

**JACKSON COUNTY  
JACKSON, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**





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JACKSON, MINNESOTA  
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DECEMBER 31, 2019**

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## **INTRODUCTORY SECTION**





**JACKSON COUNTY  
JACKSON, MINNESOTA  
PRINCIPAL COUNTY OFFICIALS  
DECEMBER 31, 2019**

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, 2022
3 <sup>rd</sup> District	Cathy Hohenstein	December 31, 2020
4 <sup>th</sup> District	Philip Nasby	December 31, 2022
5 <sup>th</sup> District	Jamed Eigenberg	December 31, 2020
<b>Officers</b>		
<b>Elected</b>		
Attorney	Sherry Haley	December 31, 2022
Recorder	Becky McCann	December 31, 2022
Sheriff	Shawn Haken	December 31, 2022
<b>Appointed</b>		
Auditor-Treasurer	Kevin Nordquist	Indefinite
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	Tawn Hall	Indefinite
4-H Program Coordinator	Kia Harries	Indefinite
Land Management Director	Andy Geiger	Indefinite
Library Director	Tamera Erickson	Indefinite
Veterans Service Officer	Jeff Gay	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, 2019, 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.

### ***accompanying financial s***

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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the County's proportionate share of the net pension liability, the schedule of County pension contributions, schedule of changes in the County's total OPEB liability and related ratios, budgetary comparison information, and the notes to the required supplementary information, 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*

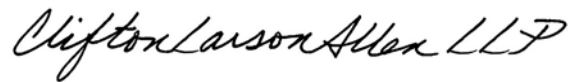
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County's basic financial statements. The supplementary information consisting of the combining financial statements, budgetary comparison schedules, component unit financial statements, 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 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Board of County Commissioners  
Jackson County

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2020 , 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* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
August 11, 2020

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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, 2019. 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 \$163,646,344, deferred outflows of resources of \$1,441,082, liabilities of \$57,696,913, and deferred inflows of resources of \$2,869,316, resulting in net position of \$104,521,197 at the end of 2019. Of the net position, \$86,351,724 represents the County's net investment in capital assets, \$23,670,092 is held for restricted purposes, and \$5,500,619 is unavailable to meet the County's ongoing obligations to its citizens and creditors. The County received net proceeds of \$11,431,338 from a General Obligation Capital Improvement Plan Refunding bond that will be used to payoff the 2013A General Obligation Capital Improvement bonds in the amount of \$12,046,238 in February 2020. Due to timing issues, several ditch projects have been bonded for that still need to have special assessments levied against the parcels that benefit from the ditches. The estimated assessments to be added total over \$8,575,000.
- Capital assets increased \$1,548,297 (net of depreciation) during 2019. This increase is primarily due to road and bridge construction projects and equipment purchases.
- Expenses from primary government activities increased to \$27,163,745 in 2019, from \$23,040,524 in 2018. Primary government program revenues decreased from \$13,974,442 to \$11,513,340 and primary government general revenues increased from \$13,973,541 to \$14,124,170 during the same time period. The decrease in net position for 2019 was \$1,526,235.

### 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 Total OPEB Liability and Related Ratios and notes to required supplementary information, beginning on page 78.

### 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 \$104,521,197 at the close of 2019. 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.

Jackson County's net position decreased \$1,526,235 in 2019. The largest factors of this decrease were the increase in accounts payable and accrued interest payable, a decrease in special assessments receivable, a net outflow increase in the change in the deferred inflows and outflows for Pensions and Post Employee Benefits, and a decrease in notes receivable.

### STATEMENT OF NET POSITION

	Governmental Activities	
	2019	2018
Current and Other Assets	\$ 67,054,054	\$ 48,962,032
Capital Assets (net)	96,592,290	95,043,993
Total Assets	163,646,344	144,006,025
Deferred Outflows of Resources	1,441,082	2,316,193
Current Liabilities	2,163,906	1,535,676
Non-current Liabilities	55,533,007	35,254,956
Total Liabilities	57,696,913	36,790,632
Deferred Inflows of Resources	2,869,316	3,484,154
Net Investment in Capital Assets	86,351,724	84,152,104
Restricted	23,670,092	21,828,260
Unrestricted	(5,500,619)	67,068
Total Net Position	\$ 104,521,197	\$ 106,047,432
Total Net Position as a % of Total Liabilities and Deferred Inflows of Resources	173%	270%
Unrestricted Net Position as a % of Total Liabilities and Deferred Inflows of Resources	( 9%)	0.17%

A 22.6% portion of the County’s net position represents resources that are subject to other restrictions as to how they may be used. As discussed on page 5, (\$5,500,619) of total net position is unavailable to meet the County’s ongoing obligations to its citizens and creditors. The remaining amount is the net investment in capital assets. At the end of 2019, the County is able to report a positive balance in net position for governmental activities.



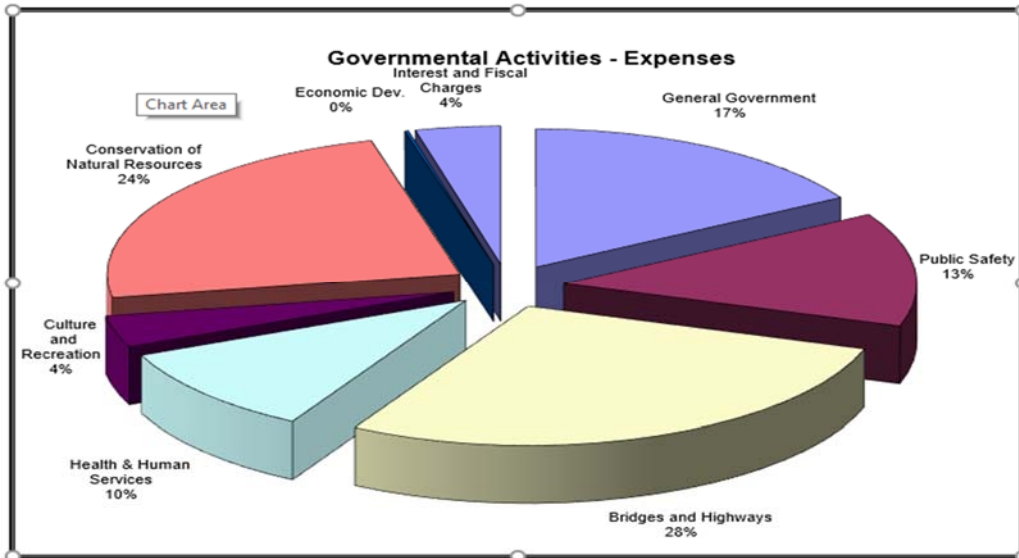
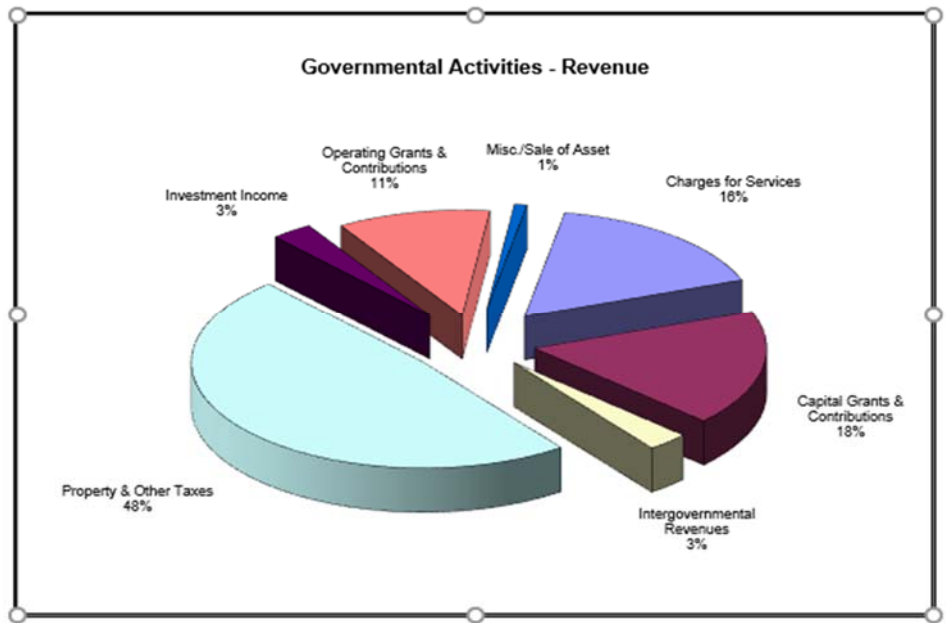
## STATEMENT OF ACTIVITIES

*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	
	2019	2018
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 4,240,528	\$ 7,288,969
Operating Grants and Contributions	2,732,175	2,318,617
Capital Grants and Contributions	4,540,637	4,366,856
General Revenues:		
Property Taxes	10,373,353	10,247,143
Other Taxes	2,058,473	2,096,113
Intergovernmental Revenues	736,519	743,019
Investment Income	732,657	510,152
Gain on Sale of Asset	74,025	15,735
Miscellaneous	149,143	361,379
Total Revenue	25,637,510	27,947,983
<b>EXPENSES</b>		
Program Expenses:		
General Government	4,507,086	4,262,117
Public Safety	3,643,477	3,253,330
Bridges and Highways	7,644,830	6,423,693
Health and Human Services	2,810,499	2,861,977
Culture and Recreation	1,010,731	929,826
Conservation of Natural Resources	6,445,020	4,406,555
Economic Development	43,051	39,124
Interest and Fiscal Charges	1,059,051	863,902
Total Expenses	27,163,745	23,040,524
Excess of Revenues over Expenses	(1,526,235)	4,907,459
Net Position - January 1	106,047,432	101,139,973
Net Position - December 31	\$ 104,521,197	\$ 106,047,432

## GOVERNMENTAL ACTIVITIES - REVENUE

The following chart illustrates how governmental activities are funded. State aids and other grants (operating grants and contributions, capital grants and contributions, and intergovernmental revenues) comprise 32% of the revenue for governmental activities. Taxes, primarily real estate, but also personal property and payments-in-lieu of taxes, provide another 48%, while charges for services and all other sources make up the remaining 20%.

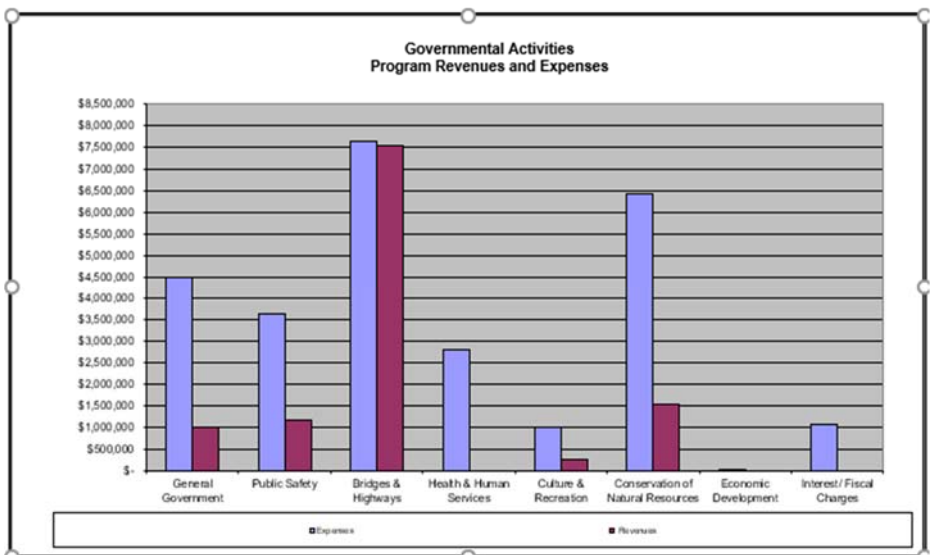


## GOVERNMENTAL ACTIVITIES - EXPENSES

The following chart illustrates how governmental activities are disbursed. General Government, Public Safety, Bridges and Highways comprise 58% of the expenses for governmental activities. Health and Human Services provide another 10%, while charges for all other functions make up the remaining 32%.

## 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, 2019, Jackson County's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$51,071,473, an increase of \$18,645,321 from the previous years ending balances. Of the ending fund balances total, \$5,705,866 is nonspendable for advances, inventories, and prepaid items; \$30,166,893 is restricted for specific legal requirements; and \$12,292,443 is committed and assigned by the County board for specific future expenditures. Unassigned funds in total are \$2,906,281. Several ditches carrying a negative balance totaling (\$1,709,893). Unavailable revenues from ditch assessments are deferred, therefore not reflected on a modified accrual basis. The ditch assessments are sufficient to cover negative balances.

The General Fund is the primary operating fund used to account for the governmental operations of Jackson County. The largest revenue sources for the General Fund are taxes, intergovernmental aids, and charges for services, together accounting for 89% of revenues. Primary operations of the General Fund are general government at 33%, public safety at 29%, and health and human services at 26%. General Fund expenditures total \$11,398,947. The balance of 12%, 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 \$4,616,174, while total fund balance was \$17,993,862. 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 40.5% of total General Fund expenditures, while total fund balance represents 158% of that same amount.

The Road and Bridge Fund had total fund balance of \$6,677,007 in fiscal year 2019. The balance of the Road and Bridge Fund increased by \$160,652.

