Receivable		Accounts Receivable	Due From Other Governments	Notes Receivable	Due From Other Funds	
	12/31/2015	Deferred	Delinquent					
JD 45JN	\$ 31,577	\$ -	\$ -	\$ -	\$ 606	\$ -	\$ 413	\$ 32,596
JD 45JN Petition	523	-	-	-	-	-	-	523
JD 46	52,048	-	-	-	-	-	2	52,050
JD 46 Bond	400,500	-	-	-	-	-	-	400,500
JD 48JM	57,975	-	225	30	198	-	489	58,917
JD 50	535	-	-	-	-	-	88	623
JD 52	6,783	-	-	-	-	-	-	6,783
JD 53	6,843	-	-	-	-	-	113	6,956
JD 54CJ	8,338	-	-	-	68	-	88	8,494
JD 56	14,266	-	-	-	-	-	83	14,349
JD 59	8,920	-	-	-	-	-	120	9,040
JD 60	7,622	-	397	-	-	-	55	8,074
JD 62	4,789	-	96	-	-	-	225	5,110
JD 63	7,857	-	120	-	-	-	-	7,977
JD 64	9,159	-	-	-	-	-	483	9,642
JD 65	3,891	-	-	-	-	-	120	4,011
JD 66	4,951	-	-	-	-	-	218	5,169
JD 67	4,243	-	-	-	-	-	100	4,343
JD 68	5,172	-	-	-	-	-	71	5,243
JD 69	5,739	-	220	-	-	-	136	6,095
JD 70	5,975	-	109	-	-	-	280	6,364
JD 71	5,761	-	-	-	-	-	60	5,821
JD 72	6,505	-	-	-	-	-	23	6,528
JD 73	5,791	-	-	-	-	-	158	5,949
JD 74	12,002	-	53	-	-	-	198	12,253
JD 75JM	40,491	-	68	-	6	-	199	40,764
JD 76NJ	18,270	-	73	-	1,619	-	120	20,082
JD 78	5,641	-	-	-	-	-	98	5,739
JD 79CJ	4,364	-	-	-	13	-	48	4,425
JD 80	7,343	-	-	-	-	-	108	7,451
JD 81	9,690	-	-	-	-	-	173	9,863
JD 82	12,748	-	-	-	-	-	190	12,938
JD 83	8,326	-	21	-	-	-	225	8,572
JD 84	514	-	553	-	-	-	1,025	2,092
JD 85CJ	5,183	-	-	-	24	-	219	5,426
JD 86	6,525	-	-	-	-	-	45	6,570
JD 88	2,524	-	-	-	-	-	-	2,524
JD 91MJ	9,861	-	-	-	196	-	-	10,057
JD 105MJ	5,318	-	-	-	26	-	-	5,344
JD 350MJCW	502	-	-	-	-	-	-	502
CD 117	21,173	-	-	-	-	-	48	21,221
CD 118	12,038	-	-	-	-	-	78	12,116
CD 121	21,641	-	-	-	-	-	355	21,996
CD 122	12,923	-	-	-	-	-	-	12,923
CD 124 Petition	524	-	-	-	-	-	-	524
Proj 2	9,744	-	-	-	-	-	-	9,744
Proj 4	12,269	-	-	-	-	-	5	12,274
Proj 6	10,764	-	1	-	-	-	-	10,765
Proj. 84-4A	7,412	-	-	-	-	-	60	7,472
<b>Total (Non-GAAP)</b>	<b>2,550,446</b>	<b>1,376,419</b>	<b>13,675</b>	<b>567</b>	<b>16,260</b>	<b>16,785</b>	<b>22,921</b>	<b>3,997,073</b>
Reconciliation to GAAP								
Eliminate Bonds Payable	-	-	-	-	-	-	-	-
Unavailable Revenue	-	-	-	-	-	-	-	-
<b>GAAP Balances</b>	<b>\$ 2,550,446</b>	<b>\$ 1,376,419</b>	<b>\$ 13,675</b>	<b>\$ 567</b>	<b>\$ 16,260</b>	<b>\$ 16,785</b>	<b>\$ 22,921</b>	<b>\$ 3,997,073</b>

