

**JACKSON COUNTY
JACKSON, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2016

**JACKSON COUNTY
JACKSON, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2016**

INTRODUCTORY SECTION	
PRINCIPAL COUNTY OFFICIALS	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	5
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	16
STATEMENT OF ACTIVITIES	17
FUND LEVEL FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	19
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	21
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	22
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	24
STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS	25
NOTES TO FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS	76
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	77
SCHEDULE OF COUNTY PENSION CONTRIBUTIONS	78
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	79
BUDGETARY COMPARISON SCHEDULE – ROAD AND BRIDGE SPECIAL REVENUE FUND	80
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	81

**JACKSON COUNTY
JACKSON, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
DECEMBER 31, 2016**

FINANCIAL SECTION (CONTINUED)

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	83
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	84
DETAILED BUDGETARY COMPARISON SCHEDULE – GENERAL FUND EXPENDITURES	85
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND	87
BUDGETARY COMPARISON SCHEDULE – LIBRARY SPECIAL REVENUE FUND	88
BUDGETARY COMPARISON SCHEDULE – STREET RECONSTRUCTION DEBT SERVICE FUND	89
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS	91
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – COMPONENT UNIT – JACKSON COUNTY FAIR ASSOCIATION	92
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – COMPONENT UNIT – JACKSON COUNTY HISTORICAL SOCIETY	93
STATEMENT OF CASH FLOWS – COMPONENT UNIT – JACKSON COUNTY FAIR ASSOCIATION	94
STATEMENT OF CASH FLOWS – COMPONENT UNIT – JACKSON COUNTY HISTORICAL SOCIETY	95
SCHEDULE OF INTERGOVERNMENTAL REVENUES	96
BALANCE SHEET – BY DITCH – NON-GAAP BASIS – DITCH SPECIAL REVENUE FUND	97

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 <i>GOVERNMENT AUDITING STANDARDS</i>	101
SCHEDULE OF FINDINGS AND RECOMMENDATIONS	103
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	106

INTRODUCTORY SECTION

**JACKSON COUNTY
JACKSON, MINNESOTA
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2016**

Office	Name	Term Expires
Commissioners		
1 st District	William Tusa	December 31, 2016
2 nd District	Don Wachal	December 31, 2018
3 rd District	Rosemary Schultz	December 31, 2016
4 th District	Kim Hummel	December 31, 2018
5 th District	David Henkels	December 31, 2016
Officers		
Elected		
Attorney	Sherry Haley	December 31, 2018
Auditor-Treasurer	Kevin Nordquist	December 31, 2018
Recorder	Becky McCann	December 31, 2018
Sheriff (Appointed)	Shawn Haken	December 31, 2018
Appointed		
County Coordinator	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

This Page Has Been Intentionally Left Blank.

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, 2016, 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, 2016, 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.

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.

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.

Board of County Commissioners
Jackson County

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2017, 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
July 24, 2017

This Page Has Been Intentionally Left Blank.

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, 2016. 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 \$132,999,586, deferred outflows of resources of \$5,252,908, liabilities of \$40,902,923, and deferred inflows of resources of \$927,513, resulting in net position of \$96,422,058 at the end of 2016. Of the net position, \$78,984,849 represents the County's net investment in capital assets, \$11,373,445 is held for restricted purposes, and \$6,063,764 is available to meet the County's ongoing obligations to its citizens and creditors.
- Capital assets increased \$1,557,088 (net of depreciation) during 2016. This increase is primarily due to road and bridge construction projects and equipment purchases.
- There was an increase of \$3,495,000 in General Obligation Drainage bonds which was a single bond issuance to fund three drainage improvement projects for Judicial Ditch 30, Judicial Ditch 35 and County Ditch 124. General Obligation Revenue Bonds increased by \$4,124,000 for the funding of two Red Rock Rural Water projects. One issuance was a cross over refunding in the amount of \$1,245,000. The other was a new issuance in the amount of \$2,879,000.

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.



FINANCIAL STATEMENTS TABLE OF CONTENTS

Basic Financial Statements	16
Required Supplementary Information.....	76
Supplementary Information.....	83

SUPPLEMENTARY SPECIAL POINTS OF INTEREST

• Nonmajor Governmental Funds Supplementary Information.....	83-84
• Budgetary Comparison Schedules..	85-89
• Combining Schedules of Changes in Assets and Liabilities.....	91
• Component Units Statements..	92-95
• Schedule of Intergovernmental Revenues.....	96
• Balance Sheet by Ditch.....	97-100

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, deferred outflows of resources, 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, 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 76.

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 \$96,422,058 at the close of 2016. 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 2015, Jackson County's net position increased \$393,070 in 2016. The largest factors of this increase were due to grants received for road and bridge construction projects that were capitalized, and improvements to existing government buildings and grounds.

STATEMENT OF NET POSITION

	Governmental Activities	
	2015	2016
Current and Other Assets	\$ 34,551,607	\$ 40,799,861
Capital Assets (net)	90,642,637	92,199,725
Total Assets	125,194,244	132,999,586
Deferred Outflows of Resources	712,096	5,252,908
Current Liabilities	5,566,556	10,984,619
Non-current Liabilities	23,836,008	29,918,304
Total Liabilities	29,402,564	40,902,923
Deferred Inflows of Resources	474,788	927,513
Net Investment in Capital Assets	76,436,786	78,984,849
Restricted	8,940,420	11,373,445
Unrestricted	10,651,782	6,063,764
Total Net Position	\$ 96,028,988	\$ 96,422,058
Total Net Position as a % of Total Liabilities and Deferred Inflows of Resources	321%	236%
Unrestricted Net Position as a % of Total Liabilities and Deferred Inflows of Resources	36%	10%

A relatively small portion of the County’s net position (12%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$6,063,764 of total net position may be used to meet the County’s ongoing obligations to its citizens and creditors. At the end of 2016, the County is able to report a positive balance in net position for governmental activities.



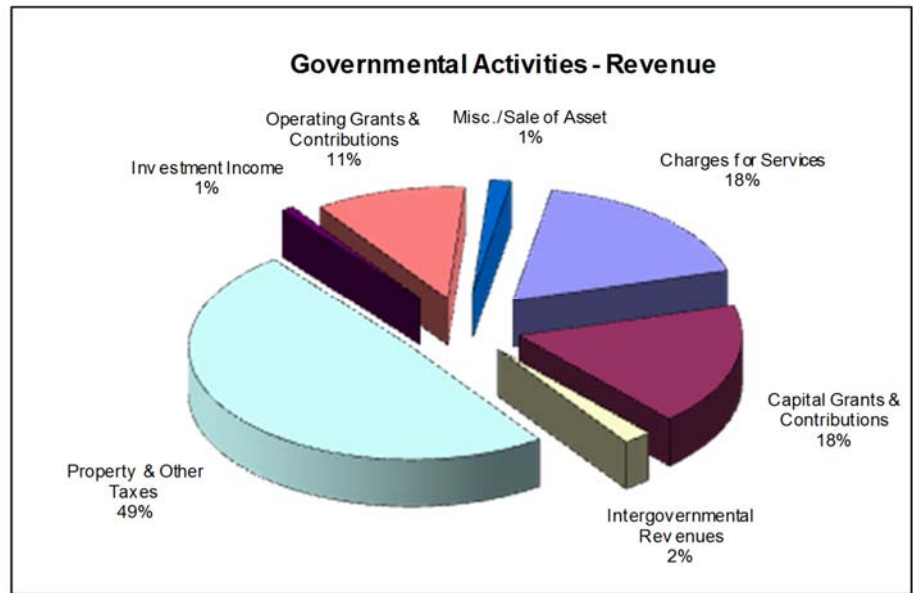
STATEMENT OF ACTIVITIES

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.

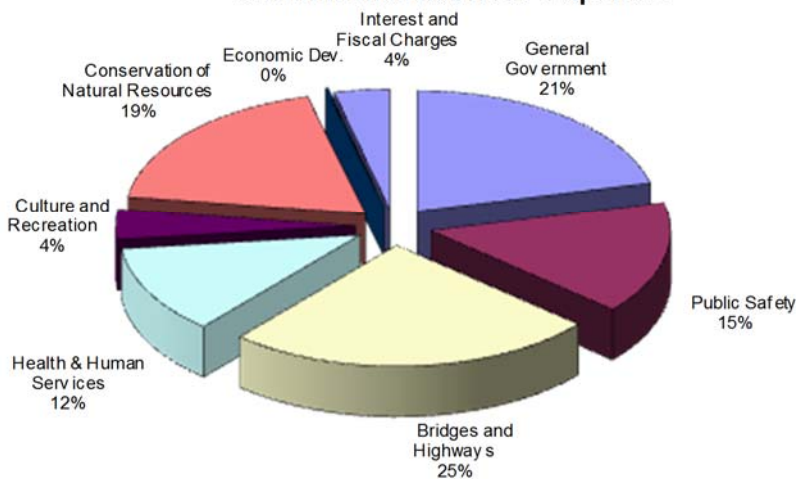
	Governmental Activities	
	2015	2016
REVENUES		
Program Revenues:		
Charges for Services	\$ 5,006,138	\$ 4,236,338
Operating Grants and Contributions	2,104,456	2,594,013
Capital Grants and Contributions	3,446,737	4,177,758
General Revenues:		
Property Taxes	9,475,673	9,972,038
Other Taxes	1,590,290	1,677,088
Intergovernmental Revenues	502,999	486,460
Investment Income	173,622	207,791
Gain on Sale of Asset	-	6,673
Miscellaneous	847,522	359,521
Total Revenue	23,147,437	23,717,680
EXPENSES		
Program Expenses:		
General Government	4,073,370	4,947,827
Public Safety	2,830,864	3,524,612
Bridges and Highways	5,409,825	5,831,010
Health and Human Services	3,019,694	2,763,302
Culture and Recreation	843,827	942,705
Conservation of Natural Resources	2,488,312	4,412,568
Economic Development	37,926	31,427
Interest and Fiscal Charges	703,631	871,159
Total Expenses	19,407,449	23,324,610
Excess of Revenues over Expenses	3,739,988	393,070
Net Position - January 1 as Originally Stated	93,090,823	96,028,988
Restatement	(801,823)	-
Net Position - January 1 as Restated	92,289,000	96,028,988
Net Position - December 31	\$ 96,028,988	\$ 96,422,058

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 intergovernmental revenues) comprise 31% of the revenue for governmental activities. Taxes, primarily real estate, but also personal property and payments-in-lieu of taxes, provide another 49%, while charges for services and all other sources make up the remaining 20%.



Governmental Activities - Expenses

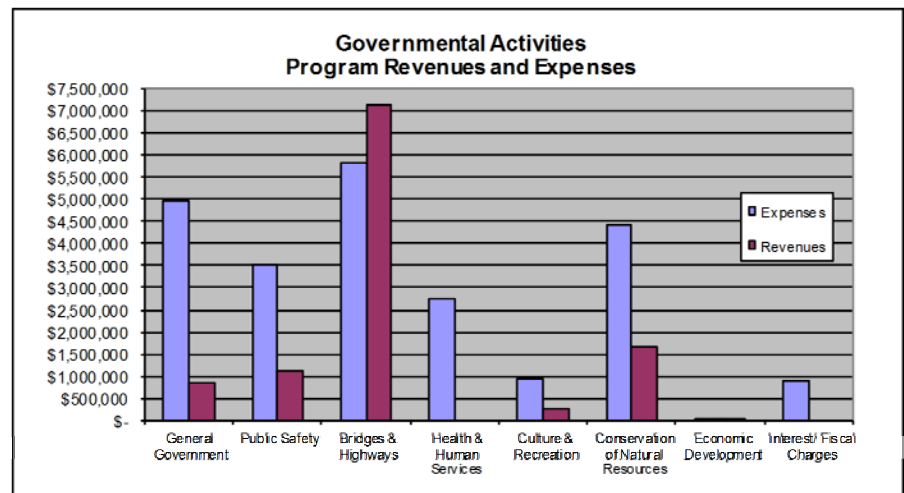


GOVERNMENTAL ACTIVITIES - EXPENSES

The following chart illustrates how governmental activities are disbursed. General Government, Public Safety, Bridges and Highways comprise 61% of the expenses for governmental activities. Health and Human Services provide another 12%, while charges for all other functions make up the remaining 27%.