The Ditch Fund had a fund balance of \$3,741,796. This is an increase of \$3,341,177 from fiscal year 2018. This consists of \$1,709,893 in ditch balances that were negative. Loans of \$1,617,167 from the general fund were used to cover the negative balances. The loans help cover costs expended before the project is bonded or has had special assessments levied to those who benefit from the ditch. The individual ditch balances, as presented in the Balance Sheet by Ditch supplementary information, cannot be used to calculate the negative ditch balance as it includes the debt owed to the general revenue fund and does not account for the unavailable revenue from ditch assessments. Ditches with positive balances are held as restricted funds and totaled \$5,451,689, which includes funds held for debt service in the amount of \$2,514,572.

The Heron Lake Debt Service Fund had a total fund balance of \$1,880,023, which is an decrease of \$76,149 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 \$20,262,361. 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 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. In 2019, a new revenue bond was issued in the amount of \$3,487,000 for this same purpose.

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 \$516,434.

### General Fund Budgetary Highlights

**The County ended the year with net favorable change of \$1,658,524 in the General Fund's fund balance.**

The expenditures vs. budget report showed a net unfavorable variance of \$127,001.

- Capital Outlay was over budget by \$239,225. A building was purchased for the Land Management departments in the amount of \$334,000 which was not budgeted. These funds were taken out of the Capital Projects reserve funds. There were extra funds budgeted into the county buildings operational budget for 2020 with the intention of putting the unused funds into that reserve account.
- Appropriations for Economic Development were under budget by \$102,289 as no Revolving Loan Grants were originated in 2019 and \$100,000 was budgeted.
- Net Health and Human Services was over budget by \$66,661. Environmental Health was over budget by \$103,192 due to estimating \$37,432 in new Septic Loans when Jackson County actually approved \$140,624 in new loans. The septic loan funds were taken from assigned funds for septic loans from prior years.
- Conservation of Natural Resources was under budget by \$60,236 which was spread fairly equally by being under budget in the County Extension Agency, Water Conservation and Resource Conservation.
- Public Safety was over budget by \$32,701 due to E911 equipment upgrades that were installed.

General Fund revenues were over budget by \$1,505,970.

- Of this overage, \$728,938 was due to Tax Revenues collected from wind towers that are not budgeted and are to contribute to the CIP fund. Tax collections were under budget by \$537,391 due to the fact that homestead and agricultural credits are reclassified as Intergovernmental Revenue for the financial reporting as explained in the next bullet point.
- Intergovernmental Revenues were over budget by \$803,972. Homestead and agricultural credits, County Program Aid and Disparity Reduction Aid are not budgeted and are reimbursed by the state in the amount of \$565,893. Riparian Buffer Aid of \$133,963 was not budgeted so that the funds would not affect the levy due to the restricted nature of the funds. Payment-In Lieu of Tax was over budget by \$33,738.
- The Investment Earnings overage of \$348,603 was comprised of \$101,915 in interest paid to the General Fund from the Ditch Fund for loans to cover drainage systems that have a negative cash position and an increase in overall yields due to a positive interest rate environment.

There were no amendments to the General Fund budget in 2019.



## 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, 2019 totaled \$145,310,450. Governmental infrastructure accounted for 72.4% of this investment, with the County's road and bridge network

	Governmental Activities	
	2019	2018
Land	\$ 732,867	\$ 711,909
Buildings	\$ 20,126,935	\$ 19,911,609
Other Improvements	\$ 5,909,582	\$ 5,909,974
Machinery and Equipment	\$ 11,341,157	\$ 10,905,461
Infrastructure	\$ 105,264,205	\$ 101,007,166
Construction in Progress	\$ 1,935,704	\$ 2,028,304
Subtotal	\$ 145,310,450	\$ 140,474,423
Less Accumulated Depreciation	\$ (48,718,160)	\$ (45,430,430)
<b>Total Capital Assets</b>	<b>\$ 96,592,290</b>	<b>\$ 95,043,993</b>

Category changes during the current fiscal year include the following:

- Land increased by \$20,958 for the purchase of the Land Management Complex parcel in Lakefield.
- Buildings increased by \$215,326. This was the net of the purchase of the Land Management Building for \$310,017 and the sale of the Historical Society Buildings and War Memorial for \$94,691.
- Other improvements decreased by \$392. This was the net of the Jackson Hazardous Household Waster Building approach constructed for \$10,032 and the sale of the Historical Society Building which included an improvement of \$10,424.
- Machinery and Equipment increased by \$435,696. The largest items purchased for Public Works were a 2019 CAT Motor Grader (\$387,075) and a 2020 Freightliner Tandem Unit (\$234,728). The largest items purchased out of the General Fund were a 2018 Dodge Durango (\$38,805), Robertson Park play equipment and mulch (\$24,632), a 2019 Dodge Grand Caravan (\$22,912) and a Eventide voice logging recorder (\$22,710). The largest equipment items disposed of by Public Works include a CAT Grader (\$179,374), a 2009 Chevrolet Silverado (\$27,047), and a 2005 Chevrolet pick-up (\$21,444). The largest equipment items disposed of from the General Fund include a 2013 Ford Police Interceptor (\$32,660), a 2008 Ford F-250 pick-up (\$26,198), a 2013 Dodge Grand Caravan (\$23,442), and a I Series I5 (\$21,125).
- Road and Bridge Infrastructure increased by \$4,257,039.

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, 2019, Jackson County had total long-term obligations outstanding of \$50,534,655. This included bonded debt outstanding of \$49,526,000, as summarized in the following table:

	Governmental Activities	
	2019	2018
General Obligation Bonds	\$ 23,955,000	\$ 13,135,000
General Obligation Revenue Bonds	\$ 8,481,000	\$ 6,642,000
General Obligation Drainage Bonds	\$ 17,090,000	\$ 9,505,000
<b>Total Bonded Debt Outstanding</b>	<b>\$ 49,526,000</b>	<b>\$ 29,282,000</b>

Jackson County's long-term debt increased from December 31, 2018 by \$20,244,000 due to the refunding of the 2013A bond for a lower interest rate. The replacement 2019A bond was funded in December of 2019 but was not paid off until January of 2020. In addition, the County issued GO Drainage bonds and Revenue bonds during 2019. Current and future county tax levies are used to finance \$23,955,000 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, 2017 and 2019.

### 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, 2019 is \$103,476,480.

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 4.6% as of June, 2019. The County's unemployment rate was lower than the state's unemployment rate of 8.5% for the same period. The Jackson County rate is also higher than the National unemployment rate of 11.2% for June, 2019. (Rates are not seasonally adjusted.)

The County had not added any new major programs or initiatives to the 2020 budget.

Jackson County Board of Commissioners approved the 2020 budget on December 17, 2019. The new levy of \$10,855,145 is a 1.42% increase over the 2019 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, 2019**

	Primary Government	Discretely Presented	
		Component Units	
		Governmental Activities	Jackson County Fair Association
<b>ASSETS</b>			
Cash and Investments	\$ 20,690,365	\$ 47,835	\$ 115,979
Cash Held with Escrow Agent	87,709	-	-
Undistributed Cash in Agency Funds	116,718	-	-
Taxes Receivable	145,689	-	-
Special Assessments Receivable	6,680,892	-	-
Notes Receivable	747,164	-	-
Other Receivables	73,338	-	-
Due from Other Governments	7,166,045	-	-
Advances to Other Governments	11,541,111	-	-
Inventories and Prepaid Items	677,699	-	-
Restricted Cash and Investments	19,127,324	-	-
Capital Assets			
Construction-in-Progress	1,935,704	-	-
Land	732,867	-	-
Other Capital Assets, Net of Depreciation	93,923,719	106,627	46,749
Total Assets	163,646,344	154,462	162,728
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	1,207,658	-	-
Other Post Employment Benefits Related	233,424	-	-
Total Deferred Outflows of Resources	1,441,082	-	-
<b>LIABILITIES</b>			
Accounts Payable	1,018,633	4,769	99
Accrued Liabilities	323,530	1,063	1,498
Due to Other Governments	31,120	-	-
Deposits	200,260	-	-
Unearned Revenue	127,803	-	-
Accrued Interest Payable	462,560	-	-
Noncurrent Liabilities			
Due Within One Year	13,265,026	-	-
Due in More Than One Year	37,269,629	-	-
Net Pension Liability	3,923,867	-	-
Other Postemployment Benefits Payable	1,074,485	-	-
Total Liabilities	57,696,913	5,832	1,597
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Levies for Subsequent Period	116,718	-	-
Pension Related	2,474,709	-	-
Other Post Employment Benefits Related	277,889	-	-
Total Deferred Inflows of Resources	2,869,316	-	-
<b>NET POSITION</b>			
Net Investment in Capital Assets	86,351,724	106,627	46,749
Restricted For:			
Debt Service	12,681,831	-	-
Transportation	5,802,380	-	-
Ditches	2,937,117	-	-
Recorder's Equipment	93,559	-	-
E-911	383,791	-	-
Integrated Land Records	190,970	-	-
Aquatic Invasive Species	331,860	-	-
Sheriff's Contingency	26,046	-	-
Sheriff's Forfeiture Fund	20,000	-	-
Buffer Aid	433,642	-	-
Gun Permits	114,974	-	-
Fish and Wildlife Trust	216,047	-	-
SCORE	151,804	-	-
Attorney	19,616	-	-
Concrete Settlement Funds	249,853	-	-
Other	16,602	-	8,113
Unrestricted	(5,500,619)	42,003	106,269
Total Net Position	\$ 104,521,197	\$ 148,630	\$ 161,131

See accompanying Notes to Financial Statements.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 4,507,086	\$ 952,083	\$ 55,165	\$ -
Public Safety	3,643,477	890,427	286,086	-
Bridges and Roads	7,644,830	889,948	2,116,761	4,540,637
Health and Human Services	2,810,499	-	-	-
Culture and Recreation	1,010,731	237,870	23,354	-
Conservation of Natural Resources	6,445,020	1,270,200	250,809	-
Economic Development	43,051	-	-	-
Interest and Fiscal Charges	1,059,051	-	-	-
<b>Total Primary Government</b>	<b>\$ 27,163,745</b>	<b>\$ 4,240,528</b>	<b>\$ 2,732,175</b>	<b>\$ 4,540,637</b>
<b>COMPONENT UNITS</b>				
Jackson County Fair Association	\$ 177,332	\$ 111,280	\$ 26,905	\$ -
Jackson County Historical Society	61,381	5,846	23,830	-
<b>Total Component Units</b>	<b>\$ 238,713</b>	<b>\$ 117,126</b>	<b>\$ 50,735</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
Total General Revenues

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

**NET POSITION - END OF YEAR**

See accompanying Notes to Financial Statements.



Net (Expense) Revenue and Changes in Net Position			
Primary	Component Units		
Governmental Activities	Jackson County Fair Association	Jackson County Historical Society	
\$ (3,499,838)	\$ -	\$ -	
(2,466,964)	-	-	
(97,484)	-	-	
(2,810,499)	-	-	
(749,507)	-	-	
(4,924,011)	-	-	
(43,051)	-	-	
(1,059,051)	-	-	
(15,650,405)	-	-	
-	(39,147)	-	
-	-	(31,705)	
-	(39,147)	(31,705)	
10,168,734	-	-	
204,619	-	-	
-	40,000	-	
-	-	51,000	
2,058,473	-	-	
736,519	-	-	
732,657	-	-	
74,025	4,000	-	
149,143	-	-	
14,124,170	44,000	51,000	
(1,526,235)	4,853	19,295	
106,047,432	143,777	141,836	
\$ 104,521,197	\$ 148,630	\$ 161,131	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General Fund	Road and Bridge Fund	Ditch Fund
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 12,750,756	\$ 5,820,594	\$ 1,513,127
Cash Held with Escrow Agent	-	-	-
Undistributed Cash in Agency Funds	76,410	24,602	-
Receivables			
Taxes	95,569	28,721	-
Accounts	26,962	3,496	-
Notes	747,164	-	-
Special Assessments	1,926	-	6,678,966
Interest	42,880	-	-
Due from Other Funds	-	-	39,898
Due from Other Governments	108,441	7,037,491	20,113
Advances to Other Funds	1,617,167	-	-
Advances to Other Governments	3,411,000	-	-
Inventories and Prepaid Items	520,845	141,175	-
Restricted Assets			
Cash and Investments	-	-	4,563,721
	<u>\$ 19,399,120</u>	<u>\$ 13,056,079</u>	<u>\$ 12,815,825</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 80,091	\$ 280,161	\$ 637,821
Accrued Liabilities	208,669	83,465	-
Due to Other Funds	-	39,898	-
Due to Other Governments	6,963	4,092	19,889
Advance from Other Funds	-	-	1,617,167
Unearned Revenue	115,094	-	-
Deposits	77,240	-	123,020
	<u>488,057</u>	<u>407,616</u>	<u>2,397,897</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	840,791	5,946,854	6,676,132
Taxes Levied for Subsequent Period	76,410	24,602	-
	<u>917,201</u>	<u>5,971,456</u>	<u>6,676,132</u>
<b>FUND BALANCES</b>			
Nonspendable	5,549,012	141,175	-
Restricted	1,991,152	249,853	5,451,689
Committed	3,691,938	6,285,885	-
Assigned	2,145,586	94	-
Unassigned	4,616,174	-	(1,709,893)
	<u>17,993,862</u>	<u>6,677,007</u>	<u>3,741,796</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 19,399,120</u>	<u>\$ 13,056,079</u>	<u>\$ 12,815,825</u>

See accompanying Notes to Financial Statements.

Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 397,628	\$ 208,260	\$ 20,690,365
-	87,709	-	87,709
-	10,817	4,889	116,718
-	14,899	6,500	145,689
-	-	-	30,458
-	-	-	747,164
-	-	-	6,680,892
-	-	-	42,880
-	-	-	39,898
-	-	-	7,166,045
-	-	-	1,617,167
689,111	7,441,000	-	11,541,111
-	-	15,679	677,699
<u>1,880,023</u>	<u>12,355,377</u>	<u>328,203</u>	<u>19,127,324</u>
<u>\$ 2,569,134</u>	<u>\$ 20,307,430</u>	<u>\$ 563,531</u>	<u>\$ 68,711,119</u>
\$ -	\$ 13,350	\$ 7,210	\$ 1,018,633
-	-	31,396	323,530
-	-	-	39,898
-	-	176	31,120
-	-	-	1,617,167
-	12,709	-	127,803
-	-	-	200,260
-	26,059	38,782	3,358,411
689,111	8,193	3,426	14,164,507
-	10,817	4,889	116,718
689,111	19,010	8,315	14,281,225
-	-	15,679	5,705,866
1,880,023	20,262,361	331,815	30,166,893
-	-	168,940	10,146,763
-	-	-	2,145,680
-	-	-	2,906,281
<u>1,880,023</u>	<u>20,262,361</u>	<u>516,434</u>	<u>51,071,483</u>
<u>\$ 2,569,134</u>	<u>\$ 20,307,430</u>	<u>\$ 563,531</u>	<u>\$ 68,711,119</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, 2019**

**TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS** \$ 51,071,483

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. 96,592,290

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	689,111
Special Assessments	6,677,012
Grants and State Aid	5,945,651
Taxes	78,591
Interest and Other	26,978
Notes Receivable	747,164

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

Net Pension Liability	(3,923,867)
Deferred Outflows of Resources Related to Pensions	1,207,658
Deferred Inflows of Resources Related to Pensions	(2,474,709)

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

Total OPEB Liability	(1,074,485)
Deferred Outflows of Resources Related to OPEB	233,424
Deferred Inflows of Resources Related to OPEB	(277,889)

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	\$ (23,955,000)
General Obligation Revenue Bonds	(8,481,000)
General Obligation Drainage Bonds	(17,090,000)
Loans Payable - Direct Borrowing	(24,560)
Compensated Absences	(678,244)
Accrued Interest Payable	(462,560)
Unamortized Premium on Bonds	(305,851)
	(50,997,215)

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 104,521,197**

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	General Fund	Road and Bridge Fund	Ditch Fund
<b>REVENUES</b>			
Taxes	\$ 8,486,669	\$ 2,216,102	\$ -
Intergovernmental	1,445,994	6,638,921	-
License and Permits	6,675	37,379	-
Fines, Forfeitures, and Penalties	33,183	-	-
Charges for Services	1,443,447	949,500	-
Special Assessments	229,280	-	1,355,119
Investment Earnings	472,396	-	224,254
Miscellaneous	730,872	297,852	18,746
Total Revenues	<u>12,848,516</u>	<u>10,139,754</u>	<u>1,598,119</u>
<b>EXPENDITURES</b>			
Current			
General Government	3,712,846	-	-
Public Safety	3,249,357	-	-
Bridges and Roads	-	4,222,880	-
Health and Human Services	2,960,995	-	-
Culture and Recreation	94,690	240,549	-
Conservation of Natural Resources	738,844	-	5,617,377
Economic Development	42,300	-	-
Capital Outlay	591,525	5,585,757	-
Debt Service			
Principal	8,390	-	990,000
Interest	-	-	222,906
Bond Issuance Costs	-	-	76,968
Total Expenditures	<u>11,398,947</u>	<u>10,049,186</u>	<u>6,907,251</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,449,569	90,568	(5,309,132)
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Long-term Debt	-	-	8,575,000
Premium on Long-term Debt	-	-	75,309
Transfers In	279,306	70,900	-
Transfers Out	(70,900)	-	-
Payment to Escrow Agent	-	-	-
Proceeds from Sale of Assets	549	197	-
Total Other Financing Sources (Uses)	<u>208,955</u>	<u>71,097</u>	<u>8,650,309</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,658,524	161,665	3,341,177
Fund Balances - Beginning of Year	16,335,338	6,516,355	400,619
<b>DECREASE IN INVENTORY</b>	<u>-</u>	<u>(1,013)</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 17,993,862</u>	<u>\$ 6,677,007</u>	<u>\$ 3,741,796</u>

See accompanying Notes to Financial Statements.

Heron Lake Debt Service Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,016,878	\$ 504,501	\$ 12,224,150
-	85,962	44,113	8,214,990
-	-	-	44,054
-	-	-	33,183
-	-	-	2,392,947
-	-	-	1,584,399
5,473	5,512	7,353	714,988
390,448	105,947	30,735	1,574,600
<u>395,921</u>	<u>1,214,299</u>	<u>586,702</u>	<u>26,783,311</u>
-	-	-	3,712,846
-	-	-	3,249,357
-	-	-	4,222,880
-	-	-	2,960,995
-	-	551,169	886,408
-	-	-	6,356,221
-	-	-	42,300
-	-	5,225	6,182,507
440,000	718,000	-	2,156,390
32,070	385,888	-	640,864
-	205,142	-	282,110
<u>472,070</u>	<u>1,309,030</u>	<u>556,394</u>	<u>30,692,878</u>
(76,149)	(94,731)	30,308	(3,909,567)
-	14,977,000	-	23,552,000
-	100,555	-	175,864
-	-	-	350,206
-	-	(279,306)	(350,206)
-	(1,172,709)	-	(1,172,709)
-	-	-	746
<u>-</u>	<u>13,904,846</u>	<u>(279,306)</u>	<u>22,555,901</u>
(76,149)	13,810,115	(248,998)	18,646,334
1,956,172	6,452,246	765,432	32,426,162
-	-	-	(1,013)
<u>\$ 1,880,023</u>	<u>\$ 20,262,361</u>	<u>\$ 516,434</u>	<u>\$ 51,071,483</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  
DECEMBER 31, 2019**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 18,646,334

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	\$ 5,349,801	
Current Year Depreciation	<u>(3,751,145)</u>	1,598,656

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. (50,359)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (1,068,049)

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		(21,971)
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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. (41,483)

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	(23,552,000)	
Premium on Bonds Issued	<u>(175,864)</u>	(23,727,864)

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	670,000	
General Obligation Revenue Bonds	1,648,000	
General Obligation Drainage Bonds	990,000	
Loans Payable Direct Borrowing	<u>8,390</u>	3,316,390

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	(109,149)	
Amortization of Discounts and Premiums	9,749	
Change in Compensated Absences	(77,476)	
Change in Inventory	<u>(1,013)</u>	<u>(177,889)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (1,526,235)



**JACKSON COUNTY  
JACKSON, MINNESOTA  
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DECEMBER 31, 2019**

**ASSETS**

Cash and Pooled Investments	\$ 472,858
Accounts Receivable	<u>393</u>
Total Assets	<u><u>\$ 473,251</u></u>

**LIABILITIES**

Due to Other Governments	\$ 462,785
Deposits	<u>10,466</u>
Total Liabilities	<u><u>\$ 473,251</u></u>

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Jackson County (the County) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (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, 2019. Separately issued financial statements of the Fair Association are not issued.

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**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, 2019. Separately issued financial statements of the Historical Society are not issued.

Significant accounting policies of the component units 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.

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**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.

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**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.

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**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."

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.

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**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	\$ 25,000
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. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received.

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



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**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 postemployment 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 postemployment 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.

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**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 total 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.

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

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

13. 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.

E. Revenues

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

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

E. 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.

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**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, 2019:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General Fund	\$ 11,271,946	\$ 11,398,947	\$ 127,001
Road and Bridge Fund	9,756,581	10,049,186	292,605
Debt Service Fund	1,050,798	1,309,030	258,232
Library Special Revenue Fund	553,817	556,394	2,577
Total Governmental Activities	<u>\$ 22,633,142</u>	<u>\$ 23,313,557</u>	<u>\$ 680,415</u>

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, the Heron Lake Debt Service Fund and the Street Reconstruction Debt Service Fund.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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**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	\$ 12,387,988
Negotiable Certificate of Deposit	2,478,000
Nonnegotiable Certificate of Deposit	3,735,000
MAGIC Portfolio	20,643,086
MAGIC Term	1,250,000
Petty Cash	<u>900</u>
Total Cash and Investments	<u><u>\$ 40,494,974</u></u>

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

Primary Government	
Cash and Pooled Investments	\$ 20,690,365
Cash Held with Escrow Agent	87,709
Undistributed Cash in Agency Funds	116,718
Restricted Cash and Pooled Investments	19,127,324
Agency Funds	
Cash and Pooled Investments	
Agency Fund	106,826
Taxes and Penalties Fund	355,566
Sheriff's Trust Account	<u>10,466</u>
Total Agency Funds	<u>472,858</u>
Total Cash and Investments	<u><u>\$ 40,494,974</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, 2019, the banks had pledged various government securities of \$15,678,742 to secure the County's deposits.

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**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 percent 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's policy is to 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, 2019, the County's 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;

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**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, 2019, 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 investment policy 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, 2019, the County's investments were as follows:

Investment Type	Fair Value	Maturity	
		Less than 1 Year	1-3 Years
Negotiable Certificate of Deposit	\$ 2,478,000	\$ 744,000	\$ 1,734,000
MAGIC Fund	21,893,086	20,643,086	1,250,000
Total	<u>\$ 24,371,086</u>	<u>\$ 21,387,086</u>	<u>\$ 2,984,000</u>



**JACKSON COUNTY  
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**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 investment policy is to minimize 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. At December 31, 2019, the County's investments are not exposed to custodial credit risk.

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, 2019, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Goldman Sachs Bank USA	Negotiable CD	10.05%
Sallie Mae Bank Salt Lake	Negotiable CD	9.97%
Customers Bank Phoenixville PA	Negotiable CD	9.85%
BMW Bk North Amer Salt Lake City	Negotiable CD	10.05%
Morgan Stanley Pvt Bk	Negotiable CD	10.05%
Wells Fargo Bank, National Association	Negotiable CD	10.05%
Flagstar Bk FSB Troy	Negotiable CD	9.89%
Ally Bank Sandy Utah	Negotiable CD	10.01%
Morgan Stanley Bank, National Association	Negotiable CD	9.97%
Cathay Bank	Negotiable CD	9.97%

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**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:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Negotiable Certificate of Deposit	\$ -	\$ 2,478,000	\$ -	\$ 2,478,000
	<u>\$ -</u>	<u>\$ 2,478,000</u>	<u>\$ -</u>	<u>\$ 2,478,000</u>
Investments Measured at Amortized Cost				
MAGIC Fund Portfolio				20,643,086
Investments Measured at Net Asset Value (NAV)				
MAGIC Fund Term				1,250,000
Total investments				<u>\$ 24,371,086</u>

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

A. Assets (Continued)

1. Deposits and Investments (Continued)

c. Fair Value Measurements (Continued)

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

MAGIC Portfolio is valued using amortized costs. Shares of MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of the Portfolio's securities or determination of its net asset value not reasonably practical.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. The fair value of the participant's position in the pool approximates the value of that participants pool shares and the participants shares are not identified with specific investments. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to the premature redemption date. The value of the premature redemption is equal to the original price for such share, plus dividends thereon at the projected yield less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any. There are no unfunded commitments relating to this investment. The County reports its investment in the term investment pool at the NAV per share, the fair value established by the pool.

2. Receivables

Receivables as of December 31, 2019, 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	\$ 4,433,942	\$ 2,235,935
Road and Bridge Fund	7,069,708	28,721
Ditch Fund	6,699,079	6,551,369
Heron Lake Debt Service	689,111	355,482
Debt Service Fund	7,455,899	7,346,899
Nonmajor Governmental Funds	6,500	6,107
Total	<u>\$ 26,354,239</u>	<u>\$ 16,524,513</u>

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

A. Assets (Continued)

2. Receivables

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	\$ 11,541,111	\$ 689,111
Accounts Receivable	30,458	967
Special Assessment Receivable	6,680,892	6,677,012
Due From Other Governments	7,166,045	5,945,651
Taxes Receivable	145,689	78,591
Interest on Investments	42,880	26,011
Notes Receivable	747,164	747,164
Total	<u>\$ 26,354,239</u>	<u>\$ 14,164,507</u>

3. Restricted Assets

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

	Reserve Account	Debt Service Account	Construction Account	Total
2019 Debt Issue - \$4,435,000	\$ -	\$ 311,557	\$ 1,351,408	\$ 1,662,965
2019 Debt Issue - \$4,140,000	-	313,959	514,976	828,935
2019 Debt Issue - \$11,490,000	-	11,443,572	-	11,443,572
2017 Debt Issue - \$3,370,000	-	1,089,429	70,866	1,160,295
2016 Debt Issue - \$3,495,000	-	759,739	19,458	779,197
2014 Debt Issue - \$1,380,000	-	-	92,441	92,441
2013 Debt Issue - \$700,000	-	39,888	-	39,888
2013 Debt Issue - \$14,260,000	-	911,805	328,203	1,240,008
2011 Debt Issue - \$1,670,000	160,000	1,356,023	-	1,516,023
2011 Debt Issue - \$3,665,000	364,000	-	-	364,000
Total Restricted Assets	<u>\$ 524,000</u>	<u>\$ 16,225,972</u>	<u>\$ 2,377,352</u>	<u>\$ 19,127,324</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.

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

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Construction-in-Progress	\$ 2,028,304	\$ 4,164,438	\$ 4,257,038	\$ 1,935,704
Land	711,909	26,958	6,000	732,867
Total Capital Assets, Not Being Depreciated	2,740,213	4,191,396	4,263,038	2,668,571
Capital Assets, Being Depreciated				
Buildings	19,911,609	310,017	94,691	20,126,935
Other Improvements	5,909,974	10,032	10,424	5,909,582
Machinery and Equipment	10,905,461	838,355	402,659	11,341,157
Infrastructure	101,007,166	4,257,039	-	105,264,205
Total Capital Assets, Being Depreciated	137,734,210	5,415,443	507,774	142,641,879
Less Accumulated Depreciation for				
Buildings	(4,386,614)	(511,130)	(78,225)	(4,819,519)
Other Improvements	(2,397,362)	(126,855)	(9,700)	(2,514,517)
Machinery, Furniture, and Equipment	(6,853,584)	(1,020,060)	(375,490)	(7,498,154)
Infrastructure	(31,792,870)	(2,093,100)	-	(33,885,970)
Total Accumulated Depreciation	(45,430,430)	(3,751,145)	(463,415)	(48,718,160)
Total Capital Assets, Being Depreciated, Net	92,303,780	1,664,298	44,359	93,923,719
Governmental Activities Capital Assets, Net	<u>\$ 95,043,993</u>	<u>\$ 5,855,694</u>	<u>\$ 4,307,397</u>	<u>\$ 96,592,290</u>

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

Governmental Activities	
General Government	\$ 671,590
Public Safety	311,830
Public Works	2,675,375
Conservation of Natural Resources	92,350
Total Governmental Activities	<u>\$ 3,751,145</u>

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**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, 2019:

Receivable Fund	Payable Fund	Amount
Ditch Fund	Road and Bridge Fund	<u>\$ 39,898</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
General Fund	Street Reconstruction Fund	\$ 279,306
Road and Bridge Fund	General Fund	70,900
		<u>\$ 350,206</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. The transfer from the Street Reconstruction Fund to the General fund is to close the Street Reconstruction fund.

**3. Interfund Advances**

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Fund	<u>\$ 1,617,167</u>

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

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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, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General Obligation Debt	\$ 13,135,000	\$ 11,490,000	\$ 670,000	\$ 23,955,000	\$ 12,060,000
General Obligation Revenue Bonds	6,642,000	3,487,000	1,648,000	8,481,000	429,000
General Obligation Drainage Bonds	9,505,000	8,575,000	990,000	17,090,000	375,000
Loans Payable - Direct Borrowing	32,950	-	8,390	24,560	8,390
(Discount)/Premiums	139,736	175,864	9,749	305,851	-
Total Bonds Payable	29,454,686	23,727,864	3,326,139	49,856,411	12,872,390
Other Liabilities					
Vested Compensated Absences	600,768	471,294	393,818	678,244	392,636
Governmental Activity Long-Term Liabilities	<u>\$ 30,055,454</u>	<u>\$ 24,199,158</u>	<u>\$ 3,719,957</u>	<u>\$ 50,534,655</u>	<u>\$ 13,265,026</u>

Compensated absences, other postemployment benefits, and pension benefits 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.

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. In 2019, the County issued the 2019C GO Capital Improvement Refunding Bonds in the amount of \$11,490,000 to refinance the 2013 GO Capital Improvement Bonds. The refunding proceeds were held by the County as of December 31, 2019 and will be used to defease the 2013 bonds on the February 1, 2020 call date. The total cash savings attributable to the refunding of these bonds is \$512,801. At December 31, 2019, the County recognized an advance of \$3,411,000 representing the City's portion of the GO Bonds.

General obligation debt payable at December 31, 2019, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2019
Capital Improvement Bonds					
Series B - Refunding	2009	2022	0.85-3.55%	\$ 3,220,000	\$ 595,000
Capital Improvement	2013	2038	2.00-3.125%	14,260,000	11,870,000
CIP Refunding	2019	2038	2.00-3.00%	11,490,000	11,490,000
Total Governmental Activities - General Obligation Debt					<u>\$ 23,955,000</u>

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

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

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

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

General Obligation Debt	Principal	Interest
2020	\$ 12,060,000	\$ 534,897
2021	745,000	270,309
2022	760,000	252,220
2023	560,000	237,431
2024	570,000	226,131
2025-2029	3,000,000	954,156
2030-2034	3,305,000	623,666
2035-2038	2,955,000	178,600
Totals	\$ 23,955,000	\$ 3,277,410

***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 2016 and 2019 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 were 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.



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

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

***General Obligation Revenue Debt (Continued)***

General obligation revenue debt payable at December 31, 2019, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2019
General Obligation Revenue Debt					
Water Revenue Bonds - Heron Lake	2011	2022	0.50-3.00%	3,665,000	\$ 965,000
Water Revenue Bonds - Red Rock Crossover Refunding	2016	2033	3.00-4.50%	1,245,000	1,245,000
Water Revenue Bonds - Red Rock	2016	2056	2.25%	2,879,000	2,784,000
Water Revenue Bonds - Red Rock	2019	2059	2.75%	3,487,000	3,487,000
Total Governmental Activities - General Obligation Revenue Debt					<u>\$ 8,481,000</u>

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

General Obligation Revenue Debt

	Principal	Interest
2020	\$ 429,000	\$ 154,758
2021	501,000	195,149
2022	523,000	181,521
2023	181,000	172,294
2024	188,000	168,089
2025-2029	1,036,000	773,015
2030-2034	1,069,000	646,064
2035-2039	751,000	541,353
2040-2044	850,000	442,095
2045-2049	964,000	329,482
2050-2054	1,094,000	201,785
2055-2059	895,000	64,250
Totals	<u>\$ 8,481,000</u>	<u>\$ 3,869,855</u>

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**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, 2019, consists of the following:

Types of Indebtedness	Date of Issue	Final Maturity	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2019
General Obligation Drainage Debt					
Drainage Bonds	2013	2034	2.00-3.25%	\$ 700,000	\$ 365,000
Drainage Bonds	2014	2035	3.00-3.50%	1,380,000	625,000
Drainage Bonds	2015	2036	1.00-3.50%	915,000	810,000
Drainage Bonds	2016	2038	1.00-2.75%	3,495,000	3,345,000
Drainage Bonds	2017	2039	2.00-3.125%	3,370,000	3,370,000
Drainage Bonds	2019	2041	3.00-3.25%	4,140,000	4,140,000
Drainage Bonds	2019	2041	2.00-2.50%	4,435,000	4,435,000
Total Governmental Activities - General Obligation Drainage Debt					<u>\$ 17,090,000</u>

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

General Obligation Drainage Debt

	Principal	Interest
2020	\$ 375,000	\$ 456,524
2021	375,000	428,929
2022	725,000	417,921
2023	735,000	402,229
2024	755,000	385,881
2025-2029	4,010,000	1,657,224
2030-2034	4,545,000	1,105,338
2035-2039	4,480,000	460,457
2040-2041	1,090,000	31,588
Totals	<u>\$ 17,090,000</u>	<u>\$ 5,346,091</u>

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

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

***Loan Agreements – Direct Borrowing***

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

The outstanding Ag BMP loans contain a provision that if the County fails to comply with Minnesota Statute 17.117 or the terms of the loan agreement, the State Department of Agriculture may require immediate repayment of the outstanding principal balance.

Loan agreements payable at December 31, 2019, consists of the following:

<u>Types of Indebtedness</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates (%)</u>	<u>Original Issues Amount</u>	<u>Outstanding Balance December 31, 2019</u>
Loan Agreements - Direct Borrowing					
Septic Loans	2003	2023	-	\$ 38,900	<u>\$ 24,560</u>

Debt service requirements for the loan agreements are as follows:

Loan Agreements - Direct Borrowing

	<u>Principal</u>	<u>Interest</u>
2020	\$ 8,390	\$ -
2021	8,390	-
2022	3,890	-
2023	3,890	-
Totals	<u>\$ 24,560</u>	<u>\$ -</u>

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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, 2019, were as follows:

Fund	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	\$ 1,617,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,617,167
Advances to Other Governments	3,411,000	-	-	-	-	-	3,411,000
Inventory and Prepaid Items	520,845	141,175	-	-	-	15,679	677,699
Total Nonspendable	<u>5,549,012</u>	<u>141,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,679</u>	<u>5,705,866</u>
<b>Restricted</b>							
Cemetery	1,000	-	-	-	-	-	1,000
Recorder's Equipment	93,559	-	-	-	-	-	93,559
E-911	383,791	-	-	-	-	-	383,791
Integrated Land Records	190,970	-	-	-	-	-	190,970
Aquatic Invasive Species	331,860	-	-	-	-	-	331,860
Sheriff's Contingency	26,046	-	-	-	-	-	26,046
Sheriff's Forfeiture Fund	20,000	-	-	-	-	-	20,000
Fish and Wildlife Trust	216,047	-	-	-	-	-	216,047
Riparian Buffer Aid	433,642	-	-	-	-	-	433,642
Gun Permits	114,974	-	-	-	-	-	114,974
DUI Forfeitures	3,548	-	-	-	-	-	3,548
Sheriff's Statutory Penalty	600	-	-	-	-	-	600
Attorney's Statutory Penalty	360	-	-	-	-	-	360
Law Library	2,153	-	-	-	-	-	2,153
SCORE	151,804	-	-	-	-	-	151,804
Juvenile Restitution	422	-	-	-	-	-	422
Attorney	19,616	-	-	-	-	-	19,616
Elections	760	-	-	-	-	-	760
Concrete Settlement Funds	-	249,853	-	-	-	-	249,853
Library	-	-	-	-	-	7,759	7,759
Ditch	-	-	2,937,117	-	-	-	2,937,117
Public Works Building	-	-	-	-	-	324,056	324,056
Debt Service	-	-	2,514,572	1,880,023	20,262,361	-	24,656,956
Total Restricted	<u>1,991,152</u>	<u>249,853</u>	<u>5,451,689</u>	<u>1,880,023</u>	<u>20,262,361</u>	<u>331,815</u>	<u>30,166,893</u>
<b>Committed</b>							
Change Funds	900	-	-	-	-	-	900
Capital Projects	3,274,248	-	-	-	-	-	3,274,248
Jackson Sheriff	177,289	-	-	-	-	-	177,289
Revolving Loan Fund	239,501	-	-	-	-	-	239,501
Future Road and Bridge Expenditures	-	6,285,885	-	-	-	-	6,285,885
Future Library Expenditures	-	-	-	-	-	168,940	168,940
Total Committed	<u>3,691,938</u>	<u>6,285,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,940</u>	<u>10,146,763</u>
<b>Assigned</b>							
Severance Pay	108,510	-	-	-	-	-	108,510
Health Insurance	279,348	-	-	-	-	-	279,348
Information Systems	296,146	-	-	-	-	-	296,146
DVHHS	120,500	-	-	-	-	-	120,500
Drivers License	3,140	-	-	-	-	-	3,140
Lakes Improvement	10,406	-	-	-	-	-	10,406
Abatements	41,046	-	-	-	-	-	41,046
Veteran's Van	41,501	-	-	-	-	-	41,501
Furniture	3,586	-	-	-	-	-	3,586
Rural Signage	24,893	-	-	-	-	-	24,893
Buildings	449,593	-	-	-	-	-	449,593
Compensation Plan Pool	412,005	-	-	-	-	-	412,005
United Community Action Partnership	8,355	-	-	-	-	-	8,355
Emergency Management	34,864	-	-	-	-	-	34,864
Elections and Redistricting	59,482	-	-	-	-	-	59,482

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**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	\$ 3,231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,231
Assessor	15,442	-	-	-	-	-	15,442
Planning and Zoning	5,660	-	-	-	-	-	5,660
Sheriff K-9 Unit	8,084	-	-	-	-	-	8,084
Parks Improvement and Maintenance	-	94	-	-	-	-	94
Landfill Assurance	130,973	-	-	-	-	-	130,973
Septic Loan	88,821	-	-	-	-	-	88,821
Total Assigned	<u>2,145,586</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,145,680</u>
<b>Unassigned</b>	<u>4,010,114</u>	<u>-</u>	<u>(1,099,893)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,910,221</u>
Total Fund Balances	<u>\$ 17,993,862</u>	<u>\$ 6,677,007</u>	<u>\$ 3,741,796</u>	<u>\$ 1,880,023</u>	<u>\$ 20,262,361</u>	<u>\$ 516,434</u>	<u>\$ 51,071,483</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	\$ 47,480	<u>\$ 50,161</u>
Petty Cash	355	
Total	<u>\$ 47,835</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.