Liabilities							Total Liabilities, Deferred Inflows of Resources and Fund Balance
Due To Other Governments	Advance From Other Funds	Accounts Payable	Bonds Payable	Total Liabilities	Deferred Inflows of Resources	Fund Balance	
\$ 348	\$ -	\$ -	\$ -	\$ 348	\$ -	\$ 32,248	\$ 32,596
-	103,200	7,439	-	110,639	-	(110,116)	523
-	-	-	-	-	-	52,050	52,050
-	-	3,797	915,000	918,797	-	(518,297)	400,500
1,046	-	-	-	1,046	-	57,871	58,917
-	3,550	-	-	3,550	-	(2,927)	623
-	-	-	-	-	-	6,783	6,783
-	-	-	-	-	-	6,956	6,956
-	-	-	-	-	-	8,494	8,494
-	-	-	-	-	-	14,349	14,349
-	-	-	-	-	-	9,040	9,040
-	-	-	-	-	-	8,074	8,074
-	-	-	-	-	-	5,110	5,110
-	-	-	-	-	-	7,977	7,977
-	-	-	-	-	-	9,642	9,642
-	-	-	-	-	-	4,011	4,011
-	-	-	-	-	-	5,169	5,169
-	-	-	-	-	-	4,343	4,343
-	-	-	-	-	-	5,243	5,243
-	-	-	-	-	-	6,095	6,095
-	-	-	-	-	-	6,364	6,364
-	-	-	-	-	-	5,821	5,821
-	-	-	-	-	-	6,528	6,528
-	-	-	-	-	-	5,949	5,949
-	-	-	-	-	-	12,253	12,253
32	-	-	-	32	-	40,732	40,764
803	-	-	-	803	-	19,279	20,082
-	-	-	-	-	-	5,739	5,739
-	-	-	-	-	-	4,425	4,425
-	-	-	-	-	-	7,451	7,451
-	-	-	-	-	-	9,863	9,863
-	-	-	-	-	-	12,938	12,938
-	-	-	-	-	-	8,572	8,572
-	36,700	-	-	36,700	-	(34,608)	2,092
-	-	-	-	-	-	5,426	5,426
-	-	-	-	-	-	6,570	6,570
-	-	-	-	-	-	2,524	2,524
187	-	-	-	187	-	9,870	10,057
68	-	-	-	68	-	5,276	5,344
-	1,300	-	-	1,300	-	(798)	502
-	-	-	-	-	-	21,221	21,221
-	-	-	-	-	-	12,116	12,116
-	-	-	-	-	-	21,996	21,996
-	-	-	-	-	-	12,923	12,923
-	71,500	1,009	-	72,509	-	(71,985)	524
-	-	3,148	-	3,148	-	6,596	9,744
-	-	1,053	-	1,053	-	11,221	12,274
-	-	-	-	-	-	10,765	10,765
-	-	-	-	-	-	7,472	7,472
10,818	1,096,139	95,259	3,100,000	4,302,216	-	(305,143)	3,997,073
-	-	-	-	-	1,403,074	(1,403,074)	-
-	-	-	(3,100,000)	(3,100,000)	-	3,100,000	-
<u>\$ 10,818</u>	<u>\$ 1,096,139</u>	<u>\$ 95,259</u>	<u>\$ -</u>	<u>\$ 1,202,216</u>	<u>\$ 1,403,074</u>	<u>\$ 1,391,783</u>	<u>\$ 3,997,073</u>

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**REPORTS RELATED TO GOVERNMENT  
AUDITING STANDARDS**



**INDEPENDENT AUDITORS' 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**

Board of County Commissioners  
Jackson County  
Jackson, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Jackson County's basic financial statements, and have issued our report thereon dated August 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jackson County'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 Jackson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson County'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 recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2015-001, 2015-002, and 2015-003 to be material weaknesses.



**Compliance and Other Matters**

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

**County’s Responses to Findings**

Jackson County’s responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. Jackson County’s responses were not subjected to auditing procedures applied in the audits 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 result of that testing, and not to provide an opinion on the effectiveness of the County’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
August 4, 2016

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
DECEMBER 31, 2015**

**FINANCIAL STATEMENT FINDINGS**

**2015-001 Segregation of Duties**

**Criteria:** Based on COSO guidelines, County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

**Condition and Context:** Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place in a number of departments throughout the County.

**Cause:** The County has a limited number of personnel within several County departments, the fair association and the historical society.

**Possible Effect:** The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and lack of adherence to the County's procedures.

**Recommendation:** We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

**Management Response:** Management is aware of the lack of segregation of duties caused by the inadequate staff size necessary to implement proper internal controls. We will continue to look for ways to segregate duties with the current staff size where possible.

**2015-002 Audit Adjustments/Prior Period Adjustment**

**Criteria:** Based on COSO guidelines, County management is responsible for establishing and maintaining internal controls for the proper recording of all County's year-end balances.

**Condition and Context:** As part of the audit, we proposed entries to accrue the state highway aid receivable, to reclassify the debt service activity from the capital project fund to the debt service fund. In addition, a restatement of beginning governmental activities net position and general fund beginning fund balance was necessary to account for errors in the previously issued financial statements.

**Cause:** Management oversight.

**Possible Effect:** Errors in the preparation of year-end balances increases the risk related to financial statement misstatements.

**Recommendation:** We recommend County management be aware of all procedures and processes involved in recording year-end balances and develop internal control policies to ensure proper recording of these items.

**Management Response:** It is our goal to identify, reconcile and correctly record all year-end account balances and develop internal control policies to accomplish this goal.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
DECEMBER 31, 2015**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2015-003 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)**

**Criteria:** Management is responsible for establishing and maintaining internal controls, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

**Condition and Context:** The County does not have an internal control policy in place over financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

**Cause:** The County relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

**Possible Effect:** The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

**Recommendation:** Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

**Management Response:** Management will continue to evaluate the current staff size and decide if additional staff would be cost effective and beneficial.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
DECEMBER 31, 2015**

**MINNESOTA LEGAL COMPLIANCE**

**2015-004: Prompt Payment of Local Government Bills**

**Criteria:** Minnesota Statutes §471.425 requires prompt payment of local government bills with the standard timeline of 35 days from the receipt of the invoice, when the governing board meets more than one time per month.

**Condition:** During audit procedures, it was noted that 3 out of 38 invoices were not paid within the required timeframe of 35 days from receipt.

**Cause:** Not known.

**Possible Effect:** The County is not in compliance with state statutes and is at an increased risk of incurring late fees and penalties by not paying items in a timely manner.

**Recommendation:** We recommend the County implement processes and procedures to ensure timely payment of all claims.

**Management Response:** Management will review the sample that was tested during the audit and review an internal sample if it is decided there is a problem. This seems like an anomaly being it has never been an issue previously and we rarely get notified regarding past due payments.

**2015-005: Publishing Financial Statements**

**Criteria:** Minnesota Statutes §375.17 requires the publication of a full and accurate statement of the receipts and expenditures of the preceding year in a form as prescribed by the State Auditor.

**Condition:** The 2014 receipts and expenditures were not published in the board designated newspaper.

**Cause:** Management oversight.

**Possible Effect:** The County is not in compliance with state statutes.

**Recommendation:** We recommend the County implement processes and procedures to ensure the receipts and expenditures of the preceding year are published.

**Management Response:** Management will have financials ready for publication when the County Board approves the annual audit instead of waiting for the audit to be submitted to the Federal Audit Clearinghouse which was unavailable due to technical problems until December of 2015. This was an oversight and again, an anomaly in procedure.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
DECEMBER 31, 2015**

**MINNESOTA LEGAL COMPLIANCE (CONTINUED)**

**2015-006: Publication of County Board Minutes**

**Criteria:** Minnesota Statutes §375.12 requires within publication of the official proceedings of the county board meeting including all claims exceeding \$2,000 and a statement showing the total number of claims that did not exceed \$2,000 and their total dollar amount.

**Condition:** The publication of the County Board meetings does not include all claims exceeding \$2,000.

**Cause:** Past practice has been to publish claims in total by fund.

**Possible Effect:** The County is not in compliance with state statutes.

**Recommendation:** We recommend the County implement processes and procedures to ensure the published board meetings include all claims exceeding \$2,000.

**Management Response:** Jackson County will review the statute requirements and make changes as deemed cost effective and beneficial.



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners  
Jackson County  
Jackson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Minnesota (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated August 4, 2016.

The *Minnesota Legal Compliance Audit Guide for Counties* promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, contains 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.

In connection with our audit, nothing came to our attention that caused us to believe that Jackson County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the schedule of findings and recommendations as items 2015-004, 2015-005 and 2015-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Jackson County's noncompliance with the above-referenced provisions.

The County's written responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The County'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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
August 4, 2016

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