

Annual Financial Report

City of Jackson

Jackson, Minnesota

For the year ended December 31, 2022



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INTRODUCTORY SECTION

CITY OF JACKSON
JACKSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Jackson, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wayne Walter	Mayor	2022
Brandon Finck	Council	2024
Michael More	Council	2022
Jerome Palmer	Council	2022
Marcus Polz	Council	2024
Dave Cushman	Council	2022
Nathan Peterson	Council	2022

Administration

Matt Skaret	City Administrator
Deb Mitchell	Office Manager

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FINANCIAL SECTION
CITY OF JACKSON
JACKSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Jackson, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jackson, Minnesota, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Basis for Qualified Opinions

The City has not adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions and GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the Volunteer Firefighters' Relief Association, in the governmental activities, business-type activities and each major proprietary fund and aggregate remaining fund information and, accordingly, has not shown activity related to this standard. Accounting principles generally accepted in the United States of America require that other postemployment balances be shown, which would report deferred outflows of resources, deferred inflows of resources and liabilities or assets, while changing the net position in the applicable statements.

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinions", the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major proprietary fund and the aggregate remaining fund information of the City as of December 31, 2022, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the City as of December 31, 2022, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Responsibilities of Management 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions starting on page 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements, schedules, and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements, schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, on our consideration of the City's internal control over financial reporting and on 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 City'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 City's internal control over financial reporting and compliance.



Abdo
Mankato, Minnesota
March 23, 2023

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Management's Discussion and Analysis

As management of the City of Jackson, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$52,577,368 (net position). Of this amount, \$16,475,001 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$2,577,044, compared to an increase of \$3,019,162 in the previous year. Of this increase, business-type activities (enterprise funds) had an increase of \$1,661,445 and governmental activities had an increase of \$915,599. The increase can be attributed to charges for services in the business-type funds being consistently greater than expenses, particularly in the water, sewer, electric and liquor funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,566,944, an increase of \$26,516 in comparison with the prior year. Approximately 50.0 percent of this total amount, \$5,279,132, is available for spending at the City's discretion.

Overview of the Financial Statements

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

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

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

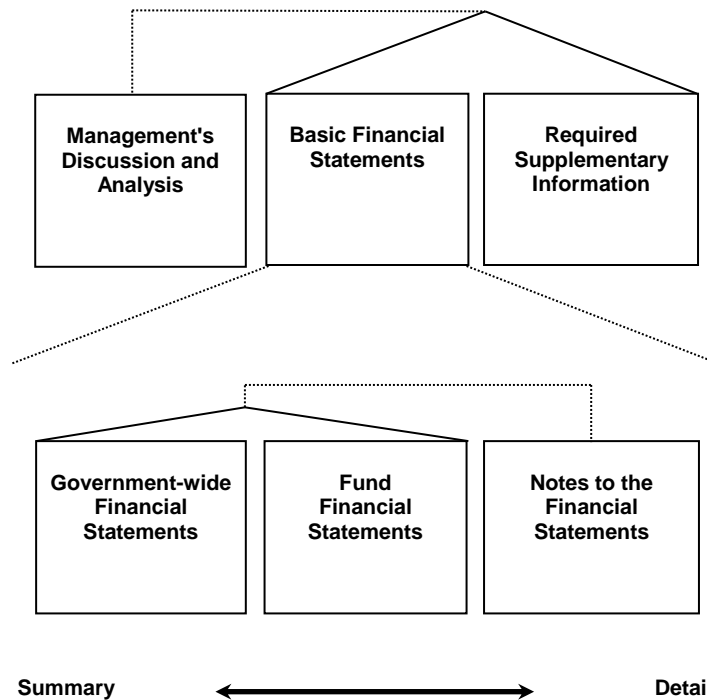


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and deferred outflows of resources and liabilities and deferred inflows or resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, economic development, culture and recreation, interest on long-term debt and miscellaneous. The business-type activities of the City include electric utility, water utility, sewer utilities municipal liquor store, airport and ambulance.

The government-wide financial statements can be found starting on page 31 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 20 individual governmental funds, six of which are Debt Service funds, which are considered one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and the Debt Service fund, both of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and EDA Revolving Loan fund. Budgetary comparison statements have been provided for the General fund and EDA Revolving Loan fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found starting on page 37 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric utility, water utility, sewer utilities municipal liquor store, airport and ambulance.

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

The basic proprietary fund financial statements can be found starting on page 42 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 51 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Jackson' share of net pension liabilities and schedules of contributions. Required supplementary information can be found starting on page 80 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 86 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,577,368 at the close of the most recent fiscal year.

A large portion of the City's net position (62.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Jackson' Summary of Net Position

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Current and Other Assets	\$ 11,067,515	\$ 11,290,131	\$ (222,616)	\$ 12,925,287	\$ 11,255,484	\$ 1,669,803
Capital Assets	18,128,541	17,071,862	1,056,679	32,348,567	31,075,492	1,273,075
Total Assets	29,196,056	28,361,993	834,063	45,273,854	42,330,976	2,942,878
Deferred Outflows of Resources	263,773	285,497	(21,724)	189,723	235,056	(45,333)
Long-term Liabilities						
Outstanding	5,958,399	5,550,737	407,662	15,048,373	13,428,741	1,619,632
Other Liabilities	498,893	436,327	62,566	798,658	933,241	(134,583)
Total Liabilities	6,457,292	5,987,064	470,228	15,847,031	14,361,982	1,485,049
Deferred Inflows of Resources	10,159	338,647	(328,488)	31,556	280,505	(248,949)
Net Position						
Net investment in capital assets	13,606,908	12,044,862	1,562,046	19,374,648	17,620,652	1,753,996
Restricted	3,074,069	3,052,593	21,476	46,742	-	46,742
Unrestricted	6,311,401	7,224,324	(912,923)	10,163,600	10,302,893	(139,293)
Total Net Position	\$ 22,992,378	\$ 22,321,779	\$ 670,599	\$ 29,584,990	\$ 27,923,545	\$ 1,661,445

An additional portion of the City's net position (5.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (31.3 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate business-type activities.

There was an increase of \$1,661,445 in net position reported in connection with the City's business-type activities. This increase was a result of the following funds and profits or (losses): Water Utility, \$300,647, Sewer Utility, \$248,652, Electric Utility, \$1,444,087, Municipal Liquor, \$106,286, Airport, (\$161,824), and Ambulance Service, (\$170,016). The Municipal Liquor fund's gross profit percentage has remained similar as the previous year of 27.1 percent.

Governmental Activities. Governmental activities increased the City's net position by \$915,599. Key elements of this increase are described above and summarized below as follows:

