

**JACKSON COUNTY  
JACKSON, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**





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JACKSON, MINNESOTA  
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## **INTRODUCTORY SECTION**





**JACKSON COUNTY  
JACKSON, MINNESOTA  
PRINCIPAL COUNTY OFFICIALS  
DECEMBER 31, 2017**

Office	Name	Term Expires
<b>Commissioners</b>		
1 <sup>st</sup> District	Scott McClure	December 31, 2020
2 <sup>nd</sup> District	Don Wachal	December 31, 2018
3 <sup>rd</sup> District	Cathy Hohenstein	December 31, 2020
4 <sup>th</sup> District	Kim Hummel	December 31, 2018
5 <sup>th</sup> District	Jamed Eigenberg	December 31, 2020
<b>Officers</b>		
<b>Elected</b>		
Attorney	Sherry Haley	December 31, 2018
Auditor-Treasurer	Kevin Nordquist	December 31, 2018
Recorder	Becky McCann	December 31, 2018
Sheriff (Appointed)	Shawn Haken	December 31, 2018
<b>Appointed</b>		
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

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Jackson County  
Jackson, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County (the County), Minnesota, as of and for the year ended December 31, 2017, 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, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

During the year ended December 31, 2017, the County adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of these standards, the County reported a restatement for the change in accounting principle (see Note 9). Our auditors' opinion was not modified with respect to the restatement.

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

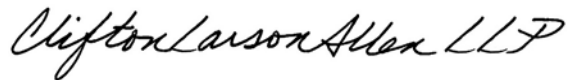
#### *Other Information*

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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
August 16, 2018

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# 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, 2017. 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 \$141,057,872, deferred outflows of resources of \$3,089,868, liabilities of \$39,936,196, and deferred inflows of resources of \$3,071,571, resulting in net position of \$101,139,973 at the end of 2017. Of the net position, \$82,133,292 represents the County's net investment in capital assets, \$17,222,843 is held for restricted purposes, and \$1,783,838 is available to meet the County's ongoing obligations to its citizens and creditors.
- Capital assets increased \$1,919,700 (net of depreciation) during 2017. This increase is primarily due to road and bridge construction projects and equipment purchases.
- There was an increase of \$3,370,000 in General Obligation Drainage bonds which was a single bond issuance to fund a drainage improvement project for Judicial Ditch 45.

### 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.

# ANNUAL REPORT

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## GOVERNMENTAL ACTIVITIES

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

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



## Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of Jackson County's assets, 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 16–18 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 the County’s Proportionate Share of the Net Pension Liability, Schedule of County Contributions, Schedule of Changes in the County’s Net OPEB Liability and Related Ratios and notes to required supplementary information, beginning on page 80.

**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 combining statement 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 \$101,139,973 at the close of 2017. 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 2016, Jackson County's net position increased \$4,717,915 in 2017. 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	
	2017	2016
Current and Other Assets	\$ 46,938,447	\$ 40,799,861
Capital Assets (net)	94,119,425	92,199,725
Total Assets	141,057,872	132,999,586
Deferred Outflows of Resources	3,089,868	5,252,908
Current Liabilities	3,610,867	3,601,748
Non-current Liabilities	36,325,329	37,301,175
Total Liabilities	39,936,196	40,902,923
Deferred Inflows of Resources	3,071,571	927,513
Net Investment in Capital Assets	82,133,292	78,984,849
Restricted	17,222,843	11,373,445
Unrestricted	1,783,838	6,063,764
Total Net Position	\$ 101,139,973	\$ 96,422,058
Total Net Position as a % of Total Liabilities and Deferred Inflows of Resources	253%	236%
Unrestricted Net Position as a % of Total Liabilities and Deferred Inflows of Resources	4%	14%

A relatively small portion of the County’s net position (17%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$1,783,838 of total net position may be used to meet the County’s ongoing obligations to its citizens and creditors. At the end of 2017, the County is able to report a positive balance in net position for governmental activities.



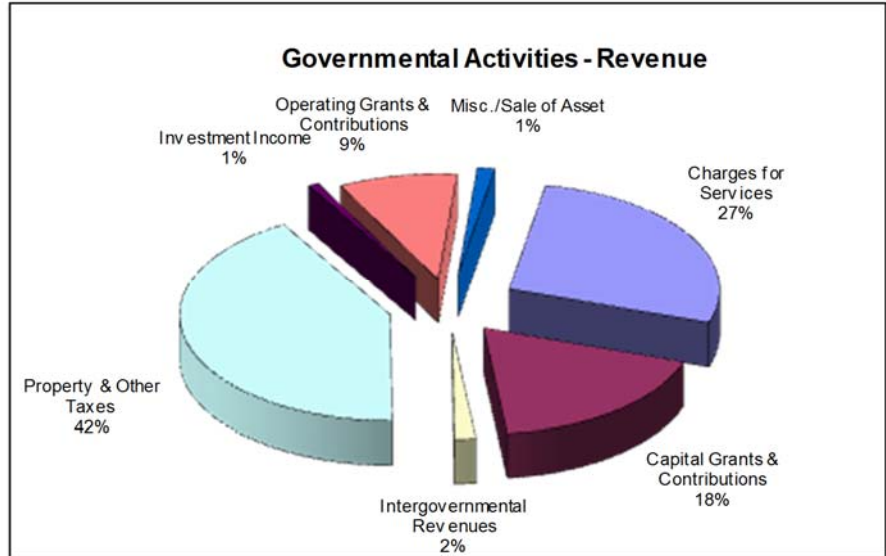
## STATEMENT OF ACTIVITIES

*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.*

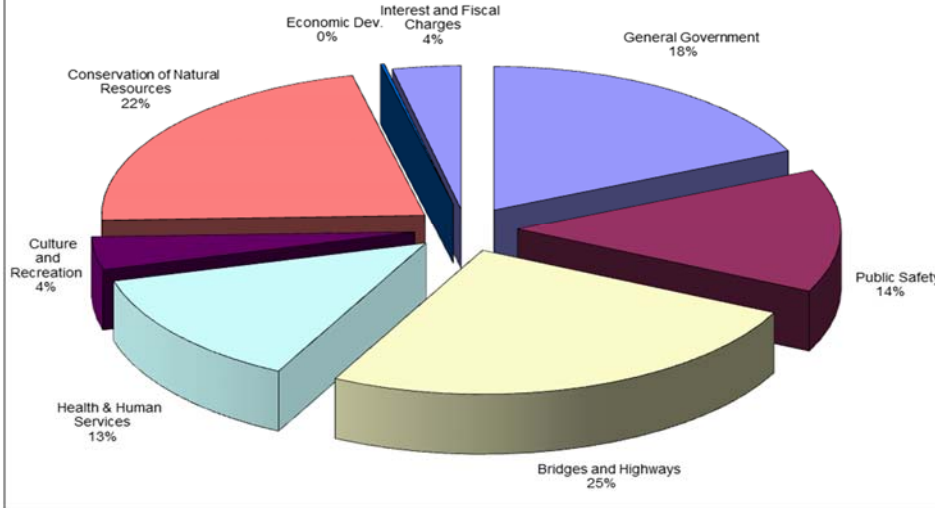
	Governmental Activities	
	2017	2016
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 7,994,600	\$ 4,236,338
Operating Grants and Contributions	2,654,639	2,594,013
Capital Grants and Contributions	5,261,750	4,177,758
General Revenues:		
Property Taxes	10,226,758	9,972,038
Other Taxes	1,935,990	1,677,088
Intergovernmental Revenues	478,412	486,460
Investment Income	231,679	207,791
Gain on Sale of Asset	5,606	6,673
Miscellaneous	385,120	359,521
<b>Total Revenue</b>	<b>29,174,554</b>	<b>23,717,680</b>
<b>EXPENSES</b>		
Program Expenses:		
General Government	4,334,034	4,947,827
Public Safety	3,315,746	3,524,612
Bridges and Highways	6,038,963	5,831,010
Health and Human Services	3,143,959	2,763,302
Culture and Recreation	888,183	942,705
Conservation of Natural Resources	5,219,011	4,412,568
Economic Development	44,672	31,427
Interest and Fiscal Charges	813,918	871,159
<b>Total Expenses</b>	<b>23,798,486</b>	<b>23,324,610</b>
Excess of Revenues over Expenses	5,376,068	393,070
Net Position - January 1 as Originally Stated	96,422,058	96,028,988
Restatement	(658,153)	-
Net Position - January 1 as Restated	95,763,905	96,028,988
Net Position - December 31	<b>\$ 101,139,973</b>	<b>\$ 96,422,058</b>

## GOVERNMENTAL ACTIVITIES - REVENUE

The following chart illustrates how governmental activities are funded. State aids and other grants (operating grants and contributions, capital grants and contributions, and inter-governmental revenues) comprise 29% of the revenue for governmental activities. Taxes, primarily real estate, but also personal property and payments-in-lieu of taxes, provide another 42%, while charges for services and all other sources make up the remaining 29%.



## Governmental Activities - Expenses

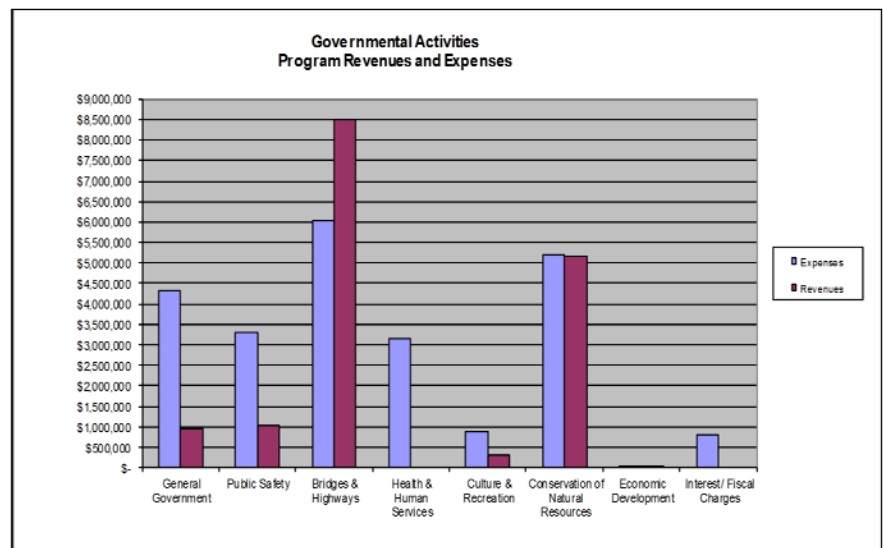


## GOVERNMENTAL ACTIVITIES - EXPENSES

The following chart illustrates how governmental activities are disbursed. General Government, Public Safety, Bridges and Highways comprise 57% of the expenses for governmental activities. Health and Human Services provide another 13%, while charges for all other functions make up the remaining 30%.

## 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, 2017, Jackson County's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$31,917,533, an increase of \$852,001 from the previous years ending balances. Of the ending fund balances total, \$5,742,025 is nonspendable for advances, inventories, and prepaid items; \$12,804,095 is restricted for specific legal requirements; and \$9,089,379 is committed and assigned by the County board for specific future expenditures, leaving total unassigned governmental fund balances of \$4,282,034 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 91% of revenues. General government, health and human services and public safety are the primary operations of the General Fund. General Fund expenditures total \$11,128,539, of which 31% are allocated to the general government operations, 29% allocated to Health and Human Services and 24% are allocated to public safety. The balance of 16%, 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 \$4,282,034, while total fund balance was \$14,979,089. 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 38.5% of total General Fund expenditures, while total fund balance represents 135% of that same amount.

The Road and Bridge Fund had total fund balance of \$5,422,881 at the end of the current fiscal year. The balance of the Road and Bridge Fund increased, by \$448,770, during the current fiscal year primarily due to an increase in taxes, charges for services and miscellaneous revenue.

The Ditch Fund had a fund balance of \$2,102,199. This fund had a balance of \$2,386,260 in 2016, so the net decrease in fund balance is \$284,061. The decrease is a result of a decrease in ditch assessment revenue and an increase in ditch expenses due to several improvement projects that are in process.

The Heron Lake Debt Service Fund had a total fund balance of \$1,860,173, which is an increase of \$105,804 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 \$6,523,797. 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 \$572,473.

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 \$1,029,394.



### General Fund Budgetary Highlights

**The County ended the year with net favorable change of \$677,542 in the General Fund's fund balance.**

The expenditures vs. budget report showed a net unfavorable variance of \$190,287.

- Capital Outlay was over budget by \$504,262. The purchase of a building to eventually relocate various county departments, a bus shed for United Community Action Partnership that was started in 2016 was completed in 2017, and a project to improve the Fairgrounds accounted for just over \$400,000 of this variance. These projects were intended to be funded out of the Capital Projects committed funds. Several other purchases including a Pictometry GIS license, squad car cameras, vitals software and server, and a garage renovation 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 over budget by \$120,965 due to an adjustment in the accrued sick and vacation liability payment terms that was meant to come out of fund balance.
- Other General Government was under budget by \$267,003 as severance pay and the compensation plan pool came in under budget by \$122,747. Tax abatements were under budget by \$37,540 and we budgeted \$109,000 to levy back for property casualty and workers compensation insurance dividends that came in lower than expected.
- The Assessors budget was \$61,182 under budget from being down one staff member from what was budgeted.
- Planning and Zoning was under budget by \$55,181 as a result of salaries being apportioned out to grant funds received.
- Buildings and Plant was over budget by \$45,585 due to several unexpected building repairs and increased utility costs.

General Fund revenues were over budget by \$861,044.

- Of this overage, \$613,631 was due to Tax Revenues collected from wind towers that are not budgeted and are to contribute to the CIP fund. However, tax collections were under budget by \$230,826.
- Charges for Service revenue was \$75,195 over budget for several departments due to conservative budgeting in this area.
- Intergovernmental Revenues were over budget by \$364,066. 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 \$244,502. Payment-In Lieu of Tax was over budget by \$42,829. Riparian Buffer Aid was not budgeted in the amount of \$133,191.
- The Investment Earnings overage of \$77,264 is interest paid to the General Fund from the Ditch Fund for loans to cover drainage systems that have a negative cash position.



## 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, 2017 totaled \$136,312,946. Governmental infrastructure accounted for 71.0% of this investment, with the County's road and bridge network comprising the most significant component.

	Governmental Activities	
	2017	2016
Land	\$ 711,909	\$ 662,438
Buildings	19,898,157	19,394,494
Other Improvements	5,893,369	5,818,414
Machinery and Equipment	10,544,410	10,425,459
Infrastructure	96,643,702	93,383,413
Construction in Progress	2,621,399	1,840,380
Subtotal	136,312,946	131,524,598
Less Accumulated Depreciation	(42,193,521)	(39,324,873)
<b>Total Capital Assets</b>	<b>\$ 94,119,425</b>	<b>\$ 92,199,725</b>

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

- Land increased by \$49,471. This was the purchase of 160 Industrial Parkway in Jackson.
- Buildings increased by \$503,663 due to the construction of a bus shed for United Community Action Partnership for \$223,325 and the purchase of the building at 160 Industrial Parkway in Jackson for \$280,338.
- Other improvements increased by \$74,955 due to the installation of a new electrical service at Brown Park for \$41,595 and the removal of the old electrical system asset of \$8,500, improvements made to the Hazardous Household Waste Facility of \$25,112 and improvements made to the Fairgrounds entry way for \$16,748.
- Machinery and Equipment increased by \$118,951. The largest items purchased were a 2018 Freightliner (\$177,296.86), a Falcon Asphalt Hotbox (\$41,724), a 2017 GMC Sierra (\$34,175), and a Handy Hitch Roller (\$33,209) for Public Works, a Pictometry GIS License(\$71,425) for the Assessors Office, a Globe 2017 Trailer (\$65,532) for the ditch system, two Ford Police Inceptors (\$75,877) for Public Safety, and a 2017 Toolcat 5600 (\$65,532) for Parks. The largest items disposed of include a Sterling Tandem (\$181,928) for Public Works, 911 System Counsel and Controller that were obsolete (\$74,538), a 2006 Election Ballot Counter (\$50,428) in the Auditor/Treasurer Office, a Bobcat 5600 (\$37,173) for Parks.
- Construction in Progress consists of \$2,607,940 in Road and Bridge Infrastructure, \$5,065 for a Soil Clip COGO Custom Tool, \$4,218 for Laserfiche RIO, and \$4,176 for cement work at the Hazardous Household Waste facility.

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

## Long-Term Debt

On December 31, 2017, Jackson County had total long-term obligations outstanding of \$31,686,608. This included bonded debt outstanding of \$30,869,000, as summarized in the following table:

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$ 14,080,000	\$ 15,055,000
General Obligation Revenue Bonds	7,164,000	7,624,000
General Obligation Drainage Bonds	9,625,000	6,455,000
<b>Total Bonded Debt Outstanding</b>	<b>\$ 30,869,000</b>	<b>\$ 29,134,000</b>

Current and future county tax levies are used to finance \$14,080,000 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, 2016 and 2017.

### 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, 2017 is \$111,617,304.

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 3.4% as of June, 2018. The County's unemployment rate was slightly higher than the state's unemployment rate of 2.9% for the same period. The Jackson County rate is lower than the National unemployment rate of 4.2% for June, 2018. (Rates are not seasonally adjusted.)

The County had not added any new major programs or initiatives to the 2018 budget.

Jackson County Board of Commissioners approved the 2018 budget on December 19, 2017. The new levy of \$10,606,336 is a .01% increase over the 2017 levy.

## REQUESTS FOR INFORMATION

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

Jackson County Auditor/Treasurer  
PO Box 226  
Jackson MN 56143

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

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## **BASIC FINANCIAL STATEMENTS**



**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	Discretely Presented		
	Primary Government	Component Units	
	Governmental Activities	Jackson County Fair Association	Jackson County Historical Society
<b>ASSETS</b>			
Cash and Investments	\$ 17,240,234	\$ 14,656	\$ 93,097
Cash Held with Escrow Agent	1,183,152	-	-
Undistributed Cash in Agency Funds	217,000	-	-
Taxes Receivable	147,498	-	-
Special Assessments Receivable	4,809,565	-	-
Notes Receivable	912,578	-	-
Other Receivables	34,954	-	-
Due from Other Governments	7,043,513	-	-
Advances to Other Governments	9,403,102	-	-
Inventories and Prepaid Items	530,523	-	-
Restricted Assets			
Restricted Cash and Investments	5,416,328	-	-
Capital Assets			
Construction-in-Progress	2,621,399	-	-
Land	711,909	-	-
Other Capital Assets, Net of Depreciation	90,786,117	129,206	56,057
Total Assets	141,057,872	143,862	149,154
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	2,958,334	-	-
Other Post Employment Benefits Related	131,534	-	-
Total Deferred Outflows of Resources	3,089,868	-	-
<b>LIABILITIES</b>			
Accounts Payable	611,754	3,154	482
Accrued Liabilities	255,999	306	1,652
Due to Other Governments	12,257	-	-
Deposits	124,689	-	-
Unearned Revenue	259,238	-	-
Accrued Interest Payable	370,010	-	-
Noncurrent Liabilities			
Due Within One Year	1,976,920	2,436	-
Due in More Than One Year	29,709,688	-	-
Net Pension Liability	5,481,848	-	-
Other Postemployment Benefits Payable	1,133,793	-	-
Total Liabilities	39,936,196	5,896	2,134
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Levies for Subsequent Period	217,000	-	-
Pension Related	2,827,200	-	-
Other Post Employment Benefits Related	27,371	-	-
Total Deferred Inflows of Resources	3,071,571	-	-
<b>NET POSITION</b>			
Net Investment in Capital Assets	82,133,292	126,770	56,057
Restricted For:			
Debt Service	9,299,350	-	-
Transportation	5,629,347	-	-
Cemetery	1,000	-	-
Law Library	422	-	-
Recorder's Equipment	62,910	-	-
E-911	493,940	-	-
Integrated Land Records	150,384	-	-
Aquatic Invasive Species	210,803	-	-
Sheriff's Contingency	102,085	-	-
Sheriff's Forfeiture Fund	20,000	-	-
Fish and Wildlife Trust	191,047	-	-
SCORE	171,630	-	-
Juvenile Restitution	946	-	-
Attorney	20,983	-	-
Ditch	867,996	-	-
Other	-	-	8,113
Unrestricted	1,783,838	11,196	82,850
Total Net Position	\$ 101,139,973	\$ 137,966	\$ 147,020

See accompanying Notes to Financial Statements.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Expenses	Fines, and Other	Program Revenues	
			Contributions	Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 4,334,034	\$ 928,738	\$ 9,102	\$ -
Public Safety	3,315,746	784,390	244,702	-
Bridges and Roads	6,038,963	1,067,448	2,153,370	5,261,750
Health and Human Services	3,143,959	-	-	-
Culture and Recreation	888,183	266,870	23,609	-
Conservation of Natural Resources	5,219,011	4,944,054	223,856	-
Economic Development	44,672	3,100	-	-
Interest and Fiscal Charges	813,918	-	-	-
<b>Total Primary Government</b>	<b>\$ 23,798,486</b>	<b>\$ 7,994,600</b>	<b>\$ 2,654,639</b>	<b>\$ 5,261,750</b>
<b>COMPONENT UNITS</b>				
Jackson County Fair Association	\$ 174,227	\$ 110,981	\$ 34,581	\$ -
Jackson County Historical Society	62,593	5,852	21,538	-
<b>Total Component Units</b>	<b>\$ 236,820</b>	<b>\$ 116,833</b>	<b>\$ 56,119</b>	<b>\$ -</b>

**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  
Transfers

Total General Revenues

**CHANGE IN NET POSITION**

Net Position - Beginning of Year, As Previously Stated  
Restatement - Change in Accounting Principle  
Net Position - Beginning of Year, As Restated

**NET POSITION - END OF YEAR**

See accompanying Notes to Financial Statements.



Net (Expense) Revenue and Changes in Net Position			
Primary	Component Units		
Activities	Association	Historical Society	
\$ (3,396,194)	\$ -	\$ -	
(2,286,654)	-	-	
2,443,605	-	-	
(3,143,959)	-	-	
(597,704)	-	-	
(51,101)	-	-	
(41,572)	-	-	
(813,918)	-	-	
(7,887,497)	-	-	
-	(28,665)	-	
-	-	(35,203)	
-	(28,665)	(35,203)	
9,725,774	-	-	
500,984	-	-	
-	40,000	-	
-	-	49,000	
1,935,990	-	-	
478,412	-	-	
231,679	-	34	
5,606	-	-	
385,120	-	-	
13,263,565	40,000	49,034	
5,376,068	11,335	13,831	
96,422,058	126,631	133,189	
(658,153)	-	-	
95,763,905	126,631	133,189	
\$ 101,139,973	\$ 137,966	\$ 147,020	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	General Fund	Road and Bridge Fund	Ditch Fund
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 9,792,468	\$ 4,777,204	\$ 1,556,865
Cash Held with Escrow Agent	-	-	-
Undistributed Cash in Agency Funds	142,093	43,950	-
Receivables			
Taxes	97,186	25,743	-
Accounts	8,127	2,880	-
Notes	899,188	-	13,390
Special Assessments	1,284	-	4,808,281
Interest	23,947	-	-
Due from Other Funds	184	2,650	36,531
Due from Other Governments	75,954	6,924,924	28,523
Advances to Other Funds	1,503,502	-	-
Advances to Other Governments	3,708,000	-	-
Inventories and Prepaid Items	421,717	108,806	-
Restricted Assets			
Cash and Investments	-	-	2,370,504
	<u>\$ 16,673,650</u>	<u>\$ 11,886,157</u>	<u>\$ 8,814,094</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 90,948	\$ 162,702	\$ 315,654
Accrued Liabilities	173,674	70,323	-
Due to Other Funds	-	36,715	2,650
Due to Other Governments	7,667	564	3,852
Advance from Other Funds	-	-	1,503,502
Unearned Revenue	259,238	-	-
Deposits	51,669	-	73,020
	<u>583,196</u>	<u>270,304</u>	<u>1,898,678</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	969,272	6,149,022	4,813,217
Taxes Levied for Subsequent Period	142,093	43,950	-
	<u>1,111,365</u>	<u>6,192,972</u>	<u>4,813,217</u>
<b>FUND BALANCES</b>			
Nonspendable	5,633,219	108,806	-
Restricted	1,425,728	-	2,102,199
Committed	2,217,231	5,313,981	-
Assigned	1,420,877	94	-
Unassigned	4,282,034	-	-
	<u>14,979,089</u>	<u>5,422,881</u>	<u>2,102,199</u>
	<u>\$ 16,673,650</u>	<u>\$ 11,886,157</u>	<u>\$ 8,814,094</u>

See accompanying Notes to Financial Statements.

Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 395,366	\$ 718,331	\$ 17,240,234
-	1,183,152	-	1,183,152
-	21,426	9,531	217,000
-	14,692	9,877	147,498
-	-	-	11,007
-	-	-	912,578
-	-	-	4,809,565
-	-	-	23,947
-	-	-	39,365
14,112	-	-	7,043,513
-	-	-	1,503,502
1,596,102	4,099,000	-	9,403,102
-	-	-	530,523
<u>1,846,061</u>	<u>838,959</u>	<u>360,804</u>	<u>5,416,328</u>
<u>\$ 3,456,275</u>	<u>\$ 6,552,595</u>	<u>\$ 1,098,543</u>	<u>\$ 48,481,314</u>
\$ -	\$ -	\$ 42,450	\$ 611,754
-	-	12,002	255,999
-	-	-	39,365
-	-	174	12,257
-	-	-	1,503,502
-	-	-	259,238
-	-	-	124,689
-	-	54,626	2,806,804
1,596,102	7,372	4,992	13,539,977
-	21,426	9,531	217,000
<u>1,596,102</u>	<u>28,798</u>	<u>14,523</u>	<u>13,756,977</u>
-	-	-	5,742,025
1,860,173	6,523,797	892,198	12,804,095
-	-	137,196	7,668,408
-	-	-	1,420,971
-	-	-	4,282,034
<u>1,860,173</u>	<u>6,523,797</u>	<u>1,029,394</u>	<u>31,917,533</u>
<u>\$ 3,456,275</u>	<u>\$ 6,552,595</u>	<u>\$ 1,098,543</u>	<u>\$ 48,481,314</u>

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017**

**TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS** \$ 31,917,533

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. 94,119,425

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	1,596,102
Special Assessments	4,797,536
Grants and State Aid	6,139,515
Taxes	78,700
Interest and Other	15,546
Notes Receivable	912,578

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	(5,481,848)
Deferred Outflows of Resources Related to Pensions	2,958,334
Deferred Inflows of Resources Related to Pensions	(2,827,200)

The net OPEB liability and related inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:

Net OPEB Liability	(1,133,793)
Deferred Outflows of Resources Related to OPEB	131,534
Deferred Inflows of Resources Related to OPEB	(27,371)

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	\$ (14,080,000)
General Obligation Revenue Bonds	(7,164,000)
General Obligation Drainage Bonds	(9,625,000)
Loans Payable	(46,340)
Land Contract	(8,000)
Compensated Absences	(616,331)
Accrued Interest Payable	(370,010)
Unamortized Premium on Bonds	(146,937)
	(32,056,618)

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 101,139,973**

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	General Fund	Road and Bridge Fund	Ditch Fund
<b>REVENUES</b>			
Taxes	\$ 8,318,464	\$ 1,921,711	\$ -
Intergovernmental	1,124,283	5,447,558	-
License and Permits	8,865	25,039	-
Fines, Forfeitures, and Penalties	28,504	-	-
Charges for Services	1,319,358	1,095,457	-
Special Assessments	223,719	-	1,062,697
Investment Earnings	175,005	-	52,156
Miscellaneous	622,214	179,272	17,021
Total Revenues	11,820,412	8,669,037	1,131,874
<b>EXPENDITURES</b>			
Current			
General Government	3,404,719	-	-
Public Safety	2,670,104	-	-
Bridges and Roads	-	3,411,342	-
Health and Human Services	3,220,080	-	-
Culture and Recreation	89,000	286,556	-
Conservation of Natural Resources	772,795	-	4,307,303
Economic Development	154,789	-	-
Capital Outlay	803,662	4,613,332	-
Debt Service			
Principal	13,390	8,000	200,000
Interest	-	960	203,262
Bond Issuance Costs	-	-	75,370
Total Expenditures	11,128,539	8,320,190	4,785,935
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	691,873	348,847	(3,654,061)
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Long-term Debt	-	-	3,370,000
Transfers In	-	27,962	-
Transfers Out	(27,962)	-	-
Proceeds from Sale of Assets	13,631	51,586	-
Total Other Financing Sources (Uses)	(14,331)	79,548	3,370,000
<b>NET CHANGE IN FUND BALANCES</b>	677,542	428,395	(284,061)
Fund Balances - Beginning of Year	14,301,547	4,974,111	2,386,260
<b>INCREASE IN INVENTORY</b>	-	20,375	-
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 14,979,089</b>	<b>\$ 5,422,881</b>	<b>\$ 2,102,199</b>

See accompanying Notes to Financial Statements.

Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,043,406	\$ 709,878	\$ 11,993,459
-	54,731	38,537	6,665,109
-	-	-	33,904
-	-	-	28,504
-	-	-	2,414,815
-	-	-	1,286,416
1,598	479	2,441	231,679
548,432	129,525	29,819	1,526,283
<u>550,030</u>	<u>1,228,141</u>	<u>780,675</u>	<u>24,180,169</u>
-	-	-	3,404,719
-	-	-	2,670,104
-	-	-	3,411,342
-	-	-	3,220,080
-	-	477,776	853,332
-	-	-	5,080,098
-	-	-	154,789
-	-	11,432	5,428,426
395,000	760,000	280,000	1,656,390
49,226	558,152	17,510	829,110
-	-	-	75,370
<u>444,226</u>	<u>1,318,152</u>	<u>786,718</u>	<u>26,783,760</u>
105,804	(90,011)	(6,043)	(2,603,591)
-	-	-	3,370,000
-	-	-	27,962
-	-	-	(27,962)
-	-	-	65,217
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,435,217</u>
105,804	(90,011)	(6,043)	831,626
1,754,369	6,613,808	1,035,437	31,065,532
-	-	-	20,375
<u>\$ 1,860,173</u>	<u>\$ 6,523,797</u>	<u>\$ 1,029,394</u>	<u>\$ 31,917,533</u>

**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, 2017**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 831,626</b>
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	\$ 5,402,375	
Current Year Depreciation	<u>(3,463,650)</u>	1,938,725
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.		
		(19,025)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
		5,019,702
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		(582,847)
OPEB expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.		
		(56,113)
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		(3,370,000)
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	975,000	
General Obligation Revenue Bonds	460,000	
General Obligation Drainage Bonds	200,000	
Loans Payable	13,390	
Land Contract	<u>8,000</u>	1,656,390
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Accrued Interest Payable	(8,071)	
Amortization of Discounts and Premiums	7,201	
Change in Compensated Absences	(61,895)	
Change in Inventory	<u>20,375</u>	<u>(42,390)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 5,376,068</u></b>

See accompanying Notes to Financial Statements.



**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2017**

**ASSETS**

Cash and Pooled Investments	\$ 682,635
Accounts Receivable	<u>479</u>
	<u>\$ 683,114</u>

**LIABILITIES**

Due to Other Governments	<u>\$ 683,114</u>
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*See accompanying Notes to Financial Statements.*

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017. Separately issued financial statements of the Fair Association are not issued.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017. 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, 2017**

**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, 2017**

**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, 2017**

**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.

During the year, the County collected taxes levied for a subsequent period. These taxes will be recognized as revenue in the year for which they were levied and are reported as property taxes levied for subsequent year.

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.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

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

3. Materials, Supplies and Prepaid Items (Continued)

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

4. Restricted Cash and Investments

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

5. Capital Assets

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

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

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

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, 2017**

**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. The County has two items that qualify for reporting in this category on the government wide statement of net position, deferred outflows for pensions, and deferred outflows for other post employment benefits.

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 and other post employment benefits.

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, 2017**

**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. Post Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's Retiree Benefits Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the County. For this purpose, the County recognizes benefit payments when due and payable in accordance with the benefit terms. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75

13. Fund Balance

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

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

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

13. Fund Balance (Continued)

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

14. 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.

15. 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.

F. Revenues

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

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

F. Revenue (Continued)

Imposed Nonexchange Transactions

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

Intergovernmental

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

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

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

Exchange Transactions

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

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General Fund	\$ 10,938,252	\$ 11,128,539	\$ 190,287
Debt Service Fund	1,106,153	1,318,152	211,999
Library Special Revenue Fund	456,839	477,776	20,937
Street Reconstruction Debt Service Fund	297,060	297,510	450

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. Overages were covered by current year revenues and planning use of fund balance.

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, 2017**

**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	\$ 18,296,545
U.S. Treasury Securities	1,183,152
Negotiable Certificate of Deposit	3,489,376
Nonnegotiable Certificate of Deposit	1,769,376
Petty Cash	900
	<hr/>
Total Cash and Investments	<u><u>\$ 24,739,349</u></u>

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

Primary Government	
Cash and Pooled Investments	\$ 17,240,234
Cash Held with Escrow Agent	1,183,152
Undistributed Cash in Agency Funds	217,000
Restricted Cash and Pooled Investments	5,416,328
Agency Funds	
Cash and Pooled Investments	
Agency Fund	97,009
Taxes and Penalties Fund	585,626
Total Agency Funds	<hr/> 682,635 <hr/>
Total Cash and Investments	<u><u>\$ 24,739,349</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, 2017, the banks had pledged various government securities of \$17,850,049 to secure the County's deposits.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017, all of the County's \$20,778,461 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, 2017**

**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, 2017, 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, 2017, the County's investments were as follows:

Investment Type	Fair Value	Maturity	
		Less than 1 Year	1-3 Years
Negotiable Certificate of Deposit	\$ 3,489,376	\$ 2,246,376	\$ 1,243,000
U.S. Treasury Securities	1,183,152	15,405	1,167,747
Total	\$ 4,672,528	\$ 2,261,781	\$ 2,410,747



**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017 the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Metabank Storm Lake IA	Negotiable CD	5.29%
Beal Bank USA Las Vegas	Negotiable CD	5.29%
Parkway Bk & Tr Harwood Heights Ill	Negotiable CD	5.33%
Ally Bank, UT	Negotiable CD	5.33%
State Bank of India	Negotiable CD	5.29%
Bank of China New York City	Negotiable CD	5.33%
Pinnacle Bk Nashville Tenn	Negotiable CD	5.33%
American Express Centurion	Negotiable CD	5.33%
MB Financial Bank NA	Negotiable CD	5.33%
Southern States Bank	Negotiable CD	5.33%
Comenity Capital Bank	Negotiable CD	5.33%
Capital One Bank USA NA	Negotiable CD	5.29%
American Express Bank FSB	Negotiable CD	5.33%
Barklays Bank DE	Negotiable CD	5.33%

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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:

	12/31/2017	Level I	Level II	Level III
Negotiable Certificate of Deposit	\$ 3,489,376	\$ -	\$ 3,489,376	\$ -
U.S. Treasury Securities	1,183,152	-	1,183,152	-
Total	<u>\$ 4,672,528</u>	<u>\$ -</u>	<u>\$ 4,672,528</u>	<u>\$ -</u>

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

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, 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	\$ 4,813,686	\$ 4,298,388
Road and Bridge Fund	6,953,547	5,406
Ditch Fund	4,850,194	4,547,220
Heron Lake Debt Service Debt Service Fund	1,610,214	1,302,231
	4,113,692	3,995,085
Nonmajor Governmental Funds	9,877	2,074
Total	<u>\$ 22,351,210</u>	<u>\$ 14,150,404</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	\$ 9,403,102	\$ 1,596,102
Accounts Receivable	11,007	5,283
Special Assessment Receivable	4,809,565	4,797,536
Due From Other Governments	7,043,513	6,139,515
Taxes Receivable	147,498	78,700
Interest on Investments	23,947	10,263
Notes Receivable	912,578	912,578
Total	<u>\$ 22,351,210</u>	<u>\$ 13,539,977</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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
2017 Debt Issue - \$3,370,000	\$ -	\$ 141,161	\$ 951,424	\$ 1,092,585
2016 Debt Issue - \$3,495,000	-	281,094	93,675	374,769
2014 Debt Issue - \$1,380,000	-	584,608	91,202	675,810
2013 Debt Issue - \$700,000	-	227,340	-	227,340
2013 Debt Issue - \$14,260,000	-	838,959	360,804	1,199,763
2011 Debt Issue - \$1,670,000	160,000	1,204,877	-	1,364,877
2011 Debt Issue - \$3,665,000	364,000	117,184	-	481,184
Total Restricted Assets	<u>\$ 524,000</u>	<u>\$ 3,395,223</u>	<u>\$ 1,497,105</u>	<u>\$ 5,416,328</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, 2017**

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

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Construction-in-Process	\$ 1,840,380	\$ 4,261,584	\$ 3,480,565	\$ 2,621,399
Land	662,438	49,471	-	711,909
Total Capital Assets, Not Being Depreciated	2,502,818	4,311,055	3,480,565	3,333,308
Capital Assets, Being Depreciated				
Buildings	19,394,494	503,663	-	19,898,157
Other Improvements	5,818,414	83,455	8,500	5,893,369
Machinery and Equipment	10,425,459	724,478	605,527	10,544,410
Infrastructure	93,383,413	3,260,289	-	96,643,702
Total Capital Assets, Being Depreciated	129,021,780	4,571,885	614,027	132,979,638
Less Accumulated Depreciation for				
Buildings	(3,376,189)	(501,292)	-	(3,877,481)
Other Improvements	(2,131,542)	(150,888)	(8,500)	(2,273,930)
Machinery, Furniture, and Equipment	(5,952,921)	(890,780)	(586,502)	(6,257,199)
Infrastructure	(27,864,221)	(1,920,690)	-	(29,784,911)
Total Accumulated Depreciation	(39,324,873)	(3,463,650)	(595,002)	(42,193,521)
Total Capital Assets, Being Depreciated, Net	89,696,907	1,108,235	19,025	90,786,117
Governmental Activities Capital Assets, Net	<u>\$ 92,199,725</u>	<u>\$ 5,419,290</u>	<u>\$ 3,499,590</u>	<u>\$ 94,119,425</u>

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

Governmental Activities	
General Government	\$ 665,642
Public Safety	262,059
Public Works	2,450,244
Conservation of Natural Resources	85,705
Total Governmental Activities	<u>\$ 3,463,650</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017:

Receivable Fund	Payable Fund	Amount
Ditch Fund	Road and Bridge Fund	\$ 36,531
Road and Bridge Fund	Ditch Fund	2,650
General Fund	Road and Bridge Fund	184
Total		<u>\$ 39,365</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>\$ 27,962</u>

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>\$ 1,503,502</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  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities**

**1. Long-Term Debt**

Long-term obligations activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General Obligation Debt	\$ 15,055,000	\$ -	\$ 975,000	\$ 14,080,000	\$ 945,000
General Obligation Revenue Bonds	7,624,000	-	460,000	7,164,000	522,000
General Obligation Drainage Bonds	6,455,000	3,370,000	200,000	9,625,000	120,000
Loans Payable	59,730	-	13,390	46,340	13,390
(Discount)/Premiums	154,138	-	7,201	146,937	-
Total Bonds Payable	29,347,868	3,370,000	1,655,591	31,062,277	1,600,390
Other Liabilities					
Land Contract	16,000	-	8,000	8,000	8,000
Vested Compensated Absences	554,436	439,124	377,229	616,331	368,530
Governmental Activity Long-Term Liabilities	<u>\$ 29,918,304</u>	<u>\$ 3,809,124</u>	<u>\$ 2,040,820</u>	<u>\$ 31,686,608</u>	<u>\$ 1,976,920</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, 2017, was \$111,617,304. General obligation debt outstanding at year-end was \$14,080,000.

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, 2017, the County recognized an advance of \$3,708,000 representing the City's portion of the GO Bonds.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

General obligation debt payable at December 31, 2017, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2017
Capital Improvement Bonds					
Street Reconstruction	2008	2018	2.00-4.00%	\$ 2,290,000	\$ 290,000
Series B - Refunding	2009	2022	0.85-3.55%	3,220,000	945,000
Capital Improvement	2013	2038	2.00-3.13%	14,260,000	12,845,000
Total Governmental Activities - General Obligation Debt					<u>\$ 14,080,000</u>

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

General Obligation Debt

	Principal	Interest
2018	\$ 945,000	\$ 401,778
2019	670,000	380,798
2020	690,000	364,835
2021	705,000	348,153
2022	720,000	328,289
2023-2027	2,745,000	1,382,500
2028-2032	3,130,000	943,509
2033-2037	3,660,000	421,094
2038	815,000	12,734
Totals	<u>\$ 14,080,000</u>	<u>\$ 4,583,690</u>



**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2017
General Obligation Revenue Debt					
Water Revenue Bonds - Red Rock	2009	2033	2.00-4.50%	\$ 1,745,000	\$ 1,220,000
Water Revenue Bonds - Heron Lake	2011	2022	0.50-3.00%	3,665,000	1,820,000
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>\$ 7,164,000</u>

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

General Obligation Revenue Debt

	Principal	Interest
2018	\$ 522,000	\$ 182,409
2019	548,000	169,851
2020	494,000	156,859
2021	515,000	143,394
2022	536,000	128,569
2023-2027	1,093,000	532,348
2028-2032	1,301,000	359,662
2033-2037	441,000	216,355
2038-2042	382,000	176,018
2043-2047	428,000	131,063
2048-2052	478,000	80,730
2053-2056	426,000	24,233
Totals	<u>\$ 7,164,000</u>	<u>\$ 2,301,491</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2017
General Obligation Drainage Debt					
Drainage Bonds	2013	2034	2.00-3.25%	\$ 700,000	\$ 610,000
Drainage Bonds	2014	2035	3.00-3.50%	1,380,000	1,270,000
Drainage Bonds	2015	2036	1.00-3.50%	915,000	880,000
Drainage Bonds	2016	2038	1.00-2.75%	3,495,000	3,495,000
Drainage Bonds	2017	2039	2.00-3.125%	337,000	3,370,000
Total Governmental Activities - General Obligation Drainage Debt					<u>\$ 9,625,000</u>

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

General Obligation Drainage Debt

	Principal	Interest
2018	\$ 120,000	\$ 240,953
2019	275,000	237,490
2020	415,000	231,515
2021	415,000	223,815
2022	425,000	215,883
2023-2027	2,245,000	943,104
2028-2032	2,530,000	653,109
2033-2037	2,550,000	273,391
2038-2039	650,000	16,619
Totals	<u>\$ 9,625,000</u>	<u>\$ 3,035,879</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2017
Loan Agreements					
Septic Loans	2001	2023	- %	\$ 45,000	\$ 7,440
Septic Loans	2003	2023	-	38,900	38,900
Total Governmental Activities - Loan Agreements					<u>\$ 46,340</u>

Debt service requirements for the loan agreements are as follows:

Loan Agreements

	Principal	Interest
2018	\$ 13,390	\$ -
2019	8,390	-
2020	8,390	-
2021	8,390	-
2022	7,780	-
Totals	<u>\$ 46,340</u>	<u>\$ -</u>

***Land Contract***

Land contract payable at December 31, 2017, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2017
Land Contract	2001	2018	- %	<u>\$ 116,600</u>	<u>\$ 8,000</u>

Debt service requirements for the land contract are as follows:

Land Contract

	Principal	Interest
2018	<u>\$ 8,000</u>	<u>\$ 480</u>

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

**D. Fund Balance**

The fund balance classifications of the governmental funds as of December 31, 2017, were as follows:

	General Fund	Road and Bridge Fund	Ditch Fund	Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total
<b>Nonspendable</b>							
Advance to Other Funds	\$ 1,503,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,503,502
Advances to Other Governments	3,708,000	-	-	-	-	-	3,708,000
Inventory and Prepaid Items	421,717	108,806	-	-	-	-	530,523
Total Nonspendable	5,633,219	108,806	-	-	-	-	5,742,025
<b>Restricted</b>							
Cemetery	1,000	-	-	-	-	-	1,000
Recorder's Equipment	62,910	-	-	-	-	-	62,910
E-911	493,940	-	-	-	-	-	493,940
Integrated Land Records	150,384	-	-	-	-	-	150,384
Aquatic Invasive Species	210,803	-	-	-	-	-	210,803
Sheriff's Contingency	102,085	-	-	-	-	-	102,085
Sheriff's Forfeiture Fund	20,000	-	-	-	-	-	20,000
Fish and Wildlife Trust	191,047	-	-	-	-	-	191,047
SCORE	171,630	-	-	-	-	-	171,630
Juvenile Restitution	946	-	-	-	-	-	946
Attorney	20,983	-	-	-	-	-	20,983
Library	-	-	-	-	-	422	422
Ditch	-	-	867,996	-	-	-	867,996
Public Works Building	-	-	-	-	-	319,304	319,304
Debt Service	-	-	1,234,203	1,860,173	6,523,797	572,472	10,190,645
Total Restricted	1,425,728	-	2,102,199	1,860,173	6,523,797	892,198	12,804,095
<b>Committed</b>							
Change Funds	900	-	-	-	-	-	900
Capital Projects	2,014,675	-	-	-	-	-	2,014,675
Jackson Sheriff	117,855	-	-	-	-	-	117,855
Revolving Loan Fund	83,801	-	-	-	-	-	83,801
Future Road and Bridge Expenditures	-	5,313,981	-	-	-	-	5,313,981
Future Library Expenditures	-	-	-	-	-	137,196	137,196
Total Committed	2,217,231	5,313,981	-	-	-	137,196	7,668,408
<b>Assigned</b>							
Severance Pay	102,434	-	-	-	-	-	102,434
Health Insurance	79,348	-	-	-	-	-	79,348
Information Systems	284,372	-	-	-	-	-	284,372
Lakes Improvement	10,406	-	-	-	-	-	10,406
Abatements	37,540	-	-	-	-	-	37,540
Veteran's Van	37,501	-	-	-	-	-	37,501
Furniture	9,421	-	-	-	-	-	9,421
Rural Signage	25,888	-	-	-	-	-	25,888
Buildings	73,622	-	-	-	-	-	73,622
Compensation Plan Pool	226,249	-	-	-	-	-	226,249
United Community Action Partnership	11,547	-	-	-	-	-	11,547
Emergency Management	31,601	-	-	-	-	-	31,601
Elections and Redistricting	67,495	-	-	-	-	-	67,495

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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DECEMBER 31, 2017**

**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
Treasurer	\$ 3,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,795
Assessor	4,072	-	-	-	-	-	4,072
Planning and Zoning	5,660	-	-	-	-	-	5,660
Sheriff K-9 Unit	4,854	-	-	-	-	-	4,854
Parks Improvement and Maintenance	-	94	-	-	-	-	94
Landfill Assurance	130,973	-	-	-	-	-	130,973
Septic Loan	274,099	-	-	-	-	-	274,099
Total Assigned	<u>1,420,877</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,420,971</u>
<b>Unassigned</b>	<u>4,282,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,282,034</u>
Total Fund Balances	<u>\$ 14,979,089</u>	<u>\$ 5,422,881</u>	<u>\$ 2,102,199</u>	<u>\$ 1,860,173</u>	<u>\$ 6,523,797</u>	<u>\$ 1,029,394</u>	<u>\$ 31,917,533</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	\$ 14,301	<u>\$ 20,343</u>
Petty Cash	355	
Total	<u>\$ 14,656</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, 2017**

**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	\$ 213,719	\$ 24,470	\$ -	\$ 238,189	20
Less: Accumulated Depreciation	(97,387)	(11,596)	-	(108,983)	
Totals	<u>\$ 116,332</u>	<u>\$ 12,874</u>	<u>\$ -</u>	<u>\$ 129,206</u>	

**JACKSON COUNTY  
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**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	\$ -	\$ 2,357	\$ 2,436	\$ 2,436

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

Debt service requirements for the bank loan are as follows:

	Principal	Interest
2018	\$ 2,436	\$ 91
Totals	\$ 2,436	\$ 91

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.

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**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	\$ 86,395	\$ 94,108
Certificates of Deposit	6,702	6,702
Total Cash and Investments	\$ 93,097	\$ 100,810

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	\$ 20	\$ -	\$ 79,429	10-20
Less: Accumulated Depreciation	(18,720)	(4,652)	-	(23,372)	
Totals	\$ 60,689	\$ (4,632)	\$ -	\$ 56,057	



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**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.

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**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.

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**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 \$1,055,390 for the year ended December 31, 2017.

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 2017. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The County contributions to the General Employee Plan for the year ended December 31, 2017, were \$270,974. 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 2017. The County was required to contribute 16.20% of pay for Police and Fire Plan members in calendar year 2017. The County contributions to the Police and Fire Plan for the year ended December 31, 2017, were \$145,596. The County contributions were equal to the required contributions as set by state statute.

3. Correctional Plan Contributions

In calendar year 2017 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 2017. The County contributions to the Correctional Plan for the year ended December 31, 2017, were \$53,722. 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, 2017, the County reported a liability of \$3,479,244 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 fiscal year 2017. 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 \$43,729.

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**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, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017 the County's proportion share was 0.0545 percent which was a decrease of .0005 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the County recognized pension expense of \$463,323 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$1,263 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, 2017, 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	\$ 114,665	\$ 223,828
Changes in Actuarial Assumptions	577,630	348,795
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	22,471	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	83,271
County Contributions Subsequent to the Measurement Date	134,610	-
Total	<u>\$ 849,376</u>	<u>\$ 655,894</u>

\$134,610 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, 2018.

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**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:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2018	\$ 94,881
2019	184,626
2020	(72,947)
2021	(147,688)

2. Police and Fire Pension Costs

At December 31, 2017, the County reported a liability of \$1,147,601 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017 the County's proportion was .0850 percent which was a decrease of .003 percent from its proportion measured as of June 30, 2016.

The County also recognized \$7,650 for the year ended December 31, 2017 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, 2017 the County recognized pension expense of \$268,468 for its proportionate share of the Police and Fire Plan's pension expense.

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

D. Pension Costs (Continued)

2. Police and Fire Pension Costs (Continued)

At December 31, 2017, 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	\$ 26,415	\$ 306,798
Changes in Actuarial Assumptions	1,501,865	1,629,309
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	15,761	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	67,080
County Contributions Subsequent to the Measurement Date	71,919	-
Total	<u>\$ 1,615,960</u>	<u>\$ 2,003,187</u>

\$71,919 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, 2018. 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
2018	\$ 4,375
2019	4,375
2020	(37,694)
2021	(101,361)
2022	(328,841)

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

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2017, the County reported a liability of \$855,003 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017 the County proportion was .3 percent which remains unchanged from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the County recognized pension expense of \$323,599 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2017 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	\$ 573	\$ 13,830
Changes in Actuarial Assumptions	465,498	148,831
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	5,269
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	189
County Contributions Subsequent to the Measurement Date	26,927	-
Total	<u>\$ 492,998</u>	<u>\$ 168,119</u>

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

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

\$26,927 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, 2018. 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
2018	\$ 184,080
2019	190,187
2020	(52,514)
2021	(23,801)

4. Total Pension Expense

Governmental Activities recognized pension expense of \$1,055,390 for the year ended December 31, 2017.

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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans, and 2.5 percent for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2017 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 most recent five-year experience study for Police and Fire Plan was completed in 2016. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.



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

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2017:

General Employees Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Police and Fire Plan

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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

E. Actuarial Assumptions (Continued)

Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for non-vested members.
- The Single Discount Rate was changed from 5.31 percent per annum to 5.96 percent per annum.

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	39 %	5.10 %
International Equity	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	-
Totals	<u>100 %</u>	

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. 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 positions of the General Employees Fund and the Police and Fire Fund 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 Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the fund's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56% 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 5.96% for the Correctional Fund 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 3.56% 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%	\$ 5,396,566	6.50%	\$ 2,161,268	4.96%	\$ 1,408,938
Current	7.50	3,479,244	7.50	1,147,601	5.96	855,003
1% Increase	8.50	1,909,567	8.50	310,763	6.96	422,649

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**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](http://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, 2017, 2016, and 2015 were \$5,331, \$5,295, and \$5,563, respectively, equal to the contractually required contributions for each year as set by state statute.

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**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS**

A. Plan Description

The County provides health insurance benefits for certain retired employees under a single-employer defined benefit plan. The County provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. Minnesota Statute §471.61 subdivision 2b grants the authority to establish and amend the benefit terms and financial requirements as provided in a collective bargaining agreement or personnel policy. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

B. Benefits Provided

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.

Elected officials are eligible for retiree health benefits upon reaching eight years of service.

Surviving spouses of retirees may continue coverage by paying the full cost of coverage. Spouses of elected officials are fully covered by the County for the same length as the respective retiree.

Eligible retired elected officials receive two years of free medical coverage (single or family) for every 4 years as an elected official. In addition, they will receive a monthly VEBA contribution while under age 65 as shown below:

Plan	Retiree	Ret/Spouse
VEBA \$1,850 Plan	\$ 110	\$ 255
VEBA \$2,600/\$5,000 Plan	126	264

Retirees are responsible for health care costs not covered by the County's explicit subsidy.

C. Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	16
Active Plan Members	96
Total	<u>112</u>

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

D. Total OPEB Liability

The County's total OPEB liability of \$1,133,793 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions and Other Inputs

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 are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Allocation of Actuarial Present Value of Future Benefits for services prior and after December 31, 2017 was determined using the entry age normal level % of salary method, where:

- Service cost for each individual participant, payable from the date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual service cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25%
Salary Increases	3.25%
	8.0% grading to 4.5% over 8 years
Health Care Trend Rates	

The discount rate as of December 31, 2017 is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax exempt, high quality 20-year municipal bonds.

Mortality rates were based on SOA RPH-2017 Total Dataset Fully Generational Mortality Table using Scale MP-2017.

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

F. Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2016	\$ 973,517
Changes for the Year:	
Service Cost	65,951
Interest	38,150
Differences Between Expected and Actual Experience	(30,792)
Change in Assumptions	147,976
Contributions	-
Benefit Payments	(61,009)
Net Changes	160,276
Balances at December 31, 2017	\$ 1,133,793

The following changes in actuarial assumptions are in accordance with GASB 75:

The actuarial cost method has been updated from Entry Age Normal Levy Dollar to Entry Age Normal Level % of Salary. In conjunction with the cost method change, the payroll growth assumption has also been updated to follow Minnesota PERA actuarial valuation assumption used in the July 1, 2016 actuarial valuation. The net impact of these changes is a decrease in liabilities.

The discount rate as of December 31, 2017 is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax exempt, high quality 20-year municipal bonds. The prior valuation used a discount rate of 3.0%. The current valuation uses a discount rate of 3.56%. This caused a decrease in liabilities.

The retirement rate assumption has been updated from 100% retirement to age 61 to an age-based table for general employees and a service based table for elected officials developed based on the County's historical retirement experience from 2010 to 2016. The net impact of this change was a decrease in liabilities.

Mortality rates were updated from RP-2000 Combined Mortality Table fully generational using Scale BB to SOA RPH-2017 Total Dataset Fully Generational Mortality Table using Scale MP-2017. The net impact of this change was a decrease in liabilities.

The annual per capita costs are calculated using health index factors that vary by 5-year age bands. Per capita costs were calculated based on the County's premium rates and enrollment. This caused a decrease in the County's liabilities.

Health care trend rates have been updated to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. VEBA contributions are assumed to increase at 3% annually. This change led to an increase in liabilities.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

G. Sensitivity Results

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB Liability	\$ 1,238,258	\$ 1,133,793	\$ 1,042,053

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (7.0% decreasing to 3.5% over 8 years)	Current Trend Rates (8.0% decreasing to 4.5% over 8 years)	1% Increase (9.0% decreasing to 5.5% over 8 years)
Net OPEB Liability	\$ 1,014,237	\$ 1,133,793	\$ 1,275,538

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the County recognized OPEB expense of \$117,122. At December 31, 2017 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 27,371
Change of Assumptions	131,534	-
Total	\$ 131,534	\$ 27,371

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Future Recognition
2018	\$ 13,021
2019	13,021
2020	13,021
2021	13,021
2022	13,021
Thereafter	39,058



**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 2017. 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, 2017**

**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, 2017, a balance of \$4,099,000 is outstanding for the general obligation revenue bonds and the advance.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 2017 financial report shows total net position of \$54,456,116 including unrestricted net position of \$4,206,175. The increase in net position for the year ended December 31, 2017, was \$4,370,939.

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, 2017**

**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, 2016 (the most recent information available):

Total Assets	\$	1,805,030
Total Liabilities		295,140
Total Net Position		1,509,890
Total Revenues		3,267,397
Total Expenses		3,013,822
Net Increase (Decrease) in Net Position		253,575

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 2017, Jackson County contributed \$2,887,928 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, 2017**

**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, \$2,762 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, \$32,948 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 \$1,000 of services.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 \$1,596,102 as of December 31, 2017.

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, 2017**

**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 2017, there were 9 pay-as-you-go notes within the County. The tax increment taxes collected during 2017 totaled \$249,924. 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 \$50,761 for the year ending December 31, 2017, including the following tax abatement agreements that each exceed 15 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 \$24,181.
- 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 \$11,080.

As of December 31, 2017 the County has not made any commitments as part of the agreements other than to reduce taxes.

**F. Construction Commitments**

The County entered into construction contracts which have not been completed as of December 31, 2017. The projects, contract amount and amount remaining are as follows:

Description	Remaining Balance	Contract Amount
JD 35 Improvements	\$ 32,074	\$ 1,539,606
JD 45 Improvements	570,355	2,563,789
Total Construction Projects	<u>\$ 602,429</u>	<u>\$ 4,103,395</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

G. Operating Lease

The County entered into an operating lease with United Community Action Partnership for the use of the transportation building effective January 1, 2017 through December 31, 2036. The rental revenue for the year ended December 31, 2017 totaled \$24,000. Future lease revenue is scheduled as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 24,000
2019	24,000
2020	24,000
2021	24,000
2022	24,000
Thereafter	336,000
Total	<u>\$ 456,000</u>

**NOTE 9 RESTATEMENT FOR CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended December 31, 2017, the County adopted the provisions of Governmental Accounting Statements Board (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Beginning net position of the governmental activities was restated by \$658,153 to account for the changes to the net other-postemployment benefits liability.

	<u>Governmental Activities</u>
Beginning Net Position, as Previously Stated	\$ 96,422,058
Change in Accounting Principle	<u>(658,153)</u>
Beginning Net Position, As Restated	<u>\$ 95,763,905</u>



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



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

	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
<b>PERA - General Employees Retirement Plan</b>			
County's Proportion of the Net Pension Liability	0.0545%	0.0550%	0.0558%
County's Proportionate Share of the Net Pension Liability	\$ 3,479,244	\$ 4,465,727	\$ 2,891,846
State's Proportionate Share of the Net Pension Liability	<u>\$ 43,729</u>	<u>\$ 58,305</u>	<u>\$ -</u>
Total Proportionate Share of the Net Pension Liability	\$ 3,522,973	\$ 4,524,032	\$ 2,891,846
County's Covered Payroll	\$ 3,509,050	\$ 3,408,824	\$ 3,280,990
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.15%	131.00%	88.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%
<b>PERA - Public Employees Police and Fire Plan</b>			
County's Proportion of the Net Pension Liability	0.0850%	0.0880%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 1,147,601	\$ 3,531,593	\$ 1,022,611
County's Covered Payroll	\$ 877,156	\$ 847,948	\$ 825,683
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	130.83%	416.49%	123.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.43%	63.90%	82.30%
<b>PERA - Local Government Correctional Plan</b>			
County's Proportion of the Net Pension Liability	0.3000%	0.3000%	0.3000%
County's Proportionate Share of the Net Pension Liability	\$ 855,003	\$ 1,095,942	\$ 46,380
County's Covered Payroll	\$ 595,404	\$ 558,328	\$ 545,796
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	143.60%	196.29%	8.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.89%	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 TEN FISCAL YEARS**

	2017	2016	2015	2014
<b>PERA - General Employees Retirement Plan</b>				
Contractually Required Contribution	\$ 270,974	\$ 265,225	\$ 250,132	\$ 237,443
Contributions in Relation to the Contractually Required Contribution	(270,974)	(265,225)	(250,132)	(237,443)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 3,612,987	\$ 3,536,333	\$ 3,335,094	\$ 3,275,076
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%
<b>PERA - Public Employees Police and Fire Plan</b>				
Contractually Required Contribution	\$ 145,596	\$ 136,790	\$ 137,126	\$ 125,159
Contributions in Relation to the Contractually Required Contribution	(145,596)	(136,790)	(137,126)	(125,159)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 898,741	\$ 844,383	\$ 846,454	\$ 818,033
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	15.30%
<b>PERA - Local Government Correctional Plan</b>				
Contractually Required Contribution	\$ 53,722	\$ 50,028	\$ 47,952	\$ 48,092
Contributions in Relation to the Contractually Required Contribution	(53,722)	(50,028)	(47,952)	(48,092)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 613,966	\$ 571,749	\$ 548,018	\$ 549,623
Contributions as a Percentage of Covered Payroll	8.75%	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  
SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY  
AND RELATED RATIOS  
LAST TEN FISCAL YEARS**

	2017
<b>Total OPEB Liability</b>	
Service Cost	\$ 65,951
Interest	38,150
Changes of Assumptions	147,976
Differences Between Expected and Actual Experience	(30,792)
Benefit Payments	(61,009)
<b>Net Change in Total OPEB Liability</b>	160,276
<b>Total OPEB Liability - beginning</b>	973,517
<b>Total OPEB Liability - ending (a)</b>	\$ 1,133,793
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 61,009
Benefit Payments	(61,009)
<b>Net Change in Plan Fiduciary Net Position</b>	-
<b>Plan Fiduciary Net Position - beginning</b>	-
<b>Plan Fiduciary Net Position - ending (b)</b>	-
<b>County's Net OPEB Liability - ending (a) - (b)</b>	\$ 1,133,793
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-employee Payroll	\$ 4,791,155
County's Net OPEB Liability as a Percentage of Covered-employee Payroll	23.7%

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.

Note 1: No assets are accumulated in a trust.

Note 2: Changes in assumptions are disclosed in Note 6 F to the basic financial statements.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 7,933,704	\$ 8,318,464	\$ 384,760
Intergovernmental	760,217	1,124,283	364,066
License and Permits	11,000	8,865	(2,135)
Fines, Forfeitures, and Penalties	5,250	28,504	23,254
Charges for Services	1,244,163	1,319,358	75,195
Special Assessments	237,314	223,719	(13,595)
Investment Earnings	97,741	175,005	77,264
Miscellaneous	669,979	622,214	(47,765)
Total Revenues	10,959,368	11,820,412	861,044
<b>EXPENDITURES</b>			
Current			
General Government	3,817,117	3,404,719	412,398
Public Safety	2,689,057	2,670,104	18,953
Health and Human Services	3,124,569	3,220,080	(95,511)
Culture and Recreation	89,000	89,000	-
Conservation of Natural Resources	824,724	772,795	51,929
Economic Development	80,995	154,789	(73,794)
Capital Outlay	299,400	803,662	(504,262)
Debt Service			
Principal	13,390	13,390	-
Total Expenditures	10,938,252	11,128,539	(190,287)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	21,116	691,873	670,757
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(21,616)	(27,962)	(6,346)
Proceeds from Sale of Assets	500	13,631	13,131
Total Other Financing Sources (Uses)	(21,116)	(14,331)	6,785
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	677,542	\$ 677,542
Fund Balance - Beginning of Year		14,301,547	
<b>FUND BALANCE - END OF YEAR</b>		\$ 14,979,089	

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, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 1,974,334	\$ 1,921,711	\$ (52,623)
Licenses and Permits	37,000	25,039	(11,961)
Intergovernmental	5,057,622	5,447,558	389,936
Charges for Services	439,250	1,095,457	656,207
Miscellaneous	13,000	179,272	166,272
Total Revenues	<u>7,521,206</u>	<u>8,669,037</u>	<u>1,147,831</u>
<b>EXPENDITURES</b>			
Current			
Administration	435,616	384,087	51,529
Maintenance	1,902,771	1,587,711	315,060
Construction	878,543	331,712	546,831
Equipment Maintenance and Shop	881,164	802,419	78,745
Materials and Services for Resale	172,660	305,413	(132,753)
Other	265,520	286,556	(21,036)
Capital Outlay	4,614,329	4,613,332	997
Debt Service			
Principal	8,000	8,000	-
Interest	960	960	-
Total Expenditures	<u>9,159,563</u>	<u>8,320,190</u>	<u>839,373</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,638,357)</u>	<u>348,847</u>	<u>1,987,204</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	84,044	27,962	(56,082)
Proceeds from Sale of Assets	-	51,586	51,586
Total Other Financing Sources (Uses)	<u>84,044</u>	<u>79,548</u>	<u>(4,496)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,554,313)</u>	428,395	<u>\$ 1,982,708</u>
Fund Balance - Beginning of Year		4,974,111	
Increase in Inventory		<u>20,375</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 5,422,881</u>	

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

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

**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 2017.

**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, 2017:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General Fund	\$ 10,938,252	\$ 11,128,539	\$ 190,287
Debt Service Fund	1,106,153	1,318,152	211,999
Library Special Revenue Fund	456,839	477,776	20,937
Street Reconstruction Debt Service Fund	297,060	297,510	450

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

**III. Pension and OPEB**

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.

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## **SUPPLEMENTARY INFORMATION**



**JACKSON COUNTY  
JACKSON, MINNESOTA  
DESCRIPTION OF FUNDS  
DECEMBER 31, 2017**

**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.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	Library Special Revenue	Public Works Facility Capital Project	Street Reconstruction Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 147,969	\$ -	\$ 570,362	\$ 718,331
Undistributed Cash in Agency Funds	9,531	-	-	9,531
Receivables				
Taxes	5,641	-	4,236	9,877
Restricted Assets				
Cash and Investments	-	360,804	-	360,804
Total Assets	<u>\$ 163,141</u>	<u>\$ 360,804</u>	<u>\$ 574,598</u>	<u>\$ 1,098,543</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 950	\$ 41,500	\$ -	\$ 42,450
Accrued Liabilities	12,002	-	-	12,002
Due to Other Governments	174	-	-	174
Total Liabilities	13,126	41,500	-	54,626
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	2,866	-	2,126	4,992
Taxes Levied for Subsequent Period	9,531	-	-	9,531
Total Deferred Inflows of Resources	12,397	-	2,126	14,523
<b>FUND BALANCES</b>				
Restricted	422	319,304	572,472	892,198
Committed	137,196	-	-	137,196
Total Fund Balances	137,618	319,304	572,472	1,029,394
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 153,610</u>	<u>\$ 360,804</u>	<u>\$ 574,598</u>	<u>\$ 1,089,012</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Library Special Revenue	Public Works Facility Capital Project	Street Reconstruction Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 408,940	\$ -	\$ 300,938	\$ 709,878
Intergovernmental	22,757	-	15,780	38,537
Investment Earnings	331	474	1,636	2,441
Miscellaneous	29,819	-	-	29,819
Total Revenues	461,847	474	318,354	780,675
<b>EXPENDITURES</b>				
Current				
Culture and Recreation	477,776	-	-	477,776
Capital Outlay	-	11,432	-	11,432
Debt Service				
Principal	-	-	280,000	280,000
Interest	-	-	17,510	17,510
Total Expenditures	477,776	11,432	297,510	786,718
<b>NET CHANGE IN FUND BALANCES</b>	(15,929)	(10,958)	20,844	(6,043)
Fund Balances - Beginning of Year	153,547	330,262	551,628	1,035,437
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 137,618</b>	<b>\$ 319,304</b>	<b>\$ 572,472</b>	<b>\$ 1,029,394</b>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
DETAILED BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017**

<b>EXPENDITURES</b>	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Current</b>			
General Government			
Commissioners	\$ 170,932	\$ 158,077	\$ 12,855
Court Administrator	50,000	52,230	(2,230)
Drivers License	1,225	597	628
County Assessor	362,567	301,385	61,182
Elections	6,675	12,617	(5,942)
Attorney	300,338	292,384	7,954
Law Library	-	23,374	(23,374)
Recorder	122,668	134,351	(11,683)
Buildings and Plant	290,424	336,009	(45,585)
Veterans Service Officer	102,236	95,638	6,598
County Auditor-Treasurer	278,193	272,386	5,807
Planning and Zoning Coordinator	67,720	12,539	55,181
Information Systems	187,644	172,279	15,365
Central Services	508,643	469,810	38,833
Health Insurance	25,500	18,610	6,890
Fleet Management	766,500	741,166	25,334
Other General Government	-	2,418	(2,418)
Total General Government	<u>575,852</u>	<u>308,849</u>	<u>267,003</u>
Total General Government	3,817,117	3,404,719	412,398
Public Safety			
Sheriff	1,457,986	1,464,794	(6,808)
Jail	843,895	820,334	23,561
Court Services	161,465	147,095	14,370
E911	30,000	42,993	(12,993)
Remote Electronic Alcohol Monitor	3,000	1,247	1,753
Probation	89,095	88,374	721
Emergency Management	87,866	83,533	4,333
Other Public Safety	15,750	21,734	(5,984)
Total Public Safety	<u>2,689,057</u>	<u>2,670,104</u>	<u>18,953</u>
Health and Human Services			
Environmental Health	152,254	126,800	25,454
Appropriations for Health and Human Services	2,972,315	3,093,280	(120,965)
Total Health and Human Services	<u>3,124,569</u>	<u>3,220,080</u>	<u>(95,511)</u>
Culture and Recreation			
Other	89,000	89,000	-
Total Culture and Recreation	<u>89,000</u>	<u>89,000</u>	<u>-</u>



**JACKSON COUNTY  
JACKSON, MINNESOTA  
DETAILED BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND EXPENDITURES  
YEAR ENDED DECEMBER 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>EXPENDITURES (CONTINUED)</b>			
Conservation of Natural Resources			
County Extension	\$ 136,907	\$ 131,494	\$ 5,413
Recycling	329,762	267,769	61,993
Water Planning	127,191	148,026	(20,835)
Soil and Water Conservation	112,122	105,486	6,636
Soil and Water Technician	<u>118,742</u>	<u>120,020</u>	<u>(1,278)</u>
Total Conservation of Natural Resources	824,724	772,795	51,929
Economic Development			
Appropriations for Economic Development	80,995	154,789	(73,794)
Capital Outlay	299,400	803,662	(504,262)
Debt Service			
Principal	<u>13,390</u>	<u>13,390</u>	<u>-</u>
Total Expenditures	<u>\$ 10,938,252</u>	<u>\$ 11,128,539</u>	<u>\$ (190,287)</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
YEAR ENDED DECEMBER 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 1,098,443	\$ 1,043,406	\$ (55,037)
Intergovernmental	-	54,731	54,731
Investment Income	-	479	479
Miscellaneous	-	129,525	129,525
	<hr/>	<hr/>	<hr/>
Total Revenues	1,098,443	1,228,141	129,698
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	695,000	760,000	(65,000)
Interest and Fiscal Charges	411,153	558,152	(146,999)
Total Expenditures	<u>1,106,153</u>	<u>1,318,152</u>	<u>(211,999)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (7,710)</u>	(90,011)	<u>\$ (82,301)</u>
Fund Balance - Beginning of Year		<u>6,613,808</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 6,523,797</u>	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
LIBRARY SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 424,292	\$ 408,940	\$ (15,352)
Intergovernmental	6,896	22,757	15,861
Investment Income	-	331	331
Miscellaneous	10,700	29,819	19,119
	<hr/>	<hr/>	<hr/>
Total Revenues	441,888	461,847	19,959
<b>EXPENDITURES</b>			
Current			
Culture and Recreation	456,839	477,776	(20,937)
	<hr/>	<hr/>	<hr/>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(14,951)	(15,929)	(978)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	14,951	-	(14,951)
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(15,929)</u>	<u>\$ (15,929)</u>
Fund Balance - Beginning of Year		<hr/>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 137,618</u>	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
STREET RECONSTRUCTION DEBT SERVICE FUND  
YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 300,393	\$ 300,938	\$ 545
Intergovernmental	16,287	15,780	(507)
Investment Earnings	-	1,636	1,636
	<hr/>	<hr/>	<hr/>
Total Revenues	316,680	318,354	1,674
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	280,000	280,000	-
Interest and Fiscal Charges	17,060	17,510	(450)
Total Expenditures	<hr/>	<hr/>	<hr/>
	297,060	297,510	(450)
<b>NET CHANGE IN FUND BALANCE</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 19,620	20,844	\$ 1,224
Fund Balance - Beginning of Year		<hr/>	
		551,628	
<b>FUND BALANCE - END OF YEAR</b>		<hr/> <hr/>	
		\$ 572,472	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
DESCRIPTION OF AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

**AGENCY FUNDS**

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

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

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

**JACKSON COUNTY  
JACKSON, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<b>AGENCY</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 76,218	\$ 959,622	\$ 938,831	\$ 97,009
Accounts Receivable	-	479	-	479
Total Assets	<u>\$ 76,218</u>	<u>\$ 960,101</u>	<u>\$ 938,831</u>	<u>\$ 97,488</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 76,218</u>	<u>\$ 960,101</u>	<u>\$ 938,831</u>	<u>\$ 97,488</u>
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Investments	<u>\$ 579,476</u>	<u>\$ 26,383,098</u>	<u>\$ 26,376,948</u>	<u>\$ 585,626</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 579,476</u>	<u>\$ 26,383,098</u>	<u>\$ 26,376,948</u>	<u>\$ 585,626</u>
<b>SHERIFF</b>				
<b>ASSETS</b>				
Cash and Investments	<u>\$ 418</u>	<u>\$ 101,448</u>	<u>\$ 101,866</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Deposits	<u>\$ 418</u>	<u>\$ 101,448</u>	<u>\$ 101,866</u>	<u>\$ -</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 656,112	\$ 27,444,168	\$ 27,417,645	\$ 682,635
Accounts Receivable	-	479	-	479
Total Assets	<u>\$ 656,112</u>	<u>\$ 27,444,647</u>	<u>\$ 27,417,645</u>	<u>\$ 683,114</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 655,694	\$ 27,343,199	\$ 27,315,779	\$ 683,114
Deposits	418	101,448	101,866	-
Total Liabilities	<u>\$ 656,112</u>	<u>\$ 27,444,647</u>	<u>\$ 27,417,645</u>	<u>\$ 683,114</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, 2017**

**OPERATING REVENUES**

County Appropriation	\$	40,000
Fair Operations		84,386
Grants		28,381
Donations		6,200
Rental Income and Other Miscellaneous		26,595
Total Operating Revenues		185,562

**OPERATING EXPENSES**

Repairs and Maintenance		13,220
Salaries and Fringe Benefits		27,571
Utilities		17,073
Insurance		5,294
Depreciation		11,596
Miscellaneous Fair Operations		99,473
Total Operating Expenses		174,227

**OPERATING INCOME**

11,335

Net Position - Beginning of Year

126,631

**NET POSITION - END OF YEAR**

\$ 137,966

**JACKSON COUNTY  
 JACKSON, MINNESOTA  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION – COMPONENT UNIT  
 JACKSON COUNTY HISTORICAL SOCIETY  
 YEAR ENDED NOVEMBER 30, 2017**

<b>OPERATING REVENUES</b>	
County Appropriation	\$ 49,000
Grants and Donations	21,538
Miscellaneous	5,852
Total Operating Revenues	76,390
 <b>OPERATING EXPENSES</b>	
Repairs and Maintenance	1,226
Salaries and Fringe Benefits	37,598
Utilities	6,459
Insurance	2,928
Depreciation	4,652
Miscellaneous	9,730
Total Operating Expenses	62,593
 <b>OPERATING INCOME</b>	 13,797
 <b>INVESTMENT INCOME</b>	 34
 <b>CHANGE IN NET POSITION</b>	 13,831
Net Position - Beginning of Year	133,189
 <b>NET POSITION - END OF YEAR</b>	 \$ 147,020



**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF CASH FLOWS – COMPONENT UNIT  
JACKSON COUNTY FAIR ASSOCIATION  
YEAR ENDED SEPTEMBER 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from County	\$ 40,000
Received from Various Other Sources	145,562
Paid to Suppliers for Goods and Services	(135,319)
Paid to Employers and Others for Services and Related Benefits	(32,780)
Net Cash Provided by Operating Activities	17,463

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

Payments on Bank Note	(2,357)
Purchase Capital Assets	(24,470)
Net Cash Used By Capital and Related Financing Activities	(26,827)

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(9,364)

Cash and Cash Equivalents - Beginning of Year

24,020

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

\$ 14,656

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

Operating Income	\$ 11,335
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	11,596
Change in Accounts Payable	(259)
Change in Accrued Liabilities	(5,209)
Net Cash Provided by Operating Activities	\$ 17,463

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF CASH FLOWS – COMPONENT UNIT  
JACKSON COUNTY HISTORICAL SOCIETY  
YEAR ENDED NOVEMBER 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from County	\$	49,000
Received from Various Other Sources		27,390
Paid to Suppliers for Goods and Services		(19,861)
Paid to Employers and Others for Services and Related Benefits		(37,648)
Net Cash Provided by Operating Activities		18,881

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Earnings		34
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase Capital Assets		(20)
Net Cash Used by Capital and Related Financing Activities		(20)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

18,895

Cash and Cash Equivalents - Beginning of Year

74,202

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

\$ 93,097

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

Operating Income	\$	13,797
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		4,652
Change in Accounts Payable		482
Change in Accrued Liabilities		(50)
Net Cash Provided by Operating Activities	\$	18,881

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUES  
YEAR ENDED DECEMBER 31, 2017**

	<u>Total Primary Government</u>
<b>SHARED REVENUE</b>	
<b>STATE</b>	
Highway Users Tax	\$ 4,091,644
County Program Aid	164,631
PERA Rate Increase	30,386
Performance Aid	1,397
Disparity Reduction Aid	51,420
Police Aid	63,819
Enhanced 911	81,544
Aquatic Invasive Species	81,757
Riparian Buffer Aid	133,191
Market Value Credit	<u>321,568</u>
Total Shared Revenue	5,021,357
Local - Payments in Lieu of Taxes	174,990
<b>GRANTS</b>	
<b>STATE</b>	
Minnesota Department of Corrections	22,548
Natural Resources	7,171
Public Safety	3,927
Veterans Services	6,771
Water and Soil Resources Board	8,721
Pollution Control Agency	133,379
Peace Officer Standards and Training Board	<u>4,771</u>
Total State	187,288
<b>FEDERAL</b>	
Department of: Agriculture	1,084
Transportation	1,252,305
Health and Human Services	8,832
Homeland Security	<u>19,253</u>
Total Federal	<u>1,281,474</u>
Total State and Federal	<u>1,468,762</u>
Total Intergovernmental Revenue	<u><u>\$ 6,665,109</u></u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET – BY DITCH – NON-GAAP BASIS  
DITCH SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2017**

	Assets						Total Assets
	Cash Balance 12/31/2017	Special Assessment Receivable		Due From Other Governments	Notes Receivable	Due From Other Funds	
		Deferred	Delinquent				
Cons 1JC	\$ 30,522	\$ 19,932	\$ 163	\$ 3,768	\$ -	\$ 267	\$ 54,652
JD 2	594	-	601	-	-	612	1,807
JD 3	24,379	-	503	-	-	1,673	26,555
CD 3	39,071	-	211	-	-	926	40,208
JD 4NJ	772	-	497	20	-	5	1,294
JD 6	726	-	69	-	-	1,897	2,692
JD 7	25,090	-	-	-	-	24	25,114
CD 7	10,100	-	-	-	-	100	10,200
JD 8	8,200	-	-	-	-	1,731	9,931
CD 8	10,187	-	-	-	-	270	10,457
JD 9NJ	3,566	-	-	438	-	2	4,006
CD 10	4,543	-	-	-	-	179	4,722
JD 11JM	18,201	-	1	4,203	-	842	23,247
CD 11	27,748	-	1,291	-	-	660	29,699
JD 12	30,916	-	-	-	-	243	31,159
JD 12CJ	1,917	-	-	587	-	7	2,511
JD 13JN	12,359	-	386	5,181	-	1,228	19,154
JD 13JN Petition	662	-	-	-	-	-	662
CD 13	519	-	-	-	-	984	1,503
JD 14	47,968	-	-	-	-	99	48,067
CD 14	9,486	-	-	-	-	478	9,964
JD 15MJ	29,033	-	-	2,282	-	522	31,837
JD 15 Bond	45,532	-	-	-	13,390	-	58,922
CD 15	3,601	-	-	-	-	128	3,729
JD 16JC	11,779	-	-	36	-	355	12,170
CD 16	19,518	-	-	-	-	66	19,584
JD 17NJ	2,268	-	-	184	-	8	2,460
JD 18	13,218	-	-	-	-	376	13,594
JD 18 Petition	628	-	-	-	-	-	628
JD 19	27,165	-	1	-	-	247	27,413
JD 19 Petition	-	-	-	-	-	-	-
JD 20	732	-	163	-	-	1,839	2,734
JD 22	49,810	-	-	-	-	211	50,021
JD 22 Bond	227,340	368,098	-	-	-	-	595,438
JD 23	7,096	-	-	-	-	350	7,446
JD 24JN	24,240	-	2,048	9	-	739	27,036
JD 24JN Petition	23,888	-	-	-	-	-	23,888
JD 25	23,815	-	243	-	-	400	24,458
JD 27	5,090	-	-	-	-	277	5,367
JD 27CJ	7,588	-	-	427	-	10	8,025
JD 28	28,917	-	261	-	-	986	30,164
JD 29	755	-	-	-	-	211	966
JD 30	58,790	-	300	-	-	2,341	61,431
JD 30 Petition	286,184	769,490	-	-	-	-	1,055,674
JD 31	49,449	-	-	-	-	361	49,810
JD 31 Bond	675,809	578,440	-	-	-	-	1,254,249
JD 32	402	-	24	-	-	906	1,332
JD 33	26,426	-	-	-	-	471	26,897
JD 35	81,592	-	-	-	-	510	82,102
JD 35 Bond	82,587	1,764,990	-	-	-	-	1,847,577
JD 36	7,437	-	-	-	-	121	7,558
JD 37	2,943	-	-	-	-	177	3,120
JD 38	21,210	-	-	-	-	21	21,231
JD 39	8,555	-	-	-	-	66	8,621
JD 39CJ	5,331	-	-	-	-	12	5,343
JD 40CJ	4,073	-	-	87	-	12	4,172
JD 42	62,230	-	-	-	-	197	62,427
JD 43	12,640	-	-	-	-	131	12,771
JD 44	453	-	397	-	-	147	997

Liabilities								Total Liabilities, Deferred Inflows of Resources, and Fund Balance
Due To Other Governments	Due To Other Funds	Advance From Other Funds	Accounts Payable	Bonds Payable	Total Liabilities	Deferred Inflows of Resources	Fund Balance	
\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	20,002	-	-	20,002	-	34,650	54,652
-	-	15,000	364	-	15,364	-	(13,557)	1,807
-	-	-	716	-	716	-	25,839	26,555
-	-	-	1,575	-	1,575	-	38,633	40,208
-	-	3,400	-	-	3,400	-	(2,106)	1,294
-	-	90,000	-	-	90,000	-	(87,308)	2,692
-	-	-	-	-	-	-	25,114	25,114
-	-	-	-	-	-	-	10,200	10,200
-	-	-	-	-	-	-	9,931	9,931
-	-	-	-	-	-	-	10,457	10,457
-	-	-	-	-	-	-	4,006	4,006
-	-	-	-	-	-	-	4,722	4,722
519	-	-	-	-	519	-	22,728	23,247
-	-	-	-	-	-	-	29,699	29,699
-	-	-	-	-	-	-	31,159	31,159
-	-	-	-	-	-	-	2,511	2,511
-	-	-	542	-	542	-	18,612	19,154
-	-	684,100	33,740	-	717,840	-	(717,178)	662
-	-	5,200	-	-	5,200	-	(3,697)	1,503
-	-	-	-	-	-	-	48,067	48,067
-	-	-	1,710	-	1,710	-	8,254	9,964
1,547	-	-	-	-	1,547	-	30,290	31,837
-	-	-	-	-	-	-	58,922	58,922
-	-	-	4,968	-	4,968	-	(1,239)	3,729
-	-	-	-	-	-	-	12,170	12,170
-	-	-	-	-	-	-	19,584	19,584
-	-	-	-	-	-	-	2,460	2,460
-	2,650	-	-	-	2,650	-	10,944	13,594
-	-	178,700	2,282	-	180,982	-	(180,354)	628
-	-	-	1,380	-	1,380	-	26,033	27,413
-	-	-	-	-	-	-	-	-
-	-	21,000	-	-	21,000	-	(18,266)	2,734
-	-	-	-	-	-	-	50,021	50,021
-	-	-	-	610,000	610,000	-	(14,562)	595,438
-	-	-	-	-	-	-	7,446	7,446
-	-	-	-	-	-	-	27,036	27,036
-	-	-	73,020	-	73,020	-	(49,132)	23,888
-	-	-	-	-	-	-	24,458	24,458
-	-	-	-	-	-	-	5,367	5,367
-	-	-	-	-	-	-	8,025	8,025
-	-	-	-	-	-	-	30,164	30,164
-	-	10,500	-	-	10,500	-	(9,534)	966
-	-	-	-	-	-	-	61,431	61,431
-	-	-	-	1,175,000	1,175,000	-	(119,326)	1,055,674
-	-	-	-	-	-	-	49,810	49,810
-	-	-	-	1,270,000	1,270,000	-	(15,751)	1,254,249
-	-	-	-	-	-	-	1,332	1,332
-	-	-	-	-	-	-	26,897	26,897
-	-	-	-	-	-	-	82,102	82,102
-	-	-	19,612	1,975,000	1,994,612	-	(147,035)	1,847,577
-	-	-	-	-	-	-	7,558	7,558
-	-	-	-	-	-	-	3,120	3,120
-	-	-	-	-	-	-	21,231	21,231
-	-	-	-	-	-	-	8,621	8,621
-	-	-	-	-	-	-	5,343	5,343
-	-	-	-	-	-	-	4,172	4,172
-	-	-	526	-	526	-	61,901	62,427
-	-	-	-	-	-	-	12,771	12,771
-	-	7,200	-	-	7,200	-	(6,203)	997

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET – BY DITCH – NON-GAAP BASIS (CONTINUED)  
DITCH SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2017**

	Assets						Total Assets
	Cash Balance 12/31/2017	Special Assessment Receivable		Due From Other Governments	Notes Receivable	Due From Other Funds	
		Deferred	Delinquent				
JD 45JN	\$ 35,150	\$ -	\$ 3	\$ 276	\$ -	\$ 291	\$ 35,720
JD 45JN Petition	1,092,584	-	-	-	-	-	1,092,584
JD 46	55,944	-	-	-	-	53	55,997
JD 46 Bond	636	958,190	-	-	-	-	958,826
JD 48JM	85,189	-	281	39	-	531	86,040
JD 50	611	-	-	-	-	113	724
JD 52	8,817	-	525	-	-	37	9,379
JD 53	10,489	-	-	-	-	233	10,722
JD 54CJ	10,136	-	-	371	-	155	10,662
JD 56	17,035	-	5	-	-	269	17,309
JD 59	11,595	-	-	-	-	216	11,811
JD 60	568	-	280	-	-	379	1,227
JD 62	9,764	-	366	-	-	307	10,437
JD 63	10,605	-	38	-	-	106	10,749
JD 64	7,816	-	-	-	-	640	8,456
JD 65	3,992	-	-	-	-	217	4,209
JD 66	6,120	-	-	-	-	294	6,414
JD 67	5,684	-	-	-	-	139	5,823
JD 68	4,319	-	-	-	-	143	4,462
JD 69	7,897	-	90	-	-	178	8,165
JD 70	8,022	-	-	-	-	326	8,348
JD 71	5,303	-	-	-	-	129	5,432
JD 72	9,451	-	-	-	-	95	9,546
JD 73	5,094	-	-	-	-	210	5,304
JD 73 Petition	595	-	-	-	-	-	595
JD 74	16,579	-	6	-	-	401	16,986
JD 75JM	60,004	-	226	15	-	261	60,506
JD 76NJ	10,192	-	35	10,454	-	383	21,064
JD 78	6,591	-	225	-	-	230	7,046
JD 79CJ	5,707	-	-	20	-	60	5,787
JD 80	11,486	-	-	-	-	150	11,636
JD 81	9,574	-	-	-	-	237	9,811
JD 82	14,678	-	13	-	-	282	14,973
JD 83	13,316	-	1	-	-	282	13,599
JD 84	6,463	-	1,035	-	-	1,139	8,637
JD 85CJ	6,489	-	-	34	-	235	6,758
JD 86	10,238	-	-	-	-	91	10,329
JD 88	3,824	-	-	-	-	31	3,855
JD 91MJ	14,106	-	196	69	-	26	14,397
JD 105MJ	6,610	-	-	23	-	17	6,650
JD 350MJCW	601	-	-	-	-	-	601
CD 117	7,275	-	13	-	-	268	7,556
CD 118	10,618	-	252	-	-	188	11,058
CD 121	29,711	-	-	-	-	366	30,077
CD 122	17,793	-	-	-	-	26	17,819
CD 124	538	-	-	-	-	1	539
CD 124 Bond	647	338,392	-	-	-	-	339,039
CD 125 Petition	706	-	-	-	-	-	706
Proj 2	547	-	-	-	-	242	789
Proj 4	597	-	-	-	-	1,952	2,549
Proj 6	527	-	-	-	-	155	682
Proj. 84-4A	2,886	-	-	-	-	22	2,908
<b>Total (Non-GAAP)</b>	<b>3,927,369</b>	<b>4,797,532</b>	<b>10,749</b>	<b>28,523</b>	<b>13,390</b>	<b>36,531</b>	<b>8,814,094</b>
Reconciliation to GAAP	-	-	-	-	-	-	-
Eliminate Bonds Payable	-	-	-	-	-	-	-
Unavailable Revenue	-	-	-	-	-	-	-
<b>GAAP Balances</b>	<b>\$ 3,927,369</b>	<b>\$ 4,797,532</b>	<b>\$ 10,749</b>	<b>\$ 28,523</b>	<b>\$ 13,390</b>	<b>\$ 36,531</b>	<b>\$ 8,814,094</b>

Liabilities							Total Liabilities, Deferred Inflows of Resources, and Fund Balance	
Due To Other Governments	Due To Other Funds	Advance From Other Funds	Accounts Payable	Bonds Payable	Total Liabilities	Deferred Inflows of Resources	Fund Balance	
\$	\$	\$	\$	\$	\$	\$	\$	
-	-	-	-	-	-	-	35,720	35,720
-	-	-	237,198	3,370,000	3,607,198	-	(2,514,614)	1,092,584
-	-	-	-	-	-	-	55,997	55,997
-	-	95,700	2,713	880,000	978,413	-	(19,587)	958,826
127	-	-	-	-	127	-	85,913	86,040
-	-	2,500	-	-	2,500	-	(1,776)	724
-	-	-	-	-	-	-	9,379	9,379
-	-	-	-	-	-	-	10,722	10,722
-	-	-	-	-	-	-	10,662	10,662
-	-	-	-	-	-	-	17,309	17,309
-	-	-	-	-	-	-	11,811	11,811
-	-	4,500	-	-	4,500	-	(3,273)	1,227
-	-	-	-	-	-	-	10,437	10,437
-	-	-	-	-	-	-	10,749	10,749
-	-	-	-	-	-	-	8,456	8,456
-	-	-	-	-	-	-	4,209	4,209
-	-	-	-	-	-	-	6,414	6,414
-	-	-	-	-	-	-	5,823	5,823
-	-	-	-	-	-	-	4,462	4,462
-	-	-	-	-	-	-	8,165	8,165
-	-	-	-	-	-	-	8,348	8,348
-	-	-	-	-	-	-	5,432	5,432
-	-	-	-	-	-	-	9,546	9,546
-	-	-	-	-	-	-	5,304	5,304
-	-	64,600	3,234	-	67,834	-	(67,239)	595
-	-	-	-	-	-	-	16,986	16,986
44	-	-	-	-	44	-	60,462	60,506
-	-	-	-	-	-	-	21,064	21,064
-	-	-	-	-	-	-	7,046	7,046
-	-	-	-	-	-	-	5,787	5,787
-	-	-	-	-	-	-	11,636	11,636
-	-	-	-	-	-	-	9,811	9,811
-	-	-	-	-	-	-	14,973	14,973
-	-	-	-	-	-	-	13,599	13,599
-	-	-	-	-	-	-	8,637	8,637
-	-	-	-	-	-	-	6,758	6,758
-	-	-	-	-	-	-	10,329	10,329
-	-	-	-	-	-	-	3,855	3,855
375	-	-	-	-	375	-	14,022	14,397
54	-	-	-	-	54	-	6,596	6,650
-	-	2,500	-	-	2,500	-	(1,899)	601
-	-	-	-	-	-	-	7,556	7,556
-	-	-	-	-	-	-	11,058	11,058
-	-	-	-	-	-	-	30,077	30,077
-	-	-	-	-	-	-	17,819	17,819
-	-	1,400	-	-	1,400	-	(861)	539
-	-	3,400	-	345,000	348,400	-	(9,361)	339,039
-	-	102,300	4,531	-	106,831	-	(106,125)	706
594	-	60,500	157	-	61,251	-	(60,462)	789
123	-	79,000	188	-	79,311	-	(76,762)	2,549
198	-	52,000	-	-	52,198	-	(51,516)	682
271	-	-	218	-	489	-	2,419	2,908
3,852	2,650	1,503,502	388,674	9,625,000	11,523,678	-	(2,709,584)	8,814,094
-	-	-	-	(9,625,000)	(9,625,000)	-	9,625,000	-
-	-	-	-	-	-	4,813,217	(4,813,217)	-
<u>\$ 3,852</u>	<u>\$ 2,650</u>	<u>\$ 1,503,502</u>	<u>\$ 388,674</u>	<u>\$ -</u>	<u>\$ 1,898,678</u>	<u>\$ 4,813,217</u>	<u>\$ 2,102,199</u>	<u>\$ 8,814,094</u>

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**REPORTS RELATED TO GOVERNMENT  
AUDITING STANDARDS AND SINGLE AUDIT**

**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, 2017, and the related notes to the financial statements, which collectively comprise Jackson County's basic financial statements, and have issued our report thereon dated August 16, 2018.

**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**

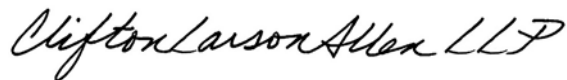
As part of obtaining reasonable assurance about whether Jackson County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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  
August 16, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of County Commissioners  
Jackson County  
Jackson, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Jackson County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jackson County's major federal programs for the year ended December 31, 2017. Jackson County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Jackson County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jackson County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Jackson County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

## Report on Internal Control Over Compliance

Management of Jackson County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jackson County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-003 that we consider to be material weaknesses.

Jackson County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jackson County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
August 16, 2018

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2017**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?     X     yes            no
- Significant deficiency(ies) identified?            yes     X     none reported

Noncompliance material to financial statements noted?            yes     X     no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?            yes     X     no
- Significant deficiency(ies) identified?            yes     X     none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR 200.516(a)?            yes     X     no

Identification of major programs:

CFDA Numbers  
20.205

Name of Federal Program or Cluster  
Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:     \$750,000    

Auditee qualified as low-risk auditee?            yes     X     no

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2017-001 Segregation of Duties**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**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.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Kevin Nordquist, Auditor/Treasurer

**Corrective Action Planned:** A corrective action plan is in place.

**Anticipated Completion Date:** December 31, 2018.



**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-002 Audit Adjustments**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**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.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Kevin Nordquist, Auditor/Treasurer

**Corrective Action Planned:** A corrective action plan is in place.

**Anticipated Completion Date:** December 31, 2018.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
DECEMBER 31, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-003 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**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.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Kevin Nordquist, Auditor/Treasurer

**Corrective Action Planned:** A corrective action plan is in place.

**Anticipated Completion Date:** December 31, 2018.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
DECEMBER 31, 2017**

**SECTION III – MINNESOTA LEGAL COMPLIANCE FINDINGS**

**2017-004: 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.

**SECTION IV– FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**NONE**

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor/Grant Name</b>	<b>Pass-through Grantor Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture:</b>			
Passed through Des Moines Valley Health & Human Services: State Administrative Matching Grants for Food Stamp Program	172MN101S2514	10.561	\$ 1,084
<b>U.S. Department of Transportation:</b>			
Passed through Minnesota Department of Transportation Highway Planning and Construction	BROS3217(109)	20.205	515,452
Highway Planning and Construction	STPF3217(191)	20.205	<u>1,239,189</u>
Total Highway Planning and Construction Cluster			<u>1,754,641</u>
<b>U.S. Department of Health &amp; Human Services:</b>			
Passed through Des Moines Valley Health & Human Services: Foster Care Title IV-E	1701MNFOST	93.658	964
Medical Assistance Program (Part of Medicaid Cluster)	05-1705MN5ADM	93.778	7,864
Refugee and Entrant Assistance Program	1701MNBCMA	93.566	3
Children's Health Insurance Program (CHIP)	1705MN5021	93.767	<u>1</u>
<b>Total U.S. Department of Health &amp; Human Services</b>			<u>8,832</u>
<b>U.S. Department of Homeland Security:</b>			
Passed through Minnesota Department of Public Safety  Emergency Management Performance Grant	  A-EMPG-2017-JACKSNCO-2320	  97.042	  <u>19,253</u>
Total Expenditures of Federal Awards			<u>\$ 1,783,810</u>

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1      REPORTING ENTITY**

The schedule of expenditures of federal awards presents the activity of Federal award programs expended by Jackson County. The County's reporting entity is defined in Note 1 to the financial statements.

**NOTE 2      BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jackson County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of Jackson County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Jackson County.

**NOTE 3      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Jackson County has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4      SUBRECIPIENTS**

Jackson County did not pass federal funds to subrecipients.

**NOTE 5      RECONCILIATION**

Reconciliation to the schedule of intergovernmental revenue:

Federal Grant Revenue per Schedule of Intergovernmental Revenue	\$ 1,281,474
Expenditures included in the Schedule of Expenditures of Federal Awards that are not considered 2017 Intergovernmental Revenues (Current Year Deferred Inflows of Resources)	502,336
Expenditures per Schedule of Expenditures of Federal Awards	\$ 1,783,810

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## 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, 2017, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated August 16, 2018.

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 2017-004. 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 questioned costs. 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  
August 16, 2018