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, 2016, Jackson County's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$31,065,532, an increase of \$6,390,977 from the previous years ending balances. Of the ending fund balances total, \$5,492,749 is nonspendable for advances, inventories, and pre-paid items; \$13,027,356 is restricted for specific legal requirements; and \$8,166,924 is committed and assigned by the County board for specific future expenditures, leaving total unassigned governmental fund balances of \$4,378,503 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 \$10,997,983, of which 34% are allocated to the general government operations, 25.5% allocated to Health and Human Services and 22.9% are allocated to public safety. The balance of 17.7%, 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 \$4,378,503, while total fund balance was \$14,301,547. 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 39.8% of total General Fund expenditures, while total fund balance represents 130% of that same amount.

The Road and Bridge Fund had total fund balance of \$4,974,111 at the end of the current fiscal year. The balance of the Road and Bridge Fund increased, by \$866,017, during the current fiscal year primarily due to an increase in taxes and charges for services.

The Ditch Fund had a fund balance of \$2,386,260. This fund had a balance of \$1,391,783 in 2015, so the net increase in fund balance is \$994,477. A large portion of the increase is due to ditch assessment revenue and restricted assets increasing from a bond issuance for three ditch improvement projects including JD 30, JD 35 and CD 124.

The Heron Lake Debt Service Fund had a total fund balance of \$1,754,369, which is an increase of \$109,067 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 Debt Service Fund had a total fund balance of \$6,613,808. 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. This bond was refunded in 2016 as crossover debt in the amount of \$1,245,000.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

Governmental Funds Continued

A new General Obligation Water Revenue Bond, Series 2016B was also issued in 2016 for another rural water project in Jackson County and Martin County in the amount of \$2,879,000.

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 \$551,628.

The fund described in the previous paragraph along with the Library Fund and Public Works Facility Fund are combined to form the Other Governmental Funds column for financial statement presentation. The combined fund balance at year end is \$1,035,437.



General Fund Budgetary Highlights

The County ended the year with net favorable change of \$403,482 in the General Fund's fund balance.

The expenditures vs. budget report showed a net unfavorable variance of \$612,675.

- Capital Outlay was over budget by \$697,941. A bus shed for United Community Action Partnership, a Library renovation project, and improvements to the Government Center East building amounted to \$498,982 of this amount. These projects were intended to be funded out of the Capital Projects committed funds. Several other purchases including election equipment, vehicles, building repairs and an emergency management siren contributed to the remainder of the overage and were also intended to be purchased out of restricted, assigned or committed funds.
- Health and Human Services was under budget by \$196,477 due to an adjustment in the accrued sick and vacation liability payment terms.
- Buildings and Plant was over budget by \$92,506 due to several unexpected building repairs.
- The Recorder expenditures were over budget by \$86,084 due to a book renovation project that was intended to come out of restricted funds.

General Fund revenues were over budget by \$1,035,292.

- Of this overage, \$246,741 was due to Miscellaneous Revenues. Property/Casualty and Workers Compensation insurance dividend revenue for \$87,017 was not budgeted. \$106,525 was received for the City of Jackson's share of the United Community Action Partnership bus shed that was listed in the expenditures above. The remaining overage was due to many reimbursement items that are not budgeted.
- Intergovernmental Revenues were over budget by \$331,446. Agricultural homestead credits and county program aid are not budgeted and are reimbursed by the state as part of the levy in the amount of \$318,634.
- Charges for Services was over budget by \$166,363. A parcel of land was purchased by US Fish and Wildlife in the amount of \$53,750 that was not budgeted. Reimbursement for a new Soil & Water Technician position was received for \$37,046. The remainder of the overage is fees in several areas were higher than anticipated amounts.
- The Investment Earnings overage of \$68,273 is interest paid to the General Fund from the Ditch Fund for loans to cover drainage systems that have a negative cash position.
- Special assessments revenues were over budget by \$82,464 due to the septic system loan program

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, 2016 totaled \$131,524,598. Governmental infrastructure accounted for 71.0% of this investment, with the County's road and bridge network comprising the most significant component.

	Governmental Activities	
	2015	2016
Land	\$ 662,438	\$ 662,438
Buildings	9,814,649	19,394,494
Other Improvements	5,712,656	5,818,414
Machinery and Equipment	9,953,138	10,425,459
Infrastructure	88,825,407	93,383,413
Construction in Progress	12,142,959	1,840,380
Subtotal	127,111,247	131,524,598
Less Accumulated Depreciation	(36,468,610)	(39,324,873)
Total Capital Assets	\$ 90,642,637	\$ 92,199,725

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

- Buildings increased by \$9,634,080 due to the Jackson County portion of the Public Works facility being moved from Construction in Progress to Buildings in the capital asset category. There was a demolition reduction of \$54,235 in buildings in Public Works and Parks.
- Other improvements increased by \$105,758 due to the installation of a new generator at Government Center East for \$62,976, new roofing at Robertson Park buildings of \$19,046, Fairground campground electrical service upgrades totaling \$17,816 and a new Law Enforcement Center compressor for \$5,920.
- Machinery and Equipment increased by \$472,321.

Road Equipment increased by \$366,007. A trailer was purchased in the amount of \$53,312, GPS survey equipment for \$25,876, a Freightliner tractor/trailer for \$172,253, a disc unit for \$19,900, and three GMC Sierra trucks for \$94,666. Disposals totaled \$252,818 and consisted of 2006 Sterling LT9500, a Cat Backhoe, a Trimble Geodimeter, a Handheld GPS Unit, and a Mauer Tilt Trailer.

Of the General Equipment additions of \$465,618, the larger items include election equipment in the amount of \$42,506, an emergency siren for \$15,786, library shelving and furniture totaling \$128,017, two Land Management pickups totaling \$41,249, three police vehicles for \$94,656 and an E-ticketing system for \$78,290. Of the General Equipment deletions of \$229,630, the larger items include three police vehicles, a fleet vehicle, a highway base rover, an emergency management vehicle, and a Highway GPS system.

Ditch Equipment additions include a Caterpillar backhoe/loader for \$123,144.

- Construction in Progress consists of \$1,620,103 in Road and Bridge Infrastructure, \$216,279 for the UCAP Bus Storage Unit, and \$3,998 for a Mathison-Canon Printer.

Long-Term Debt

On December 31, 2016, Jackson County had total long-term obligations outstanding of \$29,918,304. This included bonded debt outstanding of \$29,134,000, as summarized in the following table:

	Governmental Activities	
	2015	2016
General Obligation Bonds	\$ 16,000,000	\$ 15,055,000
General Obligation Revenue Bonds	3,945,000	7,624,000
General Obligation Drainage Bonds	3,070,000	6,455,000
Total Bonded Debt Outstanding	\$ 23,015,000	\$ 29,134,000

Current and future county tax levies are used to finance \$15,055,000 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 and 2016.

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, 2016 is \$110,048,823.

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 3.3% as of May, 2017. The County's unemployment rate was lower than the state's unemployment rate of 3.4% for the same period. The Jackson County rate is also lower than the National unemployment rate of 4.1% for May, 2017. (Rates are not seasonally adjusted.)

The County had not added any new major programs or initiatives to the 2017 budget.

Jackson County Board of Commissioners approved the 2017 budget on December 13, 2016. The new levy of \$10,605,545 is a 2.5% increase over the 2016 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.

This Page Has Been Intentionally Left Blank.

BASIC FINANCIAL STATEMENTS

**JACKSON COUNTY
JACKSON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Primary Government	Component Units	
	Governmental Activities	Jackson County Fair Association	Jackson County Historical Society
ASSETS			
Cash and Investments	\$ 16,764,866	\$ 24,020	\$ 74,202
Cash Held with Escrow Agent	1,199,754	-	-
Taxes Receivable	155,132	-	-
Special Assessments Receivable	1,151,254	-	-
Notes Receivable	959,678	-	-
Other Receivables	30,746	-	-
Due from Other Governments	5,072,864	-	-
Advances to Other Governments	10,029,408	-	-
Inventories and Prepaid Items	537,764	-	-
Restricted Cash and Investments	4,898,395	-	-
Capital Assets			
Construction-in-Progress	1,840,380	-	-
Land	662,438	-	-
Other Capital Assets, Net of Depreciation	89,696,907	116,332	60,689
Total Assets	132,999,586	140,352	134,891
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	5,252,908	-	-
LIABILITIES			
Accounts Payable	524,166	3,413	-
Accrued Liabilities	225,490	5,515	1,702
Due to Other Governments	138,616	-	-
Deposits	88,814	-	-
Unearned Revenue	236,968	-	-
Accrued Interest Payable	361,939	-	-
Noncurrent Liabilities			
Due Within One Year	2,025,755	4,793	-
Due in More Than One Year	27,892,549	-	-
Net Pension Liability	9,093,262	-	-
Other Postemployment Benefits Payable	315,364	-	-
Total Liabilities	40,902,923	13,721	1,702
DEFERRED INFLOWS OF RESOURCES			
Pension Related	927,513	-	-
NET POSITION			
Net Investment in Capital Assets	78,984,849	111,539	60,689
Restricted For:			
Debt Service	5,268,495	-	-
Transportation	4,296,639	-	-
Cemetery	1,000	-	-
Court Services	350	-	-
Recorder's Equipment	58,130	-	-
E-911	451,043	-	-
Integrated Land Records	200,967	-	-
Aquatic Invasive Species	156,705	-	-
Sheriff's Contingency	85,384	-	-
Sheriff's Forfeiture Fund	20,000	-	-
Fish and Wildlife Trust	191,047	-	-
SCORE	205,165	-	-
Juvenile Restitution	1,146	-	-
Attorney	20,092	-	-
Ditch	417,282	-	-
Unrestricted	6,063,764	15,092	72,500
Total Net Position	\$ 96,422,058	\$ 126,631	\$ 133,189

See accompanying Notes to Financial Statements.

**JACKSON COUNTY
JACKSON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 4,947,827	\$ 824,501	\$ 13,306	\$ -
Public Safety	3,524,612	858,122	260,513	-
Bridges and Roads	5,831,010	1,033,964	1,930,013	4,177,758
Health and Human Services	2,763,302	-	-	-
Culture and Recreation	942,705	205,954	33,511	-
Conservation of Natural Resources	4,412,568	1,311,838	356,670	-
Economic Development	31,427	1,959	-	-
Interest and Fiscal Charges	871,159	-	-	-
Total Primary Government	\$ 23,324,610	\$ 4,236,338	\$ 2,594,013	\$ 4,177,758
COMPONENT UNITS				
Jackson County Fair Association	\$ 153,325	\$ 81,779	\$ 19,946	\$ -
Jackson County Historical Society	70,749	4,746	13,370	-
Total Component Units	\$ 224,074	\$ 86,525	\$ 33,316	\$ -

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

Gain on Sale of Asset

Miscellaneous

Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

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
\$ (4,110,020)	\$ -	\$ -
(2,405,977)	-	-
1,310,725	-	-
(2,763,302)	-	-
(703,240)	-	-
(2,744,060)	-	-
(29,468)	-	-
(871,159)	-	-
(12,316,501)	-	-
-	(51,600)	-
-	-	(52,633)
-	(51,600)	(52,633)
9,413,379	-	-
558,659	-	-
-	40,000	-
-	-	49,000
1,677,088	-	-
486,460	-	-
207,791	-	23
6,673	-	-
359,521	-	-
12,709,571	40,000	49,023
393,070	(11,600)	(3,610)
96,028,988	138,231	136,799
\$ 96,422,058	\$ 126,631	\$ 133,189

**JACKSON COUNTY
JACKSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General Fund	Road and Bridge Fund	Ditch Fund
ASSETS			
Cash and Pooled Investments	\$ 9,407,108	\$ 4,548,782	\$ 1,656,586
Cash Held with Escrow Agent	-	-	-
Receivables			
Taxes	102,649	26,385	-
Accounts	9,886	1,298	-
Notes	944,591	-	15,087
Special Assessments	1,284	-	1,149,970
Interest	18,978	-	-
Due from Other Funds	-	-	19,129
Due from Other Governments	99,032	4,962,110	11,722
Advances to Other Funds	1,101,485	-	-
Advances to Other Governments	3,853,500	-	-
Inventories and Prepaid Items	447,713	89,849	-
Restricted Assets			
Cash and Investments	-	-	1,968,978
Total Assets	\$ 15,986,226	\$ 9,628,424	\$ 4,821,472
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 95,370	\$ 274,193	\$ 111,195
Accrued Liabilities	152,066	61,678	-
Due to Other Funds	-	19,129	-
Due to Other Governments	122,910	2,674	12,955
Advance from Other Funds	-	-	1,101,485
Unearned Revenue	236,968	-	-
Deposits	38,814	-	50,000
Total Liabilities	646,128	357,674	1,275,635
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1,038,551	4,296,639	1,159,577
FUND BALANCES			
Nonspendable	5,402,698	89,849	-
Restricted	1,391,029	-	2,386,260
Committed	1,902,427	4,831,170	-
Assigned	1,226,890	53,092	-
Unassigned	4,378,503	-	-
Total Fund Balances	14,301,547	4,974,111	2,386,260
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,986,226	\$ 9,628,424	\$ 4,821,472

See accompanying Notes to Financial Statements.

Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 438,685	\$ 713,705	\$ 16,764,866
-	1,199,754	-	1,199,754
-	15,945	10,153	155,132
-	-	584	11,768
-	-	-	959,678
-	-	-	1,151,254
-	-	-	18,978
-	-	-	19,129
-	-	-	5,072,864
-	-	-	1,101,485
2,011,908	4,164,000	-	10,029,408
-	-	202	537,764
1,754,369	803,286	371,762	4,898,395
<u>\$ 3,766,277</u>	<u>\$ 6,621,670</u>	<u>\$ 1,096,406</u>	<u>\$ 41,920,475</u>
\$ -	\$ -	\$ 43,408	\$ 524,166
-	-	11,746	225,490
-	-	-	19,129
-	-	77	138,616
-	-	-	1,101,485
-	-	-	236,968
-	-	-	88,814
-	-	55,231	2,334,668
2,011,908	7,862	5,738	8,520,275
-	-	202	5,492,749
1,754,369	6,613,808	881,890	13,027,356
-	-	153,345	6,886,942
-	-	-	1,279,982
-	-	-	4,378,503
<u>1,754,369</u>	<u>6,613,808</u>	<u>1,035,437</u>	<u>31,065,532</u>
<u>\$ 3,766,277</u>	<u>\$ 6,621,670</u>	<u>\$ 1,096,406</u>	<u>\$ 41,920,475</u>

This Page Has Been Intentionally Left Blank.

**JACKSON COUNTY
JACKSON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 31,065,532

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. 92,199,725

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	2,011,908
Special Assessments	1,140,922
Grants and State Aid	4,312,849
Taxes	84,858
Interest and Other	10,060
Notes Receivable	959,678

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	(9,093,262)
Deferred Outflows of Resources Related to Pensions	5,252,908
Deferred Inflows of Resources Related to Pensions	(927,513)

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	\$ (15,055,000)
General Obligation Revenue Bonds	(7,624,000)
General Obligation Drainage Bonds	(6,455,000)
Loans Payable	(59,730)
Land Contract	(16,000)
Compensated Absences	(554,436)
Other Postemployment Benefits Payable	(315,364)
Accrued Interest Payable	(361,939)
Unamortized Premium on Bonds	(154,138)
	(30,595,607)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 96,422,058

**JACKSON COUNTY
JACKSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016**

	General Fund	Road and Bridge Fund	Ditch Fund
REVENUES			
Taxes	\$ 7,878,196	\$ 1,814,583	\$ -
Intergovernmental	1,079,742	5,553,919	-
License and Permits	8,535	303,059	-
Fines, Forfeitures, and Penalties	34,464	-	-
Charges for Services	1,323,659	975,229	-
Special Assessments	265,171	-	1,210,690
Investment Earnings	138,273	-	66,055
Miscellaneous	765,468	21,129	20,110
Total Revenues	11,493,508	8,667,919	1,296,855
EXPENDITURES			
Current			
General Government	3,740,391	-	-
Public Safety	2,516,774	-	-
Bridges and Roads	-	3,159,367	-
Health and Human Services	2,798,986	-	-
Culture and Recreation	89,000	319,854	-
Conservation of Natural Resources	845,174	-	3,512,223
Economic Development	81,427	-	-
Capital Outlay	912,841	4,345,153	-
Debt Service			
Principal	13,390	8,000	110,000
Interest	-	1,440	175,155
Bond Issue Costs	-	-	-
Total Expenditures	10,997,983	7,833,814	3,797,378
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	495,525	834,105	(2,500,523)
OTHER FINANCING SOURCES (USES)			
Issuance of Long-term Debt	-	-	3,495,000
Premium on Long-term Debt	-	-	-
Transfers In	-	99,634	-
Transfers Out	(99,634)	-	-
Proceeds from Sale of Assets	7,591	-	-
Total Other Financing Sources (Uses)	(92,043)	99,634	3,495,000
NET CHANGE IN FUND BALANCES	403,482	933,739	994,477
Fund Balances - Beginning of Year	13,898,065	4,108,094	1,391,783
DECREASE IN INVENTORY	-	(67,722)	-
FUND BALANCES - END OF YEAR	\$ 14,301,547	\$ 4,974,111	\$ 2,386,260

See accompanying Notes to Financial Statements.

Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,102,727	\$ 690,386	\$ 11,485,892
-	59,683	38,712	6,732,056
-	-	-	311,594
-	-	-	34,464
-	-	4,304	2,303,192
-	-	-	1,475,861
1,221	440	1,802	207,791
548,176	55,613	44,923	1,455,419
549,397	1,218,463	780,127	24,006,269
-	-	-	3,740,391
-	-	-	2,516,774
-	-	-	3,159,367
-	-	-	2,798,986
-	-	449,399	858,253
-	-	-	4,357,397
-	-	-	81,427
-	-	94,267	5,352,261
385,000	740,000	265,000	1,521,390
55,330	482,741	28,003	742,669
-	56,084	-	56,084
440,330	1,278,825	836,669	25,184,999
109,067	(60,362)	(56,542)	(1,178,730)
-	4,124,000	-	7,619,000
-	10,838	-	10,838
-	-	-	99,634
-	-	-	(99,634)
-	-	-	7,591
-	4,134,838	-	7,637,429
109,067	4,074,476	(56,542)	6,458,699
1,645,302	2,539,332	1,091,979	24,674,555
-	-	-	(67,722)
\$ 1,754,369	\$ 6,613,808	\$ 1,035,437	\$ 31,065,532

**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, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 6,458,699

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	\$ 4,950,034	
Current Year Depreciation	<u>(3,359,228)</u>	1,590,806

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. (33,718)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (299,780)

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		(1,044,338)
-----------------	--	-------------

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	(7,619,000)	
Premium on Bonds Issued	<u>(10,838)</u>	(7,629,838)

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	945,000	
General Obligation Revenue Bonds	445,000	
General Obligation Drainage Bonds	110,000	
Loans Payable	13,390	
Land Contract	<u>8,000</u>	1,521,390

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	(108,900)	
Amortization of Discounts and Premiums	6,872	
Change in Compensated Absences	19,280	
Change in Other Postemployment Benefits	(19,681)	
Change in Inventory	<u>(67,722)</u>	(170,151)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 393,070

See accompanying Notes to Financial Statements.

**JACKSON COUNTY
JACKSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2016**

ASSETS

Cash and Pooled Investments	<u>\$ 656,112</u>
-----------------------------	-------------------

LIABILITIES

Due to Other Governments	\$ 655,694
Deposits	<u>418</u>
Total Liabilities	<u>\$ 656,112</u>

See accompanying Notes to Financial Statements.

This Page Has Been Intentionally Left Blank.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 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, 2016. Separately issued financial statements of the Fair Association are not issued.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016. 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, 2016**

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.

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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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.

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.

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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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)

1. Cash and Pooled Investments (Continued)

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.

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. Inventories of governmental activities are recorded as expenses when consumed rather than when purchased in the government-wide statements and are recorded as an expenditure at the time of purchase in the fund financial statements. Reported materials and supplies are offset by nonspendable 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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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)

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.

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

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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)

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.

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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 (Continued)

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.

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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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)

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.

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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenue (Continued)

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, 2016**

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, 2016:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General Fund	\$ 10,385,308	\$ 10,997,983	\$ 612,675
Debt Service Fund	1,106,253	1,278,825	172,572
Library Special Revenue Fund	440,513	481,932	41,419
Street Reconstruction Debt Service Fund	292,555	293,003	448

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, 2016**

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	\$ 17,565,097
U.S. Treasury Securities	1,199,754
Negotiable Certificate of Deposit	3,491,000
Non-Negotiable Certificate of Deposit	1,262,376
Petty Cash	900
	<hr/>
Total Cash and Investments	<u><u>\$ 23,519,127</u></u>

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

Primary Government	
Cash and Pooled Investments	\$ 16,764,866
Cash Held with Escrow Agent	1,199,754
Restricted Cash and Pooled Investments	4,898,395
Agency Funds	
Cash and Pooled Investments	
Agency Fund	76,218
Taxes and Penalties Fund	579,476
Sheriff's Trust Account	418
Total Agency Funds	<hr/>
	<u>656,112</u>
Total Cash and Investments	<u><u>\$ 23,519,127</u></u>

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, 2016, the banks had pledged various government securities of \$16,760,594 to secure the County's deposits.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016, all of the County's \$18,943,245 bank deposits 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, 2016**

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, 2016, 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, 2016, the County's investments were as follows:

Investment Type	Fair Value	Maturity	
		Less than 1 Year	1-3 Years
Negotiable Certificate of Deposit	\$ 3,491,000	\$ 3,242,000	\$ 249,000
U.S. Treasury Securities	1,199,754	16,602	1,183,152
Total	<u>\$ 4,690,754</u>	<u>\$ 3,258,602</u>	<u>\$ 1,432,152</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016 the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Sterling Bank	Negotiable CD	5.31%
Texas Citizens Bank, National Association	Negotiable CD	5.31%
Mizuho Bank USA Instl	Negotiable CD	5.31%
Firstbank Puerto Rico Santurce Pr	Negotiable CD	5.31%
Discover BK Greenwood, DE	Negotiable CD	5.31%
Bank of China, New York City	Negotiable CD	5.31%
Safra National Bank	Negotiable CD	5.29%
Valley Central Bank	Negotiable CD	5.31%
Investors Bk Short Hills NJ	Negotiable CD	5.31%
CIT Bank NA	Negotiable CD	5.29%
BMO Harris Bank National Assn Chicago IL	Negotiable CD	5.31%
Bank of Baroda New York BRH	Negotiable CD	5.27%
Wells Fargo Bank NA	Negotiable CD	5.31%