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**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	\$ 238,189	\$ -	\$ -	\$ 238,189	20
Less: Accumulated Depreciation	(120,707)	(10,855)	-	(131,562)	
Totals	<u>\$ 117,482</u>	<u>\$ (10,855)</u>	<u>\$ -</u>	<u>\$ 106,627</u>	

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

F. Component Unit – Historical Society

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

1. Basis of Accounting/Measurement Focus

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

2. Deposits and Investments

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

	Carrying Value	Bank Balance
Deposits	\$ 109,161	\$ 109,825
Certificates of Deposit	6,818	6,818
Total Cash and Investments	<u>\$ 115,979</u>	<u>\$ 116,643</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.

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

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

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

The Historical Society does not have an investment policy.

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Equipment	\$ 79,409	\$ -	\$ -	\$ 79,409	10-20
Less: Accumulated Depreciation	(28,006)	(4,654)	-	(32,660)	
Total	<u>\$ 51,403</u>	<u>\$ (4,654)</u>	<u>\$ -</u>	<u>\$ 46,749</u>	

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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 defined pension plans administered by PERA. General Employee Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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 local relief associations 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. 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.



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

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 percent after five years up to 100 percent after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

B. Benefits Provided (Continued)

3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50 percent after five years up to 100 percent after 10 years of credited service. The annuity accrual rate is 1.9 percent of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 100 percent of the COLA announced by SSA, with a minimum increase of at least 1 percent and a maximum of 2.5 percent. If the plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.5 percent to 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employee Plan Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019. The County was required to contribute 7.50 percent for Coordinated Plan members. The County's contributions to the General Employee Plan for the year ended December 31, 2019, were \$290,699. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The County's contributions to the Police and Fire Plan for the year ended December 31, 2019, were \$153,012. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Plan Contributions

Plan members were required to contribute 5.83 percent of their annual covered salary in fiscal year 2019. The County was required to contribute 8.75 percent of pay for plan members. The County's contributions to the Correctional Plan for the year ended December 31, 2019, were \$61,140. The County's contributions were equal to the required contributions as set by state statute.

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

D. Pension Costs

1. General Employees Plan Pension Costs

At December 31, 2019, the County reported a liability of \$2,957,896 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 \$16 million to the fund in fiscal year 2019. The state of Minnesota is considered a nonemployer 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 \$91,829.

The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion share was 0.0535 percent which was a decrease of 0.0010 percent from its proportionate share measured as of June 30, 2018.

County's Proportionate Share of the Net Pension Liability	\$	2,957,896
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County		91,829
Total	\$	3,049,725

For the year ended December 31, 2019, the County recognized pension expense of \$330,818 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$6,877 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Plan.

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

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

At December 31, 2019, 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	\$ 81,974	\$ -
Changes in Actuarial Assumptions	-	232,493
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		299,817
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	53,731
County Contributions Subsequent to the Measurement Date	148,826	-
Total	<u>\$ 230,800</u>	<u>\$ 586,041</u>

The \$148,826 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, 2020.

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>
2020	\$ (180,411)
2021	(253,650)
2022	(74,772)
2023	4,766

2. Police and Fire Fund Pension Costs

At December 31, 2019, the County reported a liability of \$921,944 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the County's proportionate share was 0.0866 percent which was a decrease of 0.0021 percent from its proportionate share measured as of June 30, 2018.

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

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The County also recognized \$11,691 for the year ended December 31, 2019 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 until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the County recognized pension expense of \$120,733 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, 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	\$ 39,145	\$ 140,330
Changes in Actuarial Assumptions	765,068	1,035,061
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	192,019
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	44,681	66,525
County Contributions Subsequent to the Measurement Date	<u>77,662</u>	-
Total	<u>\$ 926,556</u>	<u>\$ 1,433,935</u>

The \$77,662 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, 2020. 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>
2020	\$ (73,563)
2021	(138,496)
2022	(370,329)
2023	4,257
2024	(6,910)

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

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2019, the County reported a liability of \$44,027 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County proportionate share was 0.3180 percent which was an increase of 0.0070 percent from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of \$91,715 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2019, 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	\$ 1,618	\$ 7,198
Changes in Actuarial Assumptions	-	390,884
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	56,651
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	18,007	-
County Contributions Subsequent to the Measurement Date	30,677	-
Total	<u>\$ 50,302</u>	<u>\$ 454,733</u>

The \$30,677 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, 2020. 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
2020	\$ (227,411)
2021	(196,978)
2022	(11,146)
2023	427

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

D. Pension Costs (Continued)

4. Total Pension Expense

Governmental Activities recognized pension expense of \$550,143 for the year ended December 31, 2019.

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 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 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Plan

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contributions was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

E. Actuarial Assumptions (Continued)

Police and Fire Plan

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Correctional Plan

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Totals	<u>100.0 %</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 2019 was 7.50 percent. 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, the Police and Fire Fund, and the Correctional Fund were 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.

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%	\$ 4,862,620	6.50%	\$ 2,015,199	6.50%	\$ 469,238
Current	7.50	2,957,896	7.50	921,944	7.50	44,027
1% Increase	8.50	1,385,166	8.50	18	8.50	(296,211)

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).

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**NOTE 5    DEFINED CONTRIBUTION PLAN**

Five Commissioners of the County are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Defined Contribution Plan 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 plan provisions, including 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 (0.25 percent) of the assets in each member's account annually.

The employer's contribution amounts for the years ending December 31, 2019, 2018, and 2017 were \$5,667, \$5,481, and \$5,331, respectively, equal to the contractually required contributions for each year as set by State Statute.

**JACKSON COUNTY  
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STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

**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.

Active employees without coverage are assumed not to elect retiree health coverage. They do not generate GASB liabilities and have been excluded from the valuation.

**C. Employees Covered by Benefit Terms**

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	13
Active Plan Members	98
Total	<u>111</u>

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

D. Total OPEB Liability

The County's total OPEB liability of \$1,074,485 was measured as of December 31, 2019 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 health care 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, 2019 was determined using the entry age normal level percent 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, 2019 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
Health Care Trend Rates	years

The discount rate of 3.26 percent as of December 31, 2019 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).

Payroll growth is based on the PERA actuarial valuation as of July 1, 2018.

Mortality rates were based on SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for actives and retirees. For surviving spouses, mortality rates were based on SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019.

An experience study has not been performed in recent years.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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DECEMBER 31, 2019**

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

F. Changes in Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2018	\$ 1,179,464
Changes for the Year:	
Service Cost	83,880
Interest	50,128
Differences Between Expected and Actual Experience	(245,061)
Change in Assumptions	94,328
Benefit Payments	(88,254)
Net Changes	(104,979)
Balances at December 31, 2019	\$ 1,074,485

The following changes in actuarial assumptions have been updated for this valuation in accordance with GASB 75:

- The discount rate as of December 31, 2019 decreased by 0.85 percent, to a discount rate of 3.26 percent. This change increased liabilities.
- Mortality tables were updated from RPH-2017 Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2017 to:
  - SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for actives and retirees.
  - SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses.
 This change slightly increased liabilities.
- The health care trend rate was changed from a rate of 7.5 percent decreasing to an ultimate rate of 4.5 percent, to 8.0 percent decreasing to an ultimate rate of 4.5 percent. This change increased liabilities.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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DECEMBER 31, 2019**

**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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current discount rate:

	Discount Rate		
	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
OPEB Liability	\$ 1,138,790	\$ 1,074,485	\$ 1,014,065

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 health care 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 health care cost trend rates:

	Health Care Cost		
	1% Decrease (7.0% decreasing to 3.5%)	Current Trend Rates (8.0% decreasing to 4.5%)	1% Increase (9.0% decreasing to 5.5%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
OPEB Liability	\$ 977,390	\$ 1,074,485	\$ 1,187,575

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

For the year ended December 31, 2019, the County recognized OPEB expense of \$129,737. At December 31, 2019, 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	\$ 52,237	\$ 234,957
Change of Assumptions	181,187	42,932
Total	<u>\$ 233,424</u>	<u>\$ 277,889</u>

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
2020	\$ (4,271)
2021	(4,271)
2022	(4,271)
2023	(4,271)
2024	(4,271)
Thereafter	(23,110)

**JACKSON COUNTY  
JACKSON, MINNESOTA  
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DECEMBER 31, 2019**

**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 2019. 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  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

**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, 2019, a balance of \$7,441,000 is outstanding for the general obligation revenue bonds and the advance.



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

B. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

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

Bonds were issued by Lincoln County, Nobles County, and Yellow Medicine County to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent 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 2019 financial report shows total net position of \$56,069,742 including unrestricted net position of \$8,052,891. The increase in net position for the year ended December 31, 2019, was \$1,108,041.

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  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

**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, 2019:

Total Assets	\$ 1,596,274
Total Liabilities	394,112
Total Net Position	1,202,162
Total Revenues	3,303,647
Total Expenses	3,558,197
Net Increase (Decrease) in Net Position	(254,550)

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, nonprofit 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 2019, Jackson County contributed \$2,739,815 to DVHHS. Complete financial statements for DVHHS can be obtained at 407 Fifth Street, Jackson, Minnesota 56143.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

**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, \$2,500 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, \$41,909 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. No services were purchased by the County from the Cooperative in 2019.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

**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 \$689,111 as of December 31, 2019.

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  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

**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 2019, there were 10 pay-as-you-go notes within the County. The tax increment taxes collected during 2019 totaled \$317,319. The County's portion of the captured tax capacity and related property taxes was approximately 30 percent.

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. Jackson County agrees to abate their respective share of the taxes received that are attributable to projects or stipulations provided in the agreements. If the taxpayers fail to perform their part of the agreement, the County will be repaid plus interest for the taxes abated. The County will recapture these abated taxes through continued operations of the local businesses and increased employment as stated in the agreements. The County abated taxes totaling \$46,448 for the year ending December 31, 2019, 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 \$25,034.

As of December 31, 2019, the County has not made any commitments as part of the agreements other than to reduce taxes.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

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

F. Commitments

The County entered into construction contracts which have not been completed as of December 31, 2019. The projects, contract amount and amount remaining are as follows:

Description	Remaining Balance	Contract Amount
Road Project - SAP 032-614-046	\$ 175,502	\$ 1,252,578
County Project - CP 032-100-035	262,410	768,000
JD 18 Improvement	484,723	1,399,236
JD 19 Improvement	689,376	3,527,927
CD 125 New Ditch Project	268,947	896,565
Total Construction Projects	<u>\$ 1,880,958</u>	<u>\$ 7,844,306</u>

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 carrying value of the building at December 31, 2019 is \$202,853. The rental revenue for the year ended December 31, 2019 totaled \$24,000. Future lease revenue is scheduled as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 24,000
2021	24,000
2022	24,000
2023	24,000
2024	24,000
Thereafter	288,000
Total	<u>\$ 408,000</u>

**NOTE 9 SUBSEQUENT EVENT**

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

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





**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST TEN MEASUREMENT PERIODS**

	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>	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	0.0535%	0.0545%	0.0545%	0.0550%	0.0558%
County's Proportionate Share of the Net Pension Liability	\$ 2,957,896	\$ 3,023,437	\$ 3,479,244	\$ 4,465,727	\$ 2,891,846
State's Proportionate Share of the Net Pension Liability	<u>\$ 91,829</u>	<u>\$ 99,019</u>	<u>\$ 43,729</u>	<u>\$ 58,305</u>	<u>\$ -</u>
Total Proportionate Share of the Net Pension Liability	\$ 3,049,725	\$ 3,122,456	\$ 3,522,973	\$ 4,524,032	\$ 2,891,846
County's Covered Payroll	\$ 3,786,293	\$ 3,663,627	\$ 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	78.12%	82.53%	99.15%	131.00%	88.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	75.90%	75.90%	68.90%	78.20%
<b>PERA - Public Employees Police and Fire Plan</b>					
County's Proportion of the Net Pension Liability	0.0866%	0.0887%	0.0850%	0.0880%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 921,944	\$ 945,451	\$ 1,147,601	\$ 3,531,593	\$ 1,022,611
County's Covered Payroll	\$ 934,636	\$ 934,438	\$ 877,156	\$ 847,948	\$ 825,683
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	98.64%	101.18%	130.83%	416.49%	123.85%
Liability	89.30%	88.80%	85.43%	63.90%	82.30%
<b>PERA - Local Government Correctional Plan</b>					
County's Proportion of the Net Pension Liability	0.3180%	0.3110%	0.3000%	0.3000%	0.3000%
County's Proportionate Share of the Net Pension Liability	\$ 44,027	\$ 51,150	\$ 855,003	\$ 1,095,942	\$ 46,380
County's Covered Payroll	\$ 678,297	\$ 635,234	\$ 595,404	\$ 558,328	\$ 545,796
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	6.49%	8.05%	143.60%	196.29%	8.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.20%	97.60%	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**

	2019	2018	2017
<b>PERA - General Employees Retirement Plan</b>			
Contractually Required Contribution	\$ 290,699	\$ 280,569	\$ 270,974
Contributions in Relation to the Contractually Required Contribution	(290,699)	(280,569)	(270,974)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 3,875,987	\$ 3,740,920	\$ 3,612,987
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
<b>PERA - Public Employees Police and Fire Plan</b>			
Contractually Required Contribution	\$ 153,012	\$ 155,519	\$ 145,596
Contributions in Relation to the Contractually Required Contribution	(153,012)	(155,519)	(145,596)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 944,519	\$ 959,994	\$ 898,741
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%
<b>PERA - Local Government Correctional Plan</b>			
Contractually Required Contribution	\$ 61,140	\$ 57,545	\$ 53,722
Contributions in Relation to the Contractually Required Contribution	(61,140)	(57,545)	(53,722)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 698,743	\$ 657,657	\$ 613,966
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%

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

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF COUNTY PENSION CONTRIBUTIONS (CONTINUED)  
LAST TEN FISCAL YEARS**

2016	2015	2014
\$ 265,225	\$ 250,132	\$ 237,443
(265,225)	(250,132)	(237,443)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,536,333	\$ 3,335,094	\$ 3,275,076
7.50%	7.50%	7.25%
\$ 136,790	\$ 137,126	\$ 125,159
(136,790)	(137,126)	(125,159)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 844,383	\$ 846,454	\$ 818,033
16.20%	16.20%	15.30%
\$ 50,028	\$ 47,952	\$ 48,092
(50,028)	(47,952)	(48,092)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 571,749	\$ 548,018	\$ 549,623
8.75%	8.75%	8.75%

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
LAST TEN FISCAL YEARS**

	Measurement Date		
	December 31, 2019	December 31, 2018	December 31, 2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 83,880	\$ 83,431	\$ 65,951
Interest	50,128	41,712	38,150
Changes of Assumptions	94,328	(57,244)	147,976
Differences Between Expected and Actual			
Experience	(245,061)	69,649	(30,792)
Benefit Payments	(88,254)	(91,877)	(61,009)
<b>Net Change in Total OPEB Liability</b>	(104,979)	45,671	160,276
<b>Total OPEB Liability - Beginning</b>	1,179,464	1,133,793	973,517
<b>Total OPEB Liability - Ending</b>	<u>\$ 1,074,485</u>	<u>\$ 1,179,464</u>	<u>\$ 1,133,793</u>
Covered-employee Payroll	\$ 5,284,070	\$ 4,946,868	\$ 4,791,155
County's Total OPEB Liability as a Percentage of Covered-employee Payroll	20.3%	23.8%	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.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 8,302,355	\$ 8,486,669	\$ 184,314
Intergovernmental	642,022	1,445,994	803,972
License and Permits	10,000	6,675	(3,325)
Fines, Forfeitures, and Penalties	25,950	33,183	7,233
Charges for Services	1,374,576	1,443,447	68,871
Special Assessments	189,959	229,280	39,321
Investment Earnings	123,793	472,396	348,603
Miscellaneous	673,891	730,872	56,981
Total Revenues	11,342,546	12,848,516	1,505,970
<b>EXPENDITURES</b>			
Current			
General Government	3,759,847	3,712,846	47,001
Public Safety	3,216,656	3,249,357	(32,701)
Health and Human Services	2,894,334	2,960,995	(66,661)
Culture and Recreation	91,750	94,690	(2,940)
Conservation of Natural Resources	799,080	738,844	60,236
Economic Development	144,589	42,300	102,289
Capital Outlay	352,300	591,525	(239,225)
Debt Service			
Principal	13,390	8,390	5,000
Total Expenditures	11,271,946	11,398,947	(127,001)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	70,600	1,449,569	1,378,969
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	279,306	279,306
Transfers Out	(70,900)	(70,900)	-
Proceeds from Sale of Assets	300	549	249
Total Other Financing Sources (Uses)	(70,600)	208,955	279,555
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	1,658,524	\$ 1,658,524
Fund Balance - Beginning of Year		16,335,338	
<b>FUND BALANCE - END OF YEAR</b>		\$ 17,993,862	

*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, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 2,414,377	\$ 2,216,102	\$ (198,275)
Licenses and Permits	21,550	37,379	15,829
Intergovernmental	6,238,935	6,638,921	399,986
Charges for Services	999,000	949,500	(49,500)
Miscellaneous	18,500	297,852	279,352
Total Revenues	<u>9,692,362</u>	<u>10,139,754</u>	<u>447,392</u>
<b>EXPENDITURES</b>			
Current			
Administration	421,377	399,806	21,571
Maintenance	1,979,992	2,250,061	(270,069)
Construction	396,003	331,651	64,352
Equipment Maintenance and Shop	1,153,976	1,016,674	137,302
Materials and Services for Resale	287,992	224,688	63,304
Other	276,854	240,549	36,305
Capital Outlay	5,240,387	5,585,757	(345,370)
Total Expenditures	<u>9,756,581</u>	<u>10,049,186</u>	<u>(292,605)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(64,219)</u>	<u>90,568</u>	<u>154,787</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	45,000	70,900	25,900
Proceeds from Sale of Assets	35,001	197	(34,804)
Total Other Financing Sources (Uses)	<u>80,001</u>	<u>71,097</u>	<u>(8,904)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 15,782</u>	<u>161,665</u>	<u>\$ 145,883</u>
Fund Balance - Beginning of Year		6,516,355	
Decrease in Inventory		<u>(1,013)</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 6,677,007</u>	

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

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**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, and 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, Public Works Capital Project Fund, and Street Reconstruction Debt Service 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 2019.

**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, 2019:

Fund	Budgeted Expenditures	Actual Expenditures	Excess
General Fund	\$ 11,271,946	\$ 11,398,947	\$ 127,001
Road and Bridge Fund	9,756,581	10,049,186	292,605

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

**III. Pension and OPEB**

Pension and OPEB 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  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**IV. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30.

A. General Employees Fund

2019

*Changes in Actuarial Assumptions*

- The mortality projection scale was changed from MP-2017 to MP-2018.

*Changes in Plan Provisions*

- The employer supplemental contributions was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

*Changes in Actuarial Assumptions*

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

*Changes in Plan Provisions*

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

*Changes in Actuarial Assumptions*

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and nonvested 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 nonvested deferred member liability.
- The assumed postretirement 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.



**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**IV. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)**

2017 (Continued)

*Changes in Plan Provisions*

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation

2015

*Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

*Changes in Plan Provisions*

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**B. Police and Fire Fund**

2019

*Changes in Actuarial Assumptions*

- The mortality projection scale was changed from MP-2017 to MP-2018.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**IV. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)**

B. Police and Fire Fund (Continued)

2018

*Changes in Actuarial Assumptions*

- The mortality projection scale was changed from MP-2016 to MP-2017.

*Changes in Plan Provisions*

- Postretirement benefit increases were changed to 1.0 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019, and 17.7 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

*Changes in Actuarial Assumptions*

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect was proposed rates that averaged 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 30.0 percent for vested and nonvested deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 percent for nonvested 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 65.0 percent to 60.0 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.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**IV. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)**

B. Police and Fire Fund (Continued)

2017 (Continued)

*Changes in Actuarial Assumptions (Continued)*

- The assumed postretirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2016

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2015

*Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

*Changes in Plan Provisions*

- The postretirement benefit increase to be paid after the attainment of the 90.0 percent funding threshold was changed from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**IV. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)**

C. Correctional Fund

2019

*Changes in Actuarial Assumptions*

- The mortality projection scale was changed from MP-2017 to MP-2018.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2018

*Changes in Actuarial Assumptions*

- The Single Discount Rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50 per year to 2.00 percent per year.

*Changes in Plan Provisions*

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed from 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.5 percent per year with a provision to reduce to 1.0 percent if the funding status declines to a certain level, to 100 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 2.5 percent, beginning January 1, 2019. If the funding status declines to 85.0 percent for two consecutive years or 80.0 percent for one year, the maximum increase will be lowered to 1.5 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

*Changes in Actuarial Assumptions*

- 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 nonvested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for nonvested members.
- The Single Discount Rate was changed from 5.31 percent per annum to 5.96 percent per annum.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**IV. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)**

C. Correctional Fund

2017 (Continued)

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2016

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2015

*Changes in Actuarial Assumptions*

- There have been no changes since the prior valuation.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

**JACKSON COUNTY  
JACKSON, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**V. OPEB**

The following changes were reflected in the valuation performed on behalf of Jackson County Other Post Employment Obligations for the year then ended December 31.

**2019**

- The discount rate as of December 31, 2019 decreased by 0.85 percent, to a discount rate of 3.26 percent. This change increased liabilities.
- Mortality tables were updated from RPH-2017 Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2017 to:
  - SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for actives and retirees.
  - SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses.

This change slightly increased liabilities.

- The health care trend rate was changed from a rate of 7.5 percent decreasing to an ultimate rate of 4.5 percent, to 8.0 percent decreasing to an ultimate rate of 4.5 percent. This change increased liabilities.

**2018**

- The discount rate increased by 0.55 percent to a discount rate of 4.11 percent.
- The health care trend rate was changed from a rate of 8.0 percent decreasing to an ultimate rate of 4.5 percent, to 7.5 percent decreasing to an ultimate rate of 4.5 percent.

**2017**

- The actuarial cost method was updated from Entry Age Normal Levy Dollar to Entry Age Normal Level Percent of Salary. In conjunction with the cost method change, the payroll growth assumption was updated to follow Minnesota PERA actuarial valuation assumption used in the July 1, 2016 actuarial valuation. The net impact of these changes was a decrease in liabilities.
- The discount rate as of December 31, 2017 was based on a yield for 20-year tax-exempt, high quality, general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The prior valuation used a discount rate of 3.0 percent. The discount rate was increased to 3.56 percent. This caused a decrease in liabilities.
- The retirement rate assumption was updated from 100 percent 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 were 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 liabilities.
- Health care trend rates were updated to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent. VEBA contributions are assumed to increase at 3.0 percent annually. This change caused an increase in liabilities.

## **SUPPLEMENTARY INFORMATION**





JACKSON COUNTY  
JACKSON, MINNESOTA  
DESCRIPTION OF FUNDS  
DECEMBER 31, 2019

**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, 2019**

	Library Special Revenue	Public Works Facility Capital Project	Street Reconstruction Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 208,260	\$ -	\$ -	\$ 208,260
Undistributed Cash in Agency Funds	4,889	-	-	4,889
Receivables				
Taxes	6,500	-	-	6,500
Inventories and Prepaid Items	15,679	-	-	15,679
Restricted Assets				
Cash and Investments	-	328,203	-	328,203
Total Assets	<u>\$ 235,328</u>	<u>\$ 328,203</u>	<u>\$ -</u>	<u>\$ 563,531</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,063	\$ 4,147	\$ -	\$ 7,210
Accrued Liabilities	31,396	-	-	31,396
Due to Other Governments	176	-	-	176
Total Liabilities	34,635	4,147	-	38,782
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	3,426	-	-	3,426
Taxes Levied for Subsequent Period	4,889	-	-	4,889
Total Deferred Inflows of Resources	8,315	-	-	8,315
<b>FUND BALANCES</b>				
Nonspendable	15,679	-	-	15,679
Restricted	7,759	324,056	-	331,815
Committed	168,940	-	-	168,940
Total Fund Balances	192,378	324,056	-	516,434
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 235,328</u>	<u>\$ 328,203</u>	<u>\$ -</u>	<u>\$ 563,531</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	Library Special Revenue	Public Works Facility Capital Project	Street Reconstruction Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 504,501	\$ -	\$ -	\$ 504,501
Intergovernmental	44,113	-	-	44,113
Investment Earnings	820	4,283	2,250	7,353
Miscellaneous	30,735	-	-	30,735
Total Revenues	580,169	4,283	2,250	586,702
<b>EXPENDITURES</b>				
Current				
Culture and Recreation	551,169	-	-	551,169
Capital Outlay	5,225	-	-	5,225
Total Expenditures	556,394	-	-	556,394
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	23,775	4,283	2,250	30,308
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(279,306)	(279,306)
Total Other Financing Sources (Uses)	-	-	(279,306)	(279,306)
<b>NET CHANGE IN FUND BALANCES</b>	23,775	4,283	(277,056)	(248,998)
Fund Balances - Beginning of Year	168,603	319,773	277,056	765,432
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 192,378</u>	<u>\$ 324,056</u>	<u>\$ -</u>	<u>\$ 516,434</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
DETAILED BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND EXPENDITURES  
YEAR ENDED DECEMBER 31, 2019**

<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	\$ 375,650	\$ 366,156	\$ 9,494
Court Administrator	53,000	76,475	(23,475)
Drivers License	33,001	29,307	3,694
County Assessor	429,897	407,349	22,548
Elections	14,000	19,215	(5,215)
Attorney	402,938	386,922	16,016
Law Library	20,200	20,525	(325)
Recorder	152,307	153,560	(1,253)
Buildings and Plant	403,294	417,567	(14,273)
Veterans Service Officer	83,591	78,936	4,655
County Auditor-Treasurer	385,579	395,076	(9,497)
Planning and Zoning Coordinator	86,156	82,594	3,562
Information Systems	243,377	254,975	(11,598)
Central Services	529,219	568,605	(39,386)
Fleet Management	27,500	25,831	1,669
Other General Government	-	2,089	(2,089)
	520,138	427,664	92,474
Total General Government	3,759,847	3,712,846	47,001
Public Safety			
Sheriff	1,674,428	1,637,605	36,823
Jail	1,129,319	1,117,646	11,673
Court Services	201,198	195,457	5,741
E911	26,000	102,250	(76,250)
Remote Electronic Alcohol Monitor	3,000	1,929	1,071
Probation	97,829	90,466	7,363
Emergency Management	60,882	62,683	(1,801)
Other Public Safety	24,000	41,321	(17,321)
Total Public Safety	3,216,656	3,249,357	(32,701)
Health and Human Services			
Environmental Health	142,519	209,180	(66,661)
Appropriations for Health and Human Services	2,751,815	2,751,815	-
Total Health and Human Services	2,894,334	2,960,995	(66,661)
Culture and Recreation			
Other	91,750	94,690	(2,940)
Total Culture and Recreation	91,750	94,690	(2,940)