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

c. Fair Value Measurements

The County uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

- Level I – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level II – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level III – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

County investments are measured as follows:

	12/31/2016	Level I	Level II	Level III
Negotiable Certificate of Deposit	\$ 3,491,000	\$ -	\$ 3,491,000	\$ -
U.S. Treasury Securities	1,199,754	-	1,199,754	-
Total	<u>\$ 4,690,754</u>	<u>\$ -</u>	<u>\$ 4,690,754</u>	<u>\$ -</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2016, for the County's 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	\$ 5,029,920	\$ 4,338,965
Road and Bridge Fund	4,989,793	5,541
Ditch Fund	1,176,779	1,071,389
Heron Lake Debt Service Debt Service Fund	2,011,908	1,596,102
Nonmajor Governmental Funds	4,179,945	4,103,262
	10,737	1,218
Total	<u>\$ 17,399,082</u>	<u>\$ 11,116,477</u>

Governmental funds report unavailable revenue 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	\$ 10,029,408	\$ 2,011,908
Accounts Receivable	11,768	4,652
Special Assessment Receivable	1,151,254	1,140,922
Due From Other Governments	5,072,864	4,312,849
Taxes Receivable	155,132	84,858
Interest on Investments	18,978	5,408
Notes Receivable	959,678	959,678
Total	<u>\$ 17,399,082</u>	<u>\$ 8,520,275</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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
2016 Debt Issue - \$3,495,000	\$ -	\$ 203,477	\$ 913,016	\$ 1,116,493
2015 Debt Issue - \$915,000	-	-	10,680	10,680
2014 Debt Issue - \$1,380,000	-	515,274	95,238	610,512
2013 Debt Issue - \$700,000	-	231,293	-	231,293
2013 Debt Issue - \$14,260,000	-	803,286	371,762	1,175,048
2011 Debt Issue - \$1,670,000	160,000	1,050,096	-	1,210,096
2011 Debt Issue - \$3,665,000	364,000	180,273	-	544,273
Total Restricted Assets	<u>\$ 524,000</u>	<u>\$ 2,983,699</u>	<u>\$ 1,390,696</u>	<u>\$ 4,898,395</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, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Construction-in-Process	\$ 12,142,959	\$ 3,949,867	\$ 14,252,446	\$ 1,840,380
Land	662,438	-	-	662,438
Total Capital Assets, Not Being Depreciated	12,805,397	3,949,867	14,252,446	2,502,818
Capital Assets, Being Depreciated				
Buildings	9,814,649	9,634,080	54,235	19,394,494
Other Improvements	5,712,656	105,758	-	5,818,414
Machinery and Equipment	9,953,138	954,769	482,448	10,425,459
Infrastructure	88,825,407	4,558,006	-	93,383,413
Total Capital Assets, Being Depreciated	114,305,850	15,252,613	536,683	129,021,780
Less Accumulated Depreciation for				
Buildings	(2,922,041)	(494,286)	(40,138)	(3,376,189)
Other Improvements	(1,986,137)	(145,405)	-	(2,131,542)
Machinery, Furniture, and Equipment	(5,551,695)	(864,053)	(462,827)	(5,952,921)
Infrastructure	(26,008,737)	(1,855,484)	-	(27,864,221)
Total Accumulated Depreciation	(36,468,610)	(3,359,228)	(502,965)	(39,324,873)
Total Capital Assets, Being Depreciated, Net	77,837,240	11,893,385	33,718	89,696,907
Governmental Activities Capital Assets, Net	<u>\$ 90,642,637</u>	<u>\$ 15,843,252</u>	<u>\$ 14,286,164</u>	<u>\$ 92,199,725</u>

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

Governmental Activities	
General Government	\$ 642,440
Public Safety	264,722
Public Works	2,373,971
Conservation of Natural Resources	78,095
Total Governmental Activities	<u>\$ 3,359,228</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016:

Receivable Fund	Payable Fund	Amount
Ditch Fund	Road and Bridge Fund	<u>\$ 19,129</u>

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:

Fund Transferred To	Fund Transferred From	Amount
Road and Bridge Fund	General Fund	<u>\$ 99,634</u>

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.

3. Interfund Advances

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Fund	<u>\$ 1,101,485</u>

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

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General Obligation Debt	\$ 16,000,000	\$ -	\$ 945,000	\$ 15,055,000	\$ 975,000
General Obligation Revenue Bonds	3,945,000	4,124,000	445,000	7,624,000	460,000
General Obligation Drainage Bonds	3,070,000	3,495,000	110,000	6,455,000	200,000
Loans Payable	73,120	-	13,390	59,730	13,390
(Discount)/Premiums	150,172	10,838	6,872	154,138	-
Total Bonds Payable	23,238,292	7,629,838	1,520,262	29,347,868	1,648,390
Other Liabilities					
Land Contract	24,000	-	8,000	16,000	8,000
Vested Compensated Absences	573,716	398,201	417,481	554,436	369,365
Governmental Activity Long-Term Liabilities	<u>\$ 23,836,008</u>	<u>\$ 8,028,039</u>	<u>\$ 1,945,743</u>	<u>\$ 29,918,304</u>	<u>\$ 2,025,755</u>

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

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, 2016, was \$110,048,823. General obligation debt outstanding at year-end was \$15,055,000.

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, 2016, the County recognized an advance of \$3,853,500 representing the City's portion of the GO Bonds.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

General obligation debt payable at December 31, 2016, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2016
Capital Improvement Bonds					
Street Reconstruction	2008	2018	2.00-4.00%	\$ 2,290,000	\$ 570,000
Series B - Refunding	2009	2022	0.85-3.55%	3,220,000	1,165,000
Capital Improvement	2013	2038	2.00-3.13%	14,260,000	13,320,000
Total Governmental Activities - General Obligation Debt					<u>\$ 15,055,000</u>

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

General Obligation Debt

	Principal	Interest
2017	\$ 975,000	\$ 428,213
2018	945,000	401,778
2019	670,000	380,798
2020	690,000	364,835
2021	705,000	348,153
2022-2026	2,890,000	1,467,589
2027-2031	3,040,000	1,036,375
2032-2036	3,540,000	533,594
2037-2038	1,600,000	50,469
Totals	<u>\$ 15,055,000</u>	<u>\$ 5,011,804</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 and 2016 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. In 2016, General Obligation Revenue Crossover Refunding bonds in the amount of \$1,245,000 were issued to refinance the 2009 water revenue bonds. The refunding proceeds were placed in an escrow account and will be used to pay off the 2009 bonds on the crossover date of January 1, 2019. The total cash savings attributable to the refunding of these bonds is \$129,202.

General obligation revenue debt payable at December 31, 2016, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2016
General Obligation Revenue Debt					
Water Revenue Bonds - Red Rock	2009	2033	2.00-4.50%	\$ 1,745,000	\$ 1,285,000
Water Revenue Bonds - Heron Lake	2011	2022	0.50-3.00%	3,665,000	2,215,000
Water Revenue Bonds - Red Rock					
Crossover Refunding	2016	2033	1.75-2.35%	1,245,000	1,245,000
Water Revenue Bonds - Red Rock	2016	2056	2.25%	2,879,000	2,879,000
Total Governmental Activities - General Obligation Revenue Debt					<u>\$ 7,624,000</u>

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

General Obligation Revenue Debt

	Principal	Interest
2017	\$ 460,000	\$ 194,408
2018	522,000	182,409
2019	548,000	169,851
2020	494,000	156,859
2021	515,000	143,394
2022-2026	1,392,000	566,910
2027-2031	1,269,000	397,791
2032-2036	639,000	232,070
2037-2041	373,000	184,410
2042-2046	418,000	140,468
2047-2051	467,000	91,238
2052-2056	527,000	36,091
Totals	<u>\$ 7,624,000</u>	<u>\$ 2,495,899</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

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.

General obligation drainage debt payable at December 31, 2016, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2016
General Obligation Drainage Debt					
Drainage Bonds	1998	2019	4.13-5.00%	\$ 710,000	\$ 80,000
Drainage Bonds	2013	2034	2.00-3.25%	700,000	640,000
Drainage Bonds	2014	2035	3.00-3.50%	1,380,000	1,325,000
Drainage Bonds	2015	2036	1.00-3.50%	915,000	915,000
Drainage Bonds	2016	2038	1.00-2.75%	3,495,000	3,495,000
Total Governmental Activities - General Obligation Drainage Debt					<u>\$ 6,455,000</u>

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

General Obligation Drainage Debt

	Principal	Interest
2017	\$ 200,000	\$ 167,973
2018	120,000	151,603
2019	275,000	148,140
2020	280,000	143,515
2021	280,000	138,515
2022-2026	1,480,000	606,366
2027-2031	1,660,000	423,270
2032-2036	1,730,000	180,119
2037-2038	430,000	11,963
Totals	<u>\$ 6,455,000</u>	<u>\$ 1,971,464</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2016
Loan Agreements					
Septic Loans	2001	2023	- %	\$ 45,000	\$ 20,830
Septic Loans	2003	2023	-	38,900	38,900
Total Governmental Activities - Loan Agreements					<u>\$ 59,730</u>

Debt service requirements for the loan agreements are as follows:

Loan Agreements

	Principal	Interest
2017	\$ 13,390	\$ -
2018	13,390	-
2019	8,390	-
2020	8,390	-
2021	8,390	-
2022-2023	7,780	-
Totals	<u>\$ 59,730</u>	<u>\$ -</u>

Land Contract

Land contract payable at December 31, 2016, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2016
Land Contract	2001	2018	- %	\$ 116,600	\$ 16,000

Debt service requirements for the land contract are as follows:

Land Contract

	Principal	Interest
2017	\$ 8,000	\$ 960
2018	8,000	480
Totals	<u>\$ 16,000</u>	<u>\$ 1,440</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balance

The fund balance classifications of the governmental funds as of December 31, 2016, were as follows:

	General Fund	Road and Bridge Fund	Ditch Fund	Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable							
Advance to Other Funds	\$ 1,101,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,101,485
Advances to Other Governments	3,853,500	-	-	-	-	-	3,853,500
Inventory and Prepaid Items	447,713	89,849	-	-	-	202	537,764
Total Nonspendable	5,402,698	89,849	-	-	-	202	5,492,749
Restricted							
Cemetery	1,000	-	-	-	-	-	1,000
Court Services	350	-	-	-	-	-	350
Recorder's Equipment	58,130	-	-	-	-	-	58,130
E-911	451,043	-	-	-	-	-	451,043
Integrated Land Records	200,967	-	-	-	-	-	200,967
Aquatic Invasive Species	156,705	-	-	-	-	-	156,705
Sheriff's Contingency	85,384	-	-	-	-	-	85,384
Sheriff's Forfeiture Fund	20,000	-	-	-	-	-	20,000
Fish and Wildlife Trust	191,047	-	-	-	-	-	191,047
SCORE	205,165	-	-	-	-	-	205,165
Juvenile Restitution	1,146	-	-	-	-	-	1,146
Attorney	20,092	-	-	-	-	-	20,092
Ditch	-	-	1,436,216	-	-	-	1,436,216
Public Works Building	-	-	-	-	-	330,262	330,262
Debt Service	-	-	950,044	1,754,369	6,613,808	551,628	9,869,849
Total Restricted	1,391,029	-	2,386,260	1,754,369	6,613,808	881,890	13,027,356
Committed							
Change Funds	900	-	-	-	-	-	900
Capital Projects	1,646,080	-	-	-	-	-	1,646,080
Jackson Sheriff	141,611	-	-	-	-	-	141,611
Revolving Loan Fund	113,836	-	-	-	-	-	113,836
Future Road and Bridge Expenditures	-	4,831,170	-	-	-	-	4,831,170
Future Library Expenditures	-	-	-	-	-	153,345	153,345
Total Committed	1,902,427	4,831,170	-	-	-	153,345	6,886,942
Assigned							
Severance Pay	59,338	-	-	-	-	-	59,338
Health Insurance	87,759	-	-	-	-	-	87,759
WESCAP	14,947	-	-	-	-	-	14,947
Information Systems	240,655	-	-	-	-	-	240,655
Lakes Improvement	10,406	-	-	-	-	-	10,406
Veteran's Van	35,501	-	-	-	-	-	35,501
Furniture	4,434	-	-	-	-	-	4,434
Rural Signage	25,473	-	-	-	-	-	25,473
Buildings	70,542	-	-	-	-	-	70,542
Compensation Plan Pool	143,098	-	-	-	-	-	143,098
United Community Action Partnership	16,947	-	-	-	-	-	16,947
Emergency Management	31,601	-	-	-	-	-	31,601
Elections and Redistricting	17,495	-	-	-	-	-	17,495
Treasurer	11,334	-	-	-	-	-	11,334

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balance (Continued)

Fund	General Fund	Road and Bridge Fund	Ditch Fund	Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total
Assigned (Continued)							
Assessor	\$ 15,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,970
Planning and Zoning	5,660	-	-	-	-	-	5,660
Sheriff K-9 Unit	4,155	-	-	-	-	-	4,155
Parks Improvement and Maintenance	-	53,092	-	-	-	-	53,092
Landfill Assurance	130,973	-	-	-	-	-	130,973
Septic Loan	300,602	-	-	-	-	-	300,602
Total Assigned	<u>1,226,890</u>	<u>53,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,279,982</u>
Unassigned	<u>4,378,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,378,503</u>
Total Fund Balances	<u>\$ 14,301,547</u>	<u>\$ 4,974,111</u>	<u>\$ 2,386,260</u>	<u>\$ 1,754,369</u>	<u>\$ 6,613,808</u>	<u>\$ 1,035,437</u>	<u>\$ 31,065,532</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	\$ 23,665	<u>\$ 29,600</u>
Petty Cash	355	
Total	<u>\$ 24,020</u>	

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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Component Unit – Fair Association (Continued)

2. Deposits and Investments (Continued)

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	\$ 207,922	\$ 5,797	\$ -	\$ 213,719	20
Less: Accumulated Depreciation	(83,123)	(14,264)	-	(97,387)	
Totals	<u>\$ 124,799</u>	<u>\$ (8,467)</u>	<u>\$ -</u>	<u>\$ 116,332</u>	

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Component Unit – Fair Association (Continued)

4. Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bank Note	\$ 4,793	\$ -	\$ -	\$ 4,793	\$ 4,793

The Fair Association obtained a bank loan to finance the purchase of a Kawasaki Mule. The loan bears interest at 4.60%.

The Fair Association has a \$5,000 bank line of credit that bears interest at 18% as of September 30, 2016. There were no draws made on the line of credit during the year ended September 30, 2016.

Debt service requirements for the bank loan are as follows:

	Principal	Interest
2017	\$ 4,793	\$ 109
Totals	\$ 4,793	\$ 109

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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Component Unit – Historical Society (Continued)

2. Deposits and Investments

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

	Carrying Value	Bank Balance
Deposits	\$ 67,544	\$ 78,848
Certificates of Deposit	6,658	6,658
Total Cash and Investments	\$ 74,202	\$ 85,506

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	\$ 79,409	\$ -	\$ -	\$ 79,409	10-20
Less: Accumulated Depreciation	(14,068)	(4,652)	-	(18,720)	
Totals	\$ 65,341	\$ (4,652)	\$ -	\$ 60,689	

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 Plan

All full-time and certain part-time employees of Jackson County are covered by the General Employees Plan. General Employee Plan 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 Plan

The Police and Fire Plan, 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 Police and Fire Plan 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. Local Government Correctional Plan

The Correctional Plan 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
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

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

1. General Employee Plan 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. Police and Fire Plan Benefits

Benefits for the Police and Fire Plan 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 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 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.

3. Correctional Plan Benefits

Benefits for Correctional Plan 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 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.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Governmental Activities recognized pension expense of \$1,525,280 for the year ended December 31, 2016.

1. General Employee Plan 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 2016. The County contributions to the General Employee Plan for the year ended December 31, 2016, were \$265,225. The County contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The County was required to contribute 16.20% of pay for Police and Fire Plan members in calendar year 2016. The County contributions to the Police and Fire Plan for the year ended December 31, 2016, were \$136,790. The County contributions were equal to the required contributions as set by state statute.

3. Correctional Plan Contributions

In calendar year 2016 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for plan members in calendar year 2016. The County contributions to the Correctional Plan for the year ended December 31, 2015, were \$50,028. The County contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At December 31, 2016, the County reported a liability of \$4,465,727 for its proportionate share of the General Employee's Plan net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$58,305.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the County's proportion share was 0.055 percent which was a decrease of .0008 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016 the County recognized pension expense of \$586,337 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$17,385 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Plan.

At December 31, 2016, the County reported its proportionate share of the General Employees Plan'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	\$ -	\$ 362,774
Changes in Actuarial Assumptions	874,394	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	847,614	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	114,274
County Contributions Subsequent to the Measurement Date	132,399	-
Total	<u>\$ 1,854,407</u>	<u>\$ 477,048</u>

\$132,399 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, 2017.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 331,156
2018	331,156
2019	421,337
2020	161,311

2. Police and Fire Pension Costs

At December 31, 2016, the County reported a liability of \$3,531,593 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the County's proportion was .0880 percent which was a decrease of .002 percent from its proportion measured as of June 30, 2015.

The County also recognized \$7,920 for the year ended December 31, 2016 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014.

For the year ended December 31, 2016 the County recognized pension expense of \$604,292 for its proportionate share of the Police and Fire Plan's pension expense.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Pension Costs (Continued)

At December 31, 2016, the County reported its proportionate share of the Police and Fire Plan'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	\$ -	\$ 405,141
Changes in Actuarial Assumptions	1,943,590	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	538,945	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	33,109
County Contributions Subsequent to the Measurement Date	68,423	-
Total	<u>\$ 2,550,958</u>	<u>\$ 438,250</u>

\$68,423 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 439,487
2018	439,487
2019	439,487
2020	395,933
2021	329,891

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2016, the County reported a liability of \$1,095,942 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the County proportion was .3 percent which remains unchanged from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016 the County recognized pension expense of \$309,346 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2016 the County reported its proportionate share of the Correctional Plan'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	\$ 860	\$ 11,838
Changes in Actuarial Assumptions	698,247	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	123,133	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	377
County Contributions Subsequent to the Measurement Date	25,303	-
Total	<u>\$ 847,543</u>	<u>\$ 12,215</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

\$25,303 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 260,128
2018	260,128
2019	266,235
2020	23,534

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	
Inflation	2.50% per Year
Active Member Payroll Growth	3.25% per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan and Police and Fire Plan, and 2.5% for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009. Experience studies for the Correctional Plan were last updated for the 2012 valuation pursuant to an experience study of the period 2006 – 2011.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

General Employees Plan

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Correctional Plan

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.31%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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	<u>100 %</u>	

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. 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.

In the Police and Fire Plan and the Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Plan and June 30, 2059 for the Correctional Plan, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Plan and 5.31% for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

G. 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:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 6,342,656	4.60%	\$ 4,943,762	4.31%	\$ 1,650,150
Current	7.50	4,465,727	5.60	3,531,593	5.31	1,095,942
1% Increase	8.50	2,919,649	6.60	2,377,744	6.31	663,276

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. 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.

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, 2016, 2015, and 2014 were \$5,295, \$5,563, and \$4,280, respectively, equal to the contractually required contributions for each year as set by state statute.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 2016, 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	8,870
Adjustment to ARC	<u>(14,866)</u>
Annual OPEB Cost	121,462
Contributions during the year	<u>(101,781)</u>
Increase (Decrease) in Net OPEB Obligation	19,681
Net OPEB - Beginning of the Year	<u>295,683</u>
Net OPEB - End of the Year	<u><u>\$ 315,364</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016, 2015, and 2014 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2016	\$ 121,462	\$ 101,781	83.8 %	\$ 315,364
December 31, 2015	121,783	105,973	87.0	295,683
December 31, 2014	121,660	127,724	105.0	279,873

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 county carried 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 \$500,000 per claim in 2016. 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.

The County is a member of the Southwest/West Central Service Cooperative (Service Cooperative). The Service Cooperative is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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.

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, 2016, a balance of \$4,164,000 is outstanding for the general obligation revenue bonds and the advance.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 2016 financial report shows total net position of \$100,614,089 including unrestricted net position of \$34,171,201. The increase in net position for the year ended December 31, 2016, was \$1,923,807.

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
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2015 (the most recent information available):

Total Assets	\$ 1,532,596
Total Liabilities	276,281
Total Net Position	1,256,315
Total Revenues	3,545,433
Total Expenses	3,674,789
Net Increase (Decrease) in Net Position	(129,356)

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 2016, Jackson County contributed \$2,725,695 to DVHHS. Complete financial statements for DVHHS can be obtained at 407 Fifth Street, Jackson, Minnesota 56143.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, \$37,254 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 \$315 of services.

**JACKSON COUNTY
JACKSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 \$2,011,908 as of December 31, 2016.

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, 2016**

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

E. Tax Abatements

The County is subject to tax abatements granted by Cities within the County pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate income housing, and economic development within a City. TIF captures the increase in tax capacity and property taxes (of all taxing jurisdictions, including the County) from development or redevelopment to provide funding for the related project.

The pay-as-you-go note provides for payment to the developer of a percentage of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements. During 2016, there were 9 pay-as-you-go notes within the County. The tax increment taxes collected during 2016 totaled \$235,399. The County's portion of the captured tax capacity and related property taxes was approximately 30%.

The County enters into property tax abatement agreements with local businesses pursuant to Minnesota Statutes 469.1812 through 469.1815. Under the statutes, the County may grant property tax abatements for the purpose of attracting and retaining business. The County abated taxes totaling \$62,588 for the year ending December 31, 2016, including the following tax abatement agreements that each exceed 10 percent of the total amount abated:

- The County's share of the property tax generated by a business plant expansion for a term of 15 years starting in 2013. The expansion promotes job development, job retention, population growth, and business growth. The abatement amounted to \$32,812.
- The County's share of the property tax generated from redevelopment of former county facilities for a term of six years starting in 2013. The abatement amounted to \$11,170.

As of December 31, 2016 the County has not made any commitments as part of the agreements other than to reduce taxes.

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

**JACKSON COUNTY
 JACKSON, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
 DECEMBER 31, 2016**

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**

	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
PERA - General Employees Retirement Plan		
County's Proportion of the Net Pension Liability	0.0550%	0.0558%
County's Proportionate Share of the Net Pension Liability	\$ 4,465,727	\$ 2,891,846
State's Proportionate Share of the Net Pension Liability	<u>\$ 58,305</u>	<u>\$ -</u>
Total Proportionate Share of the Net Pension Liability	\$ 4,524,032	\$ 2,891,846
County's Covered-Employee Payroll	\$ 3,408,824	\$ 3,280,990
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	131.00%	88.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.90%	78.20%
PERA - Public Employees Police and Fire Plan		
County's Proportion of the Net Pension Liability	0.0880%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 3,531,593	\$ 1,022,611
County's Covered-Employee Payroll	\$ 847,948	\$ 825,683
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	416.49%	123.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.90%	82.30%
PERA - Local Government Correctional Plan		
County's Proportion of the Net Pension Liability	0.3000%	0.3000%
County's Proportionate Share of the Net Pension Liability	\$ 1,095,942	\$ 46,380
County's Covered-Employee Payroll	\$ 558,328	\$ 545,796
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	196.29%	8.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.20%	96.90%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA - General Employees Retirement Plan			
Contractually Required Contribution	\$ 265,225	\$ 250,132	\$ 237,443
Contributions in Relation to the Contractually Required Contribution	<u>(265,225)</u>	<u>(250,132)</u>	<u>(237,443)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 County's Covered-Employee Payroll	 \$ 3,536,333	 \$ 3,335,094	 \$ 3,275,076
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.50%	 7.25%
PERA - Public Employees Police and Fire Plan			
Contractually Required Contribution	\$ 136,790	\$ 137,126	\$ 125,159
Contributions in Relation to the Contractually Required Contribution	<u>(136,790)</u>	<u>(137,126)</u>	<u>(125,159)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 County's Covered-Employee Payroll	 \$ 844,383	 \$ 846,454	 \$ 818,033
 Contributions as a Percentage of Covered Employee Payroll	 16.20%	 16.20%	 15.30%
PERA - Local Government Correctional Plan			
Contractually Required Contribution	\$ 50,028	\$ 47,952	\$ 48,092
Contributions in Relation to the Contractually Required Contribution	<u>(50,028)</u>	<u>(47,952)</u>	<u>(48,092)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 County's Covered-Employee Payroll	 \$ 571,749	 \$ 548,018	 \$ 549,623
 Contributions as a Percentage of Covered Employee Payroll	 8.75%	 8.75%	 8.75%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

**JACKSON COUNTY
JACKSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 7,765,690	\$ 7,878,196	\$ 112,506
Intergovernmental	748,296	1,079,742	331,446
License and Permits	11,000	8,535	(2,465)
Fines, Forfeitures, and Penalties	4,500	34,464	29,964
Charges for Services	1,157,296	1,323,659	166,363
Special Assessments	182,707	265,171	82,464
Investment Earnings	70,000	138,273	68,273
Miscellaneous	518,727	765,468	246,741
Total Revenues	10,458,216	11,493,508	1,035,292
EXPENDITURES			
Current			
General Government	3,694,661	3,740,391	(45,730)
Public Safety	2,622,763	2,516,774	105,989
Health and Human Services	2,995,463	2,798,986	196,477
Culture and Recreation	89,000	89,000	-
Conservation of Natural Resources	740,026	845,174	(105,148)
Economic Development	28,495	81,427	(52,932)
Capital Outlay	214,900	912,841	(697,941)
Debt Service			
Principal	-	13,390	(13,390)
Total Expenditures	10,385,308	10,997,983	(612,675)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	72,908	495,525	422,617
OTHER FINANCING SOURCES (USES)			
Transfers Out	(73,408)	(99,634)	(26,226)
Proceeds from Sale of Assets	500	7,591	7,091
Total Other Financing Sources (Uses)	(72,908)	(92,043)	(19,135)
NET CHANGE IN FUND BALANCE			
	\$ -	403,482	\$ 403,482
Fund Balance - Beginning of Year		13,898,065	
FUND BALANCE - END OF YEAR			
		\$ 14,301,547	

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, 2016**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 3,343,184	\$ 1,814,583	\$ (1,528,601)
Licenses and Permits	32,000	303,059	271,059
Intergovernmental	4,645,422	5,553,919	908,497
Charges for Services	232,000	975,229	743,229
Miscellaneous	1,000	21,129	20,129
Total Revenues	<u>8,253,606</u>	<u>8,667,919</u>	<u>414,313</u>
EXPENDITURES			
Current			
Administration	413,355	411,634	1,721
Maintenance	1,786,643	1,559,178	227,465
Construction	321,513	350,721	(29,208)
Equipment Maintenance and Shop	1,003,612	736,722	266,890
Materials and Services for Resale	250,014	101,112	148,902
Other	287,079	319,854	(32,775)
Capital Outlay	4,236,950	4,345,153	(108,203)
Debt Service			
Principal	8,000	8,000	-
Interest	1,440	1,440	-
Total Expenditures	<u>8,308,606</u>	<u>7,833,814</u>	<u>474,792</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(55,000)</u>	<u>834,105</u>	<u>889,105</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	55,000	99,634	44,634
Proceeds from Sale of Assets	32,000	-	(32,000)
Total Other Financing Sources (Uses)	<u>87,000</u>	<u>99,634</u>	<u>12,634</u>
NET CHANGE IN FUND BALANCE	<u>\$ 32,000</u>	<u>933,739</u>	<u>\$ 901,739</u>
Fund Balance - Beginning of Year		4,108,094	
Decrease in Inventory		<u>(67,722)</u>	
FUND BALANCE - END OF YEAR		<u>\$ 4,974,111</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, 2016**

I. Budgetary Information

The Board of County Commissioners adopts an annual budget for the following 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. There were no amendments in 2016.

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, 2016:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General Fund	\$ 10,385,308	\$ 10,997,983	\$ 612,675
Debt Service Fund	1,106,253	1,278,825	172,572
Library Special Revenue Fund	440,513	481,932	41,419
Street Reconstruction Debt Service Fund	292,555	293,003	448

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

III. Pension

Pension information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

SUPPLEMENTARY INFORMATION

**JACKSON COUNTY
JACKSON, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2016**

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 Street Reconstruction 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.

This Page Has Been Intentionally Left Blank.

**JACKSON COUNTY
JACKSON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	Library Special Revenue	Public Works Facility Capital Project	Street Reconstruction Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash and Pooled Investments	\$ 164,283	\$ -	\$ 549,422	\$ 713,705
Receivables				
Taxes	5,801	-	4,352	10,153
Accounts	584	-	-	584
Inventories and Prepaid Items	202	-	-	202
Restricted Assets				
Cash and Investments	-	371,762	-	371,762
Total Assets	<u>\$ 170,870</u>	<u>\$ 371,762</u>	<u>\$ 553,774</u>	<u>\$ 1,096,406</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,908	\$ 41,500	\$ -	\$ 43,408
Accrued Liabilities	11,746	-	-	11,746
Due to Other Governments	77	-	-	77
Total Liabilities	13,731	41,500	-	55,231
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	3,592	-	2,146	5,738
FUND BALANCES				
Nonspendable	202	-	-	202
Restricted	-	330,262	551,628	881,890
Committed	153,345	-	-	153,345
Total Fund Balances	<u>153,547</u>	<u>330,262</u>	<u>551,628</u>	<u>1,035,437</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 170,870</u>	<u>\$ 371,762</u>	<u>\$ 553,774</u>	<u>\$ 1,096,406</u>

This Page Has Been Intentionally Left Blank.

**JACKSON COUNTY
JACKSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Library Special Revenue	Public Works Facility Capital Project	Street Reconstruction Debt Service	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 389,453	\$ -	\$ 300,933	\$ 690,386
Intergovernmental	22,425	-	16,287	38,712
Charges for Services	-	4,304	-	4,304
Investment Earnings	240	578	984	1,802
Miscellaneous	44,923	-	-	44,923
Total Revenues	457,041	4,882	318,204	780,127
EXPENDITURES				
Current				
Culture and Recreation	449,399	-	-	449,399
Capital Outlay	32,533	61,734	-	94,267
Debt Service				
Principal	-	-	265,000	265,000
Interest	-	-	28,003	28,003
Total Expenditures	481,932	61,734	293,003	836,669
NET CHANGE IN FUND BALANCES	(24,891)	(56,852)	25,201	(56,542)
Fund Balances - Beginning of Year	178,438	387,114	526,427	1,091,979
FUND BALANCES - END OF YEAR	<u>\$ 153,547</u>	<u>\$ 330,262</u>	<u>\$ 551,628</u>	<u>\$ 1,035,437</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
DETAILED BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES
YEAR ENDED DECEMBER 31, 2016**

EXPENDITURES	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Current			
General Government			
Commissioners	\$ 168,557	\$ 165,798	\$ 2,759
Court Administrator	50,000	46,529	3,471
Drivers License	1,225	677	548
County Assessor	377,613	335,412	42,201
Elections	41,465	50,173	(8,708)
Attorney	291,568	276,510	15,058
Law Library	-	24,930	(24,930)
Recorder	117,118	203,202	(86,084)
Buildings and Plant	277,400	369,906	(92,506)
Veterans Service Officer	98,433	91,364	7,069
County Auditor-Treasurer	267,624	267,128	496
Planning and Zoning Coordinator	65,366	36,263	29,103
Information Systems	173,141	184,142	(11,001)
Central Services	478,048	485,014	(6,966)
Health Insurance	25,000	29,137	(4,137)
Fleet Management	783,500	753,482	30,018
Other General Government	-	5,467	(5,467)
	<u>478,603</u>	<u>415,257</u>	<u>63,346</u>
Total General Government	3,694,661	3,740,391	(45,730)
Public Safety			
Sheriff	1,432,723	1,392,244	40,479
Jail	798,636	746,902	51,734
Court Services	168,406	151,952	16,454
E911	32,000	28,852	3,148
Remote Electronic Alcohol Monitor	3,000	538	2,462
Probation	89,095	81,502	7,593
Emergency Management	83,653	83,063	590
Other Public Safety	15,250	31,721	(16,471)
	<u>2,622,763</u>	<u>2,516,774</u>	<u>105,989</u>
Total Public Safety			
Health and Human Services			
Environmental Health	92,528	88,344	4,184
Appropriations for Health and Human Services	2,902,935	2,710,642	192,293
	<u>2,995,463</u>	<u>2,798,986</u>	<u>196,477</u>
Total Health and Human Services			
Culture and Recreation			
Other	89,000	89,000	-
	<u>89,000</u>	<u>89,000</u>	<u>-</u>
Total Culture and Recreation			

**JACKSON COUNTY
JACKSON, MINNESOTA
DETAILED BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND EXPENDITURES
YEAR ENDED DECEMBER 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
EXPENDITURES (CONTINUED)			
Conservation of Natural Resources			
County Extension	\$ 134,606	\$ 130,204	\$ 4,402
Recycling	317,276	316,002	1,274
Water Planning	121,612	200,866	(79,254)
Soil and Water Conservation	106,924	86,964	19,960
Soil and Water Technician	59,608	111,138	(51,530)
Total Conservation of Natural Resources	740,026	845,174	(105,148)
Economic Development			
Appropriations for Economic Development	28,495	81,427	(52,932)
Capital Outlay	214,900	912,841	(697,941)
Debt Service			
Principal	-	13,390	(13,390)
Total Expenditures	<u>\$ 10,385,308</u>	<u>\$ 10,997,983</u>	<u>\$ (612,675)</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes	\$ 1,164,064	\$ 1,102,727	\$ (61,337)
Intergovernmental	-	59,683	59,683
Investment Income	-	440	440
Miscellaneous	-	55,613	55,613
	<hr/>	<hr/>	<hr/>
Total Revenues	1,164,064	1,218,463	54,399
EXPENDITURES			
Debt Service			
Principal Retirement	680,000	740,000	(60,000)
Interest and Fiscal Charges	426,253	482,741	(56,488)
Bond Issue Costs	-	56,084	(56,084)
Total Expenditures	<hr/>	<hr/>	<hr/>
	1,106,253	1,278,825	(172,572)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	57,811	(60,362)	(118,173)
OTHER FINANCING SOURCES (USES)			
Issuance on Long-term Debt	-	4,124,000	4,124,000
Premium on Long-term Debt	-	10,838	10,838
Total Other Financing Sources (Uses)	<hr/>	<hr/>	<hr/>
	-	4,134,838	4,134,838
NET CHANGE IN FUND BALANCE	<hr/>	<hr/>	<hr/>
	\$ 57,811	4,074,476	\$ 4,016,665
Fund Balance - Beginning of Year		<hr/>	
		2,539,332	
FUND BALANCE - END OF YEAR		<hr/>	
		\$ 6,613,808	

**JACKSON COUNTY
JACKSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes	\$ 371,412	\$ 389,453	\$ 18,041
Intergovernmental	22,425	22,425	-
Investment Income	400	240	(160)
Miscellaneous	<u>11,700</u>	<u>44,923</u>	<u>33,223</u>
Total Revenues	405,937	457,041	51,104
EXPENDITURES			
Current			
Culture and Recreation	440,513	449,399	(8,886)
Capital Outlay	<u>-</u>	<u>32,533</u>	<u>(32,533)</u>
Total Expenditures	<u>440,513</u>	<u>481,932</u>	<u>(41,419)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,576)	(24,891)	9,685
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>16,987</u>	<u>-</u>	<u>(16,987)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (17,589)</u>	(24,891)	<u>\$ (7,302)</u>
Fund Balance - Beginning of Year		<u>178,438</u>	
FUND BALANCE - END OF YEAR		<u>\$ 153,547</u>	

**JACKSON COUNTY
 JACKSON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 STREET RECONSTRUCTION DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 301,359	\$ 300,933	\$ (426)
Intergovernmental	16,287	16,287	-
Investment Earnings	-	984	984
Total Revenues	317,646	318,204	558
EXPENDITURES			
Debt Service			
Principal Retirement	265,000	265,000	-
Interest and Fiscal Charges	27,555	28,003	(448)
Total Expenditures	292,555	293,003	(448)
NET CHANGE IN FUND BALANCE	\$ 25,091	25,201	\$ 110
Fund Balance - Beginning of Year		526,427	
FUND BALANCE - END OF YEAR		\$ 551,628	

**JACKSON COUNTY
JACKSON, MINNESOTA
DESCRIPTION OF AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2016**

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.

This Page Has Been Intentionally Left Blank.

**JACKSON COUNTY
JACKSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
AGENCY				
ASSETS				
Cash and Investments	\$ 65,029	\$ 737,196	\$ 726,007	\$ 76,218
Accounts Receivable	7,286	-	7,286	-
Total Assets	<u>\$ 72,315</u>	<u>\$ 737,196</u>	<u>\$ 733,293</u>	<u>\$ 76,218</u>
LIABILITIES				
Due to Other Governments	<u>\$ 72,315</u>	<u>\$ 737,196</u>	<u>\$ 733,293</u>	<u>\$ 76,218</u>
TAXES AND PENALTIES				
ASSETS				
Cash and Investments	<u>\$ 434,889</u>	<u>\$ 12,285,381</u>	<u>\$ 12,140,794</u>	<u>\$ 579,476</u>
LIABILITIES				
Due to Other Governments	<u>\$ 434,889</u>	<u>\$ 12,285,381</u>	<u>\$ 12,140,794</u>	<u>\$ 579,476</u>
SHERIFF				
ASSETS				
Cash and Investments	<u>\$ 418</u>	<u>\$ 110,731</u>	<u>\$ 110,731</u>	<u>\$ 418</u>
LIABILITIES				
Deposits	<u>\$ 418</u>	<u>\$ 110,731</u>	<u>\$ 110,731</u>	<u>\$ 418</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Investments	\$ 500,336	\$ 13,133,308	\$ 12,977,532	\$ 656,112
Accounts Receivable	7,286	-	7,286	-
Total Assets	<u>\$ 507,622</u>	<u>\$ 13,133,308</u>	<u>\$ 12,984,818</u>	<u>\$ 656,112</u>
LIABILITIES				
Due to Other Governments	\$ 507,204	\$ 13,022,577	\$ 12,874,087	\$ 655,694
Deposits	418	110,731	110,731	418
Total Liabilities	<u>\$ 507,622</u>	<u>\$ 13,133,308</u>	<u>\$ 12,984,818</u>	<u>\$ 656,112</u>

**JACKSON COUNTY
JACKSON, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION – COMPONENT UNIT
JACKSON COUNTY FAIR ASSOCIATION
YEAR ENDED SEPTEMBER 30, 2016**

OPERATING REVENUES

County Appropriation	\$	40,000
Fair Operations		68,929
Grants		15,823
Donations		4,123
Rental Income and Other Miscellaneous		12,850
Total Operating Revenues		141,725

OPERATING EXPENSES

Repairs and Maintenance		16,434
Salaries and Fringe Benefits		26,720
Utilities		20,591
Insurance		5,609
Depreciation		12,042
Miscellaneous Fair Operations		71,929
Total Operating Expenses		153,325

OPERATING LOSS

(11,600)

Net Position - Beginning of Year

138,231

NET POSITION - END OF YEAR

\$ 126,631

**JACKSON COUNTY
 JACKSON, MINNESOTA
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION – COMPONENT UNIT
 JACKSON COUNTY HISTORICAL SOCIETY
 YEAR ENDED NOVEMBER 30, 2016**

OPERATING REVENUES	
County Appropriation	\$ 49,000
Grants and Donations	13,370
Miscellaneous	4,746
Total Operating Revenues	67,116
 OPERATING EXPENSES	
Repairs and Maintenance	7,072
Salaries and Fringe Benefits	35,702
Utilities	4,432
Insurance	3,410
Depreciation	4,652
Miscellaneous	15,481
Total Operating Expenses	70,749
 OPERATING LOSS	 (3,633)
 INVESTMENT INCOME	 23
 CHANGE IN NET POSITION	 (3,610)
Net Position - Beginning of Year	136,799
 NET POSITION - END OF YEAR	 \$ 133,189

**JACKSON COUNTY
JACKSON, MINNESOTA
STATEMENT OF CASH FLOWS – COMPONENT UNIT
JACKSON COUNTY FAIR ASSOCIATION
YEAR ENDED SEPTEMBER 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Received from County	\$ 40,000
Received from Various Other Sources	101,725
Paid to Suppliers for Goods and Services	(112,378)
Paid to Employers and Others for Services and Related Benefits	(25,895)
Net Cash Provided by Operating Activities	3,452

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase Capital Assets	(3,575)
Net Cash Used By Capital and Related Financing Activities	(3,575)

NET DECREASE IN CASH AND CASH EQUIVALENTS

(123)

Cash and Cash Equivalents - Beginning of Year

24,143

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 24,020

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	\$ (11,600)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	12,042
Change in Payables	2,185
Change in Accrued Liabilities	825
Net Cash Provided by Operating Activities	\$ 3,452

**JACKSON COUNTY
JACKSON, MINNESOTA
STATEMENT OF CASH FLOWS – COMPONENT UNIT
JACKSON COUNTY HISTORICAL SOCIETY
YEAR ENDED NOVEMBER 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Received from County	\$ 49,000
Received from Various Other Sources	18,116
Paid to Suppliers for Goods and Services	(30,933)
Paid to Employers and Others for Services and Related Benefits	(35,463)
Net Cash Provided by Operating Activities	720

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Earnings	23
---------------------	----

NET INCREASE IN CASH AND CASH EQUIVALENTS

743

Cash and Cash Equivalents - Beginning of Year

73,459

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 74,202

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	\$ (3,633)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	4,652
Change in Payables	(538)
Change in Accrued Liabilities	239
Net Cash Provided by Operating Activities	\$ 720

This Page Has Been Intentionally Left Blank.

**JACKSON COUNTY
JACKSON, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2016**

	<u>Total Primary Government</u>
SHARED REVENUE	
STATE	
Highway Users Tax	\$ 5,451,476
County Program Aid	168,692
PERA Rate Increase	31,401
Performance Aid	1,416
Disparity Reduction Aid	51,421
Police Aid	73,905
Enhanced 911	81,544
Aquatic Invasive Species	85,406
Market Value Credit	<u>322,634</u>
 Total Shared Revenue	 6,267,895
 Local - Payments in Lieu of Taxes	 151,142
 GRANTS	
STATE	
Minnesota Department of Corrections	21,774
Natural Resources	4,379
Public Safety	3,350
Revenue	2,424
Veterans Services	6,388
Water and Soil Resources Board	111,850
Pollution Control Agency	108,017
Peace Officer Standards and Training Board	<u>4,377</u>
 Total State	 262,559
 FEDERAL	
Department of: Agriculture	5,999
Transportation	2,197
Health and Human Services	17,039
Homeland Security	<u>25,225</u>
 Total Federal	 <u>50,460</u>
 Total State and Federal	 <u>313,019</u>
 Total Intergovernmental Revenue	 <u><u>\$ 6,732,056</u></u>

**JACKSON COUNTY
JACKSON, MINNESOTA
BALANCE SHEET – BY DITCH – NON-GAAP BASIS
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2016**

	Assets						Total Assets
	Cash	Special Assessment Receivable		Due From Other Governments	Notes Receivable	Due From Other Funds	
	Balance 12/31/2016	Deferred	Delinquent				
Cons 1JC	\$ 65,411	\$ 23,919	\$ 34	\$ 331	\$ -	\$ 4	\$ 89,699
JD 2	568	-	-	-	-	500	1,068
JD 3	5,353	-	435	-	-	1,105	6,893
CD 3	62,621	-	43	-	-	169	62,833
JD 4NJ	541	-	328	209	-	-	1,078
JD 6	522	-	548	-	-	803	1,873
JD 7	22,693	-	-	-	-	-	22,693
CD 7	9,113	-	-	-	-	-	9,113
JD 8	18,145	-	-	-	-	1,138	19,283
CD 8	8,906	-	-	-	-	193	9,099
JD 9NJ	5,583	-	305	1,059	-	-	6,947
CD 10	3,901	-	-	-	-	150	4,051
JD 11JM	34,678	-	-	1,533	-	257	36,468
CD 11	8,492	-	958	-	-	675	10,125
JD 12	21,623	-	-	-	-	173	21,796
JD 12CJ	1,756	-	-	3	-	-	1,759
JD 13JN	28,457	-	123	2,701	-	603	31,884
JD 13JN Petition	548	-	-	-	-	-	548
CD 13	507	-	-	-	-	493	1,000
JD 14	40,611	-	-	-	-	1	40,612
CD 14	1,683	-	1,567	-	-	394	3,644
JD 15MJ	15,057	-	-	3,441	-	510	19,008
JD 15 Bond	102,998	22,921	-	-	15,087	-	141,006
CD 15	506	-	-	-	-	75	581
JD 16JC	9,719	-	-	82	-	143	9,944
CD 16	16,153	-	189	-	-	-	16,342
JD 17NJ	2,117	-	-	18	-	-	2,135
JD 18	9,320	-	-	-	-	248	9,568
JD 18 Petition	590	-	-	-	-	-	590
JD 19	21,324	-	34	-	-	313	21,671
JD 19 Petition	-	-	-	-	-	-	-
JD 20	580	-	163	-	-	1,610	2,353
JD 22	46,334	-	-	-	-	112	46,446
JD 22 Bond	231,293	409,136	-	-	-	312	640,741
JD 23	5,053	-	-	-	-	225	5,278
JD 24JN	25,409	-	750	14	-	288	26,461
JD 24JN Petition	8,089	-	-	-	-	-	8,089
JD 25	21,568	-	70	-	-	25	21,663
JD 27	2,349	-	-	-	-	355	2,704
JD 27CJ	5,707	-	-	4	-	-	5,711
JD 28	52,888	-	-	-	-	365	53,253
JD 29	536	-	-	-	-	75	611
JD 30	58,356	-	1,493	-	-	166	60,015
JD 30 Petition	260,435	-	-	-	-	-	260,435
JD 31	41,866	-	67	-	-	161	42,094
JD 31 Bond	610,513	684,946	-	-	-	542	1,296,001
JD 32	5,405	-	13	-	-	450	5,868
JD 33	21,077	-	-	-	-	150	21,227
JD 35	134,748	-	-	-	-	-	134,748
JD 35 Bond	823,336	-	-	-	-	-	823,336
JD 36	6,295	-	33	-	-	75	6,403
JD 37	1,241	-	-	-	-	94	1,335
JD 38	17,432	-	-	-	-	-	17,432
JD 39	7,579	-	-	-	-	-	7,579
JD 39CJ	4,645	-	-	203	-	-	4,848
JD 40CJ	2,756	-	-	914	-	-	3,670
JD 42	62,978	-	-	-	-	100	63,078
JD 43	9,076	-	-	-	-	55	9,131
JD 44	524	-	397	-	-	50	971

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
\$ 362	\$ 23,935	\$ -	\$ -	\$ 24,297	\$ -	\$ 65,402	\$ 89,699
-	38,900	436	-	39,336	-	(38,268)	1,068
-	-	-	-	-	-	6,893	6,893
-	-	9,419	-	9,419	-	53,414	62,833
22	1,300	-	-	1,322	-	(244)	1,078
-	41,300	-	-	41,300	-	(39,427)	1,873
-	-	-	-	-	-	22,693	22,693
-	-	-	-	-	-	9,113	9,113
-	-	-	-	-	-	19,283	19,283
-	-	-	-	-	-	9,099	9,099
3,893	-	-	-	3,893	-	3,054	6,947
-	-	-	-	-	-	4,051	4,051
354	-	-	-	354	-	36,114	36,468
-	-	-	-	-	-	10,125	10,125
-	-	-	-	-	-	21,796	21,796
1	-	-	-	1	-	1,758	1,759
1,746	-	-	-	1,746	-	30,138	31,884
-	513,300	2,835	-	516,135	-	(515,587)	548
-	8,250	-	-	8,250	-	(7,250)	1,000
-	-	-	-	-	-	40,612	40,612
-	-	-	-	-	-	3,644	3,644
1,536	-	-	-	1,536	-	17,472	19,008
-	-	-	80,000	80,000	-	61,006	141,006
-	1,400	-	-	1,400	-	(819)	581
89	-	-	-	89	-	9,855	9,944
-	-	-	-	-	-	16,342	16,342
11	-	-	-	11	-	2,124	2,135
-	-	-	-	-	-	9,568	9,568
-	95,600	8,717	-	104,317	-	(103,727)	590
-	-	-	-	-	-	21,671	21,671
-	-	103	-	103	-	(103)	-
-	51,000	-	-	51,000	-	(48,647)	2,353
-	-	-	-	-	-	46,446	46,446
-	-	-	670,000	670,000	-	(29,259)	640,741
-	-	-	-	-	-	5,278	5,278
83	-	-	-	83	-	26,378	26,461
-	-	56,576	-	56,576	-	(48,487)	8,089
-	-	-	-	-	-	21,663	21,663
-	-	-	-	-	-	2,704	2,704
866	-	-	-	866	-	4,845	5,711
-	-	-	-	-	-	53,253	53,253
-	10,600	-	-	10,600	-	(9,989)	611
-	-	-	-	-	-	60,015	60,015
-	-	-	1,175,000	1,175,000	-	(914,565)	260,435
55	-	-	-	55	-	42,039	42,094
-	-	-	1,325,000	1,325,000	-	(28,999)	1,296,001
-	-	-	-	-	-	5,868	5,868
-	-	-	-	-	-	21,227	21,227
-	-	-	-	-	-	134,748	134,748
-	-	5,780	1,975,000	1,980,780	-	(1,157,444)	823,336
-	-	-	-	-	-	6,403	6,403
-	-	-	-	-	-	1,335	1,335
-	-	-	-	-	-	17,432	17,432
-	-	-	-	-	-	7,579	7,579
36	-	-	-	36	-	4,812	4,848
5	-	-	-	5	-	3,665	3,670
-	-	2,629	-	2,629	-	60,449	63,078
-	-	-	-	-	-	9,131	9,131
-	14,200	-	-	14,200	-	(13,229)	971

**JACKSON COUNTY
JACKSON, MINNESOTA
BALANCE SHEET – BY DITCH – NON-GAAP BASIS (CONTINUED)
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2016**

	Assets						Total Assets
	Cash	Special Assessment Receivable		Due From Other Governments	Notes Receivable	Due From Other Funds	
	Balance 12/31/2016	Deferred	Delinquent				
JD 45JN	\$ 35,875	\$ -	\$ -	\$ 219	\$ -	\$ 116	\$ 36,210
JD 45JN Petition	937	-	-	-	-	-	937
JD 46	53,086	-	-	-	-	2	53,088
JD 46 Bond	553	-	-	-	-	-	553
JD 48JM	71,231	-	-	35	-	488	71,754
JD 50	559	-	-	-	-	88	647
JD 52	8,035	-	-	-	-	-	8,035
JD 53	9,549	-	6	-	-	113	9,668
JD 54CJ	9,419	-	-	94	-	88	9,601
JD 56	15,946	-	8	-	-	83	16,037
JD 59	10,407	-	-	-	-	120	10,527
JD 60	8,196	-	644	-	-	55	8,895
JD 62	7,103	-	79	-	-	225	7,407
JD 63	8,610	-	-	-	-	-	8,610
JD 64	10,560	-	-	-	-	604	11,164
JD 65	3,082	-	-	-	-	120	3,202
JD 66	4,531	-	-	-	-	218	4,749
JD 67	4,691	-	-	-	-	100	4,791
JD 68	6,027	-	1	-	-	71	6,099
JD 69	6,957	-	-	-	-	136	7,093
JD 70	7,096	-	-	-	-	280	7,376
JD 71	7,269	-	-	-	-	60	7,329
JD 72	7,520	-	11	-	-	23	7,554
JD 73	4,222	-	-	-	-	158	4,380
JD 73 Petition	539	-	-	-	-	-	539
JD 74	13,609	-	4	-	-	198	13,811
JD 75JM	55,575	-	-	9	-	80	55,664
JD 76NJ	22,110	-	-	710	-	120	22,940
JD 78	7,858	-	-	-	-	98	7,956
JD 79CJ	5,024	-	-	20	-	48	5,092
JD 80	9,410	-	-	-	-	108	9,518
JD 81	11,671	-	-	-	-	173	11,844
JD 82	13,165	-	112	-	-	95	13,372
JD 83	11,135	-	-	-	-	225	11,360
JD 84	569	-	151	-	-	1,025	1,745
JD 85CJ	5,822	-	-	34	-	219	6,075
JD 86	8,344	-	-	-	-	45	8,389
JD 88	3,129	-	-	-	-	-	3,129
JD 91MJ	12,802	-	482	66	-	-	13,350
JD 105MJ	5,936	-	-	23	-	-	5,959
JD 350MJCW	539	-	-	-	-	-	539
CD 117	20,972	-	-	-	-	48	21,020
CD 118	12,902	-	-	-	-	78	12,980
CD 121	28,258	-	-	-	-	178	28,436
CD 122	15,544	-	-	-	-	-	15,544
CD 124 Petition	38,500	-	-	-	-	-	38,500
CD 125 Petition	541	-	-	-	-	-	541
Proj 2	8,175	-	-	-	-	26	8,201
Proj 4	13,384	-	-	-	-	-	13,384
Proj 6	589	-	-	-	-	-	589
Proj. 84-4A	10,437	-	-	-	-	60	10,497
Total (Non-GAAP)	3,625,564	1,140,922	9,048	11,722	15,087	19,129	4,821,472
Reconciliation to GAAP							
Eliminate Bonds Payable	-	-	-	-	-	-	-
Unavailable Revenue	-	-	-	-	-	-	-
GAAP Balances	\$ 3,625,564	\$ 1,140,922	\$ 9,048	\$ 11,722	\$ 15,087	\$ 19,129	\$ 4,821,472

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
\$ 736	\$ -	\$ -	\$ -	\$ 736	\$ -	\$ 35,474	\$ 36,210
-	203,000	6,621	-	209,621	-	(208,684)	937
-	-	-	-	-	-	53,088	53,088
-	1,700	-	915,000	916,700	-	(916,147)	553
85	-	-	-	85	-	71,669	71,754
-	2,500	-	-	2,500	-	(1,853)	647
-	-	-	-	-	-	8,035	8,035
-	-	-	-	-	-	9,668	9,668
29	-	-	-	29	-	9,572	9,601
-	-	-	-	-	-	16,037	16,037
-	-	-	-	-	-	10,527	10,527
-	-	-	-	-	-	8,895	8,895
-	-	-	-	-	-	7,407	7,407
-	-	-	-	-	-	8,610	8,610
-	-	-	-	-	-	11,164	11,164
-	-	-	-	-	-	3,202	3,202
-	-	-	-	-	-	4,749	4,749
-	-	-	-	-	-	4,791	4,791
-	-	-	-	-	-	6,099	6,099
-	-	-	-	-	-	7,093	7,093
-	-	-	-	-	-	7,376	7,376
-	-	-	-	-	-	7,329	7,329
-	-	-	-	-	-	7,554	7,554
-	-	21,766	-	21,766	-	(17,386)	4,380
-	24,300	-	-	24,300	-	(23,761)	539
-	-	-	-	-	-	13,811	13,811
30	-	-	-	30	-	55,634	55,664
640	-	-	-	640	-	22,300	22,940
-	-	-	-	-	-	7,956	7,956
5	-	-	-	5	-	5,087	5,092
-	-	-	-	-	-	9,518	9,518
-	-	-	-	-	-	11,844	11,844
-	-	-	-	-	-	13,372	13,372
-	-	-	-	-	-	11,360	11,360
-	11,900	-	-	11,900	-	(10,155)	1,745
9	-	-	-	9	-	6,066	6,075
-	-	-	-	-	-	8,389	8,389
-	-	-	-	-	-	3,129	3,129
713	-	-	-	713	-	12,637	13,350
36	-	-	-	36	-	5,923	5,959
-	2,300	-	-	2,300	-	(1,761)	539
-	-	-	-	-	-	21,020	21,020
-	-	-	-	-	-	12,980	12,980
-	-	-	-	-	-	28,436	28,436
-	-	-	-	-	-	15,544	15,544
-	-	-	345,000	345,000	-	(306,500)	38,500
-	28,800	30,042	-	58,842	-	(58,301)	541
-	-	513	-	513	-	7,688	8,201
-	-	14,363	-	14,363	-	(979)	13,384
1,613	27,200	-	-	28,813	-	(28,224)	589
-	-	1,395	-	1,395	-	9,102	10,497
12,955	1,101,485	161,195	6,485,000	7,760,635	-	(2,939,163)	4,821,472
-	-	-	-	-	1,159,577	(1,159,577)	-
-	-	-	(6,485,000)	(6,485,000)	-	6,485,000	-
\$ 12,955	\$ 1,101,485	\$ 161,195	\$ -	\$ 1,275,635	\$ 1,159,577	\$ 2,386,260	\$ 4,821,472

This Page Has Been Intentionally Left Blank.

**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, 2016, and the related notes to the financial statements, which collectively comprise Jackson County's basic financial statements, and have issued our report thereon dated July 24, 2017.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2016-001, 2016-002 and 2016-003 that we consider 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
July 24, 2017

This Page Has Been Intentionally Left Blank.

**JACKSON COUNTY
JACKSON, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2016**

FINANCIAL STATEMENT FINDINGS

2016-001 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.

2016-002 Audit Adjustments

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 an adjustment to properly report the state highway aid receivable.

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, 2016**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2016-003 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, 2016**

MINNESOTA LEGAL COMPLIANCE

2016-004: 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.

This Page Has Been Intentionally Left Blank.



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, 2016, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated July 24, 2017.

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. Our audit considered all of the listed categories except that we did not test for compliance with the provisions for tax increment financing as the County has not entered into tax increment financing arrangements.

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 item 2016-004. 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 response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota
July 24, 2017