**JACKSON COUNTY  
JACKSON, MINNESOTA  
DETAILED BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND EXPENDITURES  
YEAR ENDED DECEMBER 31, 2019**

	<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	\$ 163,150	\$ 146,694	\$ 16,456
Recycling	238,588	241,659	(3,071)
Water Planning	127,958	102,821	25,137
Soil and Water Conservation	139,383	139,388	(5)
Soil and Water Technician	<u>130,001</u>	<u>108,282</u>	<u>21,719</u>
Total Conservation of Natural Resources	799,080	738,844	60,236
Economic Development			
Appropriations for Economic Development	144,589	42,300	102,289
Capital Outlay	352,300	591,525	(239,225)
Debt Service			
Principal	<u>13,390</u>	<u>8,390</u>	<u>5,000</u>
Total Expenditures	<u>\$ 11,271,946</u>	<u>\$ 11,398,947</u>	<u>\$ (127,001)</u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 1,103,385	\$ 1,016,878	\$ (86,507)
Intergovernmental	87,526	85,962	(1,564)
Investment Income	-	5,512	5,512
Miscellaneous	-	105,947	105,947
<b>Total Revenues</b>	<b>1,190,911</b>	<b>1,214,299</b>	<b>23,388</b>
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	670,000	718,000	(48,000)
Interest and Fiscal Charges	380,798	385,888	(5,090)
Bond Issue Costs	-	205,142	(205,142)
<b>Total Expenditures</b>	<b>1,050,798</b>	<b>1,309,030</b>	<b>(258,232)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>140,113</b>	<b>(94,731)</b>	<b>(234,844)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance on Long-term Debt	-	14,977,000	14,977,000
Premium on Long-term Debt	-	100,555	100,555
Payment to Escrow Agent	-	(1,172,709)	(1,172,709)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>13,904,846</b>	<b>13,904,846</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 140,113</b>	<b>13,810,115</b>	<b>\$ 13,670,002</b>
Fund Balance - Beginning of Year		6,452,246	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 20,262,361</b>	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
LIBRARY SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 505,711	\$ 504,501	\$ (1,210)
Intergovernmental	42,946	44,113	1,167
Investment Income	250	820	570
Miscellaneous	11,700	30,735	19,035
	<hr/>	<hr/>	<hr/>
Total Revenues	560,607	580,169	19,562
<b>EXPENDITURES</b>			
Current			
Culture and Recreation	546,317	551,169	(4,852)
Capital Outlay	7,500	5,225	2,275
	<hr/>	<hr/>	<hr/>
Total Expenditures	553,817	556,394	(2,577)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	6,790	23,775	16,985
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	(6,790)	-	6,790
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(6,790)	-	6,790
<b>NET CHANGE IN FUND BALANCE</b>			
	<u>\$ -</u>	23,775	<u>\$ 23,775</u>
Fund Balance - Beginning of Year		<hr/>	<hr/>
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 192,378</u>	

**JACKSON COUNTY  
JACKSON, MINNESOTA  
DESCRIPTION OF AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2019**

**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, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<b>AGENCY</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 96,263	\$ 791,533	\$ 780,970	\$ 106,826
Accounts Receivable	137	393	137	393
Total Assets	<u>\$ 96,400</u>	<u>\$ 791,926</u>	<u>\$ 781,107</u>	<u>\$ 107,219</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 96,400</u>	<u>\$ 791,926</u>	<u>\$ 781,107</u>	<u>107,219</u>
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Investments	<u>\$ 405,337</u>	<u>\$ 27,246,173</u>	<u>\$ 27,295,944</u>	<u>\$ 355,566</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 405,337</u>	<u>\$ 27,246,173</u>	<u>\$ 27,295,944</u>	<u>\$ 355,566</u>
<b>SHERIFF</b>				
<b>ASSETS</b>				
Cash and Investments	<u>\$ 31,090</u>	<u>\$ 70,291</u>	<u>\$ 90,915</u>	<u>\$ 10,466</u>
<b>LIABILITIES</b>				
Deposits	<u>\$ 31,090</u>	<u>\$ 70,291</u>	<u>\$ 90,915</u>	<u>\$ 10,466</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>POOLED ASSETS</b>				
Cash and Investments	\$ 532,690	\$ 28,107,997	\$ 28,167,829	\$ 472,858
Accounts Receivable	137	393	137	393
Total Assets	<u>\$ 532,827</u>	<u>\$ 28,108,390</u>	<u>\$ 28,167,966</u>	<u>\$ 473,251</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 501,737	\$ 28,038,099	\$ 28,077,051	\$ 462,785
Deposits	31,090	70,291	90,915	10,466
Total Liabilities	<u>\$ 532,827</u>	<u>\$ 28,108,390</u>	<u>\$ 28,167,966</u>	<u>\$ 473,251</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, 2019**

<b>OPERATING REVENUES</b>	
County Appropriation	\$ 40,000
Fair Operations	84,904
Grants	21,003
Donations	5,902
Rental Income and Other Miscellaneous	26,376
Total Operating Revenues	<u>178,185</u>
<b>OPERATING EXPENSES</b>	
Repairs and Maintenance	26,137
Salaries and Fringe Benefits	35,701
Utilities	17,974
Insurance	4,325
Depreciation	10,855
Miscellaneous Fair Operations	82,340
Total Operating Expenses	<u>177,332</u>
<b>OPERATING INCOME</b>	853
<b>OTHER NONOPERATING REVENUE</b>	
Gain on Sale of Asset	<u>4,000</u>
Change in Net Position	4,853
Net Position - Beginning of Year	<u>143,777</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 148,630</u></u>

**JACKSON COUNTY  
 JACKSON, MINNESOTA  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION – COMPONENT UNIT  
 JACKSON COUNTY HISTORICAL SOCIETY  
 YEAR ENDED NOVEMBER 30, 2019**

**OPERATING REVENUES**

County Appropriation	\$	51,000
Grants and Donations		23,830
Miscellaneous		5,846
Total Operating Revenues		80,676

**OPERATING EXPENSES**

Repairs and Maintenance		1,323
Salaries and Fringe Benefits		35,657
Utilities		7,479
Insurance		2,945
Depreciation		4,654
Miscellaneous		9,323
Total Operating Expenses		61,381

**OPERATING INCOME**

19,295

Net Position - Beginning of Year

141,836

**NET POSITION - END OF YEAR**

\$ 161,131

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF CASH FLOWS – COMPONENT UNIT  
JACKSON COUNTY FAIR ASSOCIATION  
YEAR ENDED SEPTEMBER 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from County	\$	40,000
Received from Various Other Sources		138,185
Paid to Suppliers for Goods and Services		(128,762)
Paid to Employers and Others for Services and Related Benefits		(40,761)
Net Cash Provided by Operating Activities		8,662

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

Sale of Capital Assets		4,000
Net Cash Provided By Capital and Related Financing Activities		4,000

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

12,662

Cash and Cash Equivalents - Beginning of Year

35,173

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

\$ 47,835

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

Operating Income	\$	853
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		10,855
Change in Accounts Payable		2,014
Change in Accrued Liabilities		(5,060)
Net Cash Provided by Operating Activities		\$ 8,662

**JACKSON COUNTY  
JACKSON, MINNESOTA  
STATEMENT OF CASH FLOWS – COMPONENT UNIT  
JACKSON COUNTY HISTORICAL SOCIETY  
YEAR ENDED NOVEMBER 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from County	\$ 51,000
Received from Various Other Sources	29,676
Paid to Suppliers for Goods and Services	(20,971)
Paid to Employers and Others for Services and Related Benefits	(35,690)
Net Cash Provided by Operating Activities	24,015

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

24,015

Cash and Cash Equivalents - Beginning of Year

91,964

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

\$ 115,979

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

Operating Income	\$ 19,295
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation	4,654
Change in Accounts Payable	99
Change in Accrued Liabilities	(33)
Net Cash Provided by Operating Activities	\$ 24,015

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Total Primary Government</u>
<b>SHARED REVENUE</b>	
<b>STATE</b>	
Highway Users Tax	\$ 6,120,151
County Program Aid	517,661
PERA Rate Increase	34,267
Performance Aid	1,391
Disparity Reduction Aid	51,421
Police Aid	70,322
Enhanced 911	81,544
Aquatic Invasive Species	81,068
Riparian Buffer Aid	133,963
Market Value Credit	<u>303,520</u>
Total Shared Revenue	7,395,308
Local - Payments in Lieu of Taxes	195,238
<b>GRANTS</b>	
<b>STATE</b>	
Minnesota Department of Corrections	23,966
Natural Resources	3,306
Public Safety	68,844
Veterans Services	5,610
Secretary of State	42,018
Water and Soil Resources Board	80,648
Pollution Control Agency	67,729
Peace Officer Standards and Training Board	<u>13,919</u>
Total State	306,040
<b>FEDERAL</b>	
Department of: Agriculture	5,138
Transportation	63,218
Health and Human Services	21,533
Homeland Security	<u>228,515</u>
Total Federal	<u>318,404</u>
Total State and Federal	<u>624,444</u>
Total Intergovernmental Revenue	<u><u>\$ 8,214,990</u></u>

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET – BY DITCH – NON-GAAP BASIS  
DITCH SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2019**

	Assets					Total Assets
	Cash	Special Assessment Receivable		Due From Other Governments	Due From Other Funds	
	Balance 12/31/2019	Deferred	Delinquent			
Cons 1JC	\$ 37,790	\$ 11,959	\$ 15	\$ 191	\$ 4	\$ 49,959
JD 2	329	-	2,483	-	500	3,312
JD 3	5,422	-	174	-	442	6,038
CD 3	46,685	-	2	-	248	46,935
CD 3 Petition	-	-	-	-	-	-
JD 4NJ	380	-	379	27	-	786
JD 6	301	-	668	-	803	1,772
JD 7	29,944	-	-	-	-	29,944
CD 7	13,700	-	-	-	-	13,700
JD 8	310	-	52	-	1,593	1,955
CD 8	12,817	-	-	-	193	13,010
JD 9NJ	359	-	128	7,913	-	8,400
CD 10	6,066	-	-	-	150	6,216
JD 11JM	2,936	-	2	3,823	257	7,018
CD 11	42,146	-	-	-	304	42,450
JD 12	40,340	-	-	-	104	40,444
JD 12CJ	2,277	-	-	-	-	2,277
JD 13JN	365	-	315	3,236	844	4,760
JD 13JN Petition	340	-	-	-	-	340
CD 13	2,925	-	221	-	493	3,639
JD 14	52,999	-	27	-	1	53,027
CD 14	320	-	-	-	858	1,178
JD 15MJ	89,375	-	-	506	153	90,034
JD 15 Bond	0	-	-	-	-	-
CD 15	368	-	-	-	113	481
JD 16JC	378	-	-	1,182	475	2,035
CD 16	18,984	-	128	-	-	19,112
JD 17NJ	2,663	-	-	316	-	2,979
JD 18	17,874	-	-	-	71	17,945
JD 18 Petition	703,764	-	-	-	-	703,764
JD 19	10,820	-	5	-	24	10,849
JD 19 Petition	828,935	-	-	-	-	828,935
JD 20	4,866	-	82	-	805	5,753
JD 22	59,158	-	6	-	112	59,276
JD 22 Bond	39,888	322,086	28	-	-	362,002
JD 23	9,106	-	-	-	225	9,331
JD 24JN	17,790	-	89	14	173	18,066
JD 24JN Petition	5,283	-	-	-	-	5,283
JD 25	26,722	-	-	-	25	26,747
JD 27	5,666	-	-	-	178	5,844
JD 27CJ	10,759	-	-	39	-	10,798
JD 28	30,387	-	206	-	365	30,958
JD 29	298	-	-	-	105	403
JD 30	47,341	-	309	-	166	47,816
JD 30 Bond	374,256	720,929	5,114	-	21,049	1,121,348
JD 31	57,580	-	-	-	81	57,661
JD 31 Bond	83,658	500,270	-	-	-	583,928
JD 32	6,722	-	-	-	450	7,172
JD 33	36,699	-	-	-	150	36,849
JD 35	333	-	8	-	219	560
JD 35 Bond	303,048	1,591,321	128	-	-	1,894,497
JD 36	10,021	-	-	-	75	10,096
JD 37	6,996	-	-	-	94	7,090
JD 38	30,656	-	4	-	-	30,660
JD 39	8,769	-	-	-	-	8,769
JD 39CJ	6,382	-	-	-	-	6,382
JD 40CJ	5,185	-	-	36	-	5,221
JD 42	31,883	-	703	-	17	32,603
JD 43	19,203	-	-	-	55	19,258
JD 44	9,014	-	-	-	50	9,064



Liabilities						Total Liabilities, Deferred Inflows of Resources, and Fund Balance	
Due To Other Governments	Advance From Other Funds	Accounts Payable & Deposits	Bonds Payable	Total Liabilities	Deferred Inflows of Resources	Fund Balance	
\$ 856	\$ 11,967	\$ -	\$ -	\$ 12,823	\$ -	\$ 37,136	\$ 49,959
-	19,100	572	-	19,672	-	(16,360)	3,312
-	-	-	-	-	-	6,038	6,038
-	-	3,020	-	3,020	-	43,915	46,935
-	-	-	-	-	-	-	-
143	1,500	-	-	1,643	-	(857)	786
-	98,400	4,316	-	102,716	-	(100,944)	1,772
-	-	-	-	-	-	29,944	29,944
-	-	-	-	-	-	13,700	13,700
-	54,600	3,376	-	57,976	-	(56,021)	1,955
-	-	-	-	-	-	13,010	13,010
1,972	9,500	-	-	11,472	-	(3,072)	8,400
-	-	-	-	-	-	6,216	6,216
-	-	-	-	-	-	7,018	7,018
-	-	-	-	-	-	42,450	42,450
-	-	-	-	-	-	40,444	40,444
-	-	-	-	-	-	2,277	2,277
4,446	10,200	1,751	-	16,397	-	(11,637)	4,760
-	997,000	3,430	-	1,000,430	-	(1,000,090)	340
-	-	-	-	-	-	3,639	3,639
-	-	-	-	-	-	53,027	53,027
-	44,600	-	-	44,600	-	(43,422)	1,178
-	-	-	-	-	-	90,034	90,034
-	-	-	-	-	-	-	-
-	24,600	-	-	24,600	-	(24,119)	481
-	1,400	-	-	1,400	-	635	2,035
-	-	-	-	-	-	19,112	19,112
145	-	-	-	145	-	2,834	2,979
-	-	-	-	-	-	17,945	17,945
-	-	49,076	2,015,123	2,064,199	-	(1,360,435)	703,764
-	-	-	-	-	-	10,849	10,849
5,549	-	290,081	-	295,630	-	533,305	828,935
-	-	-	-	-	-	5,753	5,753
-	-	-	-	-	-	59,276	59,276
-	-	-	365,000	365,000	-	(2,998)	362,002
-	-	-	-	-	-	9,331	9,331
3,243	-	265	-	3,508	-	14,558	18,066
-	-	128,390	-	128,390	-	(123,107)	5,283
-	-	-	-	-	-	26,747	26,747
-	-	-	-	-	-	5,844	5,844
263	-	-	-	263	-	10,535	10,798
-	-	-	-	-	-	30,958	30,958
-	7,000	-	-	7,000	-	(6,597)	403
-	-	-	-	-	-	47,816	47,816
-	-	-	1,124,570	1,124,570	-	(3,222)	1,121,348
-	-	-	-	-	-	57,661	57,661
-	-	-	625,000	625,000	-	(41,072)	583,928
-	-	-	-	-	-	7,172	7,172
-	-	-	-	-	-	36,849	36,849
-	29,400	-	-	29,400	-	(28,840)	560
-	-	-	1,890,235	1,890,235	-	4,262	1,894,497
-	-	-	-	-	-	10,096	10,096
-	-	-	-	-	-	7,090	7,090
-	-	-	-	-	-	30,660	30,660
-	-	-	-	-	-	8,769	8,769
-	-	-	-	-	-	6,382	6,382
-	-	-	-	-	-	5,221	5,221
-	-	6,665	-	6,665	-	25,938	32,603
-	-	-	-	-	-	19,258	19,258
-	-	-	-	-	-	9,064	9,064

**JACKSON COUNTY  
JACKSON, MINNESOTA  
BALANCE SHEET – BY DITCH – NON-GAAP BASIS (CONTINUED)  
DITCH SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2019**

	Assets					Total Assets
	Cash Balance	Special Assessment Receivable		Due From Other Governments	Due From Other Funds	
	12/31/2019	Deferred	Delinquent			
JD 45JN	\$ 29,058	\$ -	\$ 70	\$ 267	\$ 58	\$ 29,453
JD 45JN Bond	1,160,294	2,358,268	139	-	-	3,518,701
JD 46	61,211	-	-	-	1	61,212
JD 46 Bond	341	860,759	-	-	-	861,100
JD 48JM	84,506	-	-	146	234	84,886
JD 50	204	-	-	-	123	327
JD 52	11,967	-	-	-	-	11,967
JD 53	15,872	-	-	-	113	15,985
JD 54CJ	11,732	-	80	1,125	88	13,025
JD 56	15,304	-	8	-	83	15,395
JD 59	12,395	-	-	-	120	12,515
JD 60	11,893	-	25	-	138	12,056
JD 62	15,922	-	270	-	225	16,417
JD 63	15,029	-	-	-	-	15,029
JD 64	6,299	-	-	-	604	6,903
JD 65	5,762	-	30	-	120	5,912
JD 66	8,904	-	-	-	218	9,122
JD 67	7,536	-	-	-	100	7,636
JD 68	5,217	-	-	-	71	5,288
JD 69	7,643	-	110	-	136	7,889
JD 70	9,946	-	-	-	280	10,226
JD 71	7,852	-	-	-	60	7,912
JD 72	11,303	-	1	-	-	11,304
JD 73	507	-	-	-	430	937
JD 73 Petition	178,715	-	-	-	-	178,715
JD 74	24,713	-	-	-	198	24,911
JD 75JM	63,390	-	-	22	40	63,452
JD 76NJ	25,018	-	189	945	120	26,272
JD 78	8,620	-	-	-	98	8,718
JD 79CJ	7,129	-	-	27	48	7,204
JD 80	14,790	-	-	-	108	14,898
JD 81	14,572	-	-	-	173	14,745
JD 82	14,070	-	30	-	95	14,195
JD 83	18,474	-	21	-	225	18,720
JD 84	33,928	-	-	-	410	34,338
JD 85CJ	7,910	-	-	45	219	8,174
JD 86	13,887	-	-	-	45	13,932
JD 88	4,057	-	-	-	-	4,057
JD 91MJ	14,723	-	-	223	-	14,946
JD 105MJ	8,024	-	-	30	-	8,054
JD 350MJCW	379	-	-	-	-	379
CD 117	362	-	-	-	400	762
CD 118	14,247	-	178	-	78	14,503
CD 121	33,919	-	-	-	178	34,097
CD 122	23,172	-	-	-	-	23,172
CD 124	5,755	-	-	-	1	5,756
CD 124 Bond	28,855	300,924	-	-	-	329,779
CD 125 Petition	780,486	-	-	-	-	780,486
Proj 2	324	-	23	-	176	523
Proj 4	348	-	-	-	2,012	2,360
Proj 6	369	-	-	-	26	395
Proj. 84-4A	334	-	-	-	22	356
Unallocated Trade-In	-	-	-	-	-	-
<b>Total (Non-GAAP)</b>	<b>6,076,848</b>	<b>6,666,516</b>	<b>12,450</b>	<b>20,113</b>	<b>39,898</b>	<b>12,815,825</b>
Reconciliation to GAAP						
Eliminate Bonds Payable	-	-	-	-	-	-
Unavailable Revenue	-	-	-	-	-	-
<b>GAAP Balances</b>	<b>\$ 6,076,848</b>	<b>\$ 6,666,516</b>	<b>\$ 12,450</b>	<b>\$ 20,113</b>	<b>\$ 39,898</b>	<b>\$ 12,815,825</b>

Liabilities							Total Liabilities, Deferred Inflows of Resources, and Fund Balance
Due To Other Governments	Advance From Other Funds	Accounts Payable & Deposits	Bonds Payable	Total Liabilities	Deferred Inflows of Resources	Fund Balance	
\$ 423	\$ -	\$ -	\$ -	\$ 423	\$ -	\$ 29,030	\$ 29,453
-	-	116,850	3,370,000	3,486,850	-	31,851	3,518,701
-	83,500	-	810,000	893,500	-	61,212	61,212
-	-	-	-	-	-	(32,400)	861,100
-	500	-	-	500	-	84,886	84,886
-	-	-	-	-	-	(173)	327
-	-	-	-	-	-	11,967	11,967
-	-	-	-	-	-	15,985	15,985
475	-	-	-	475	-	12,550	13,025
-	-	-	-	-	-	15,395	15,395
-	-	-	-	-	-	12,515	12,515
-	-	-	-	-	-	12,056	12,056
-	-	-	-	-	-	16,417	16,417
-	-	-	-	-	-	15,029	15,029
-	-	-	-	-	-	6,903	6,903
-	-	-	-	-	-	5,912	5,912
-	-	-	-	-	-	9,122	9,122
-	-	-	-	-	-	7,636	7,636
-	-	-	-	-	-	5,288	5,288
-	-	-	-	-	-	7,889	7,889
-	-	-	-	-	-	10,226	10,226
-	-	-	-	-	-	7,912	7,912
-	-	-	-	-	-	11,304	11,304
-	-	-	-	-	-	937	937
-	-	27,827	822,745	850,572	-	(671,857)	178,715
-	-	-	-	-	-	24,911	24,911
-	-	-	-	-	-	63,452	63,452
2,374	-	-	-	2,374	-	23,898	26,272
-	-	-	-	-	-	8,718	8,718
-	-	-	-	-	-	7,204	7,204
-	-	-	-	-	-	14,898	14,898
-	-	-	-	-	-	14,745	14,745
-	-	-	-	-	-	14,195	14,195
-	-	-	-	-	-	18,720	18,720
-	-	-	-	-	-	34,338	34,338
-	-	-	-	-	-	8,174	8,174
-	-	-	-	-	-	13,932	13,932
-	-	-	-	-	-	4,057	4,057
-	-	-	-	-	-	14,946	14,946
-	-	-	-	-	-	8,054	8,054
-	2,800	-	-	2,800	-	(2,421)	379
-	22,100	1,190	-	23,290	-	(22,528)	762
-	-	-	-	-	-	14,503	14,503
-	-	-	-	-	-	34,097	34,097
-	-	-	-	-	-	23,172	23,172
-	-	-	-	-	-	5,756	5,756
-	-	-	330,195	330,195	-	(416)	329,779
-	-	121,650	1,597,132	1,718,782	-	(938,296)	780,486
-	72,300	-	-	72,300	-	(71,777)	523
-	84,100	-	-	84,100	-	(81,740)	2,360
-	28,800	2,382	-	31,182	-	(30,787)	395
-	13,800	-	-	13,800	-	(13,444)	356
-	-	-	-	-	-	-	-
19,889	1,617,167	760,841	12,950,000	15,347,897	-	(2,532,072)	12,815,825
-	-	-	(12,950,000)	(12,950,000)	-	12,950,000	-
-	-	-	-	-	6,676,132	(6,676,132)	-
\$ 19,889	\$ 1,617,167	\$ 760,841	\$ -	\$ 2,397,897	\$ 6,676,132	\$ 3,741,796	\$ 12,815,825

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**REPORTS RELATED TO  
GOVERNMENT AUDITING STANDARDS**



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

Board of County Commissioners  
Jackson County  
Jackson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County (the County), as of and for the year ended December 31, 2019, 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 11, 2020 .

**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 the 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 County'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2019-001 and 2019-002 that we consider to be material weaknesses.

**Compliance and Other Matters**

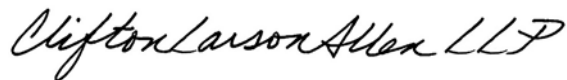
As part of obtaining reasonable assurance about whether Jackson County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 11, 2020

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**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
DECEMBER 31, 2019**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2019-001 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.

**Repeat Finding:** Yes, prior year finding identified as 2018-001.

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

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

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
DECEMBER 31, 2019**

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

**2019-002 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 accounting principles generally accepted in the United States of America (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.

**Repeat Finding:** Yes, prior year finding identified as 2018-003.

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

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

**JACKSON COUNTY  
JACKSON, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
DECEMBER 31, 2019**

**SECTION III – MINNESOTA LEGAL COMPLIANCE FINDINGS**

**2019-003 Invoices Paid Within 35 Days**

**Type of Finding:** Minnesota Legal Compliance Finding

**Criteria:** Based on Minnesota State Statute 471.425, subd. 2, bills are required to be paid within 35 days of receiving the invoice.

**Cause:** The County did not pay two invoices within the 35 day requirement.

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

**Recommendation:** We recommend County management be diligent in paying bills on time. Invoices should be stamped or otherwise marked when received to document compliance with the standard payment dates.

**Management Response:** Management is aware of the noncompliance and will continue to oversee the payment of invoices to ensure the bills are paid in a timely manner.

**SECTION IV – PREVIOUSLY REPORTED ITEM RESOLVED**

**2018-002 Audit Adjustments**

**2018-004 Publication of County Board Minutes**

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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, 2019, 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 11, 2020 .

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the state auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the schedule of findings and recommendations as item 2019-003. 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 the County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Jackson County's written response to the legal compliance findings identified in our audit are described in the schedule of findings and recommendations. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* 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 11, 2020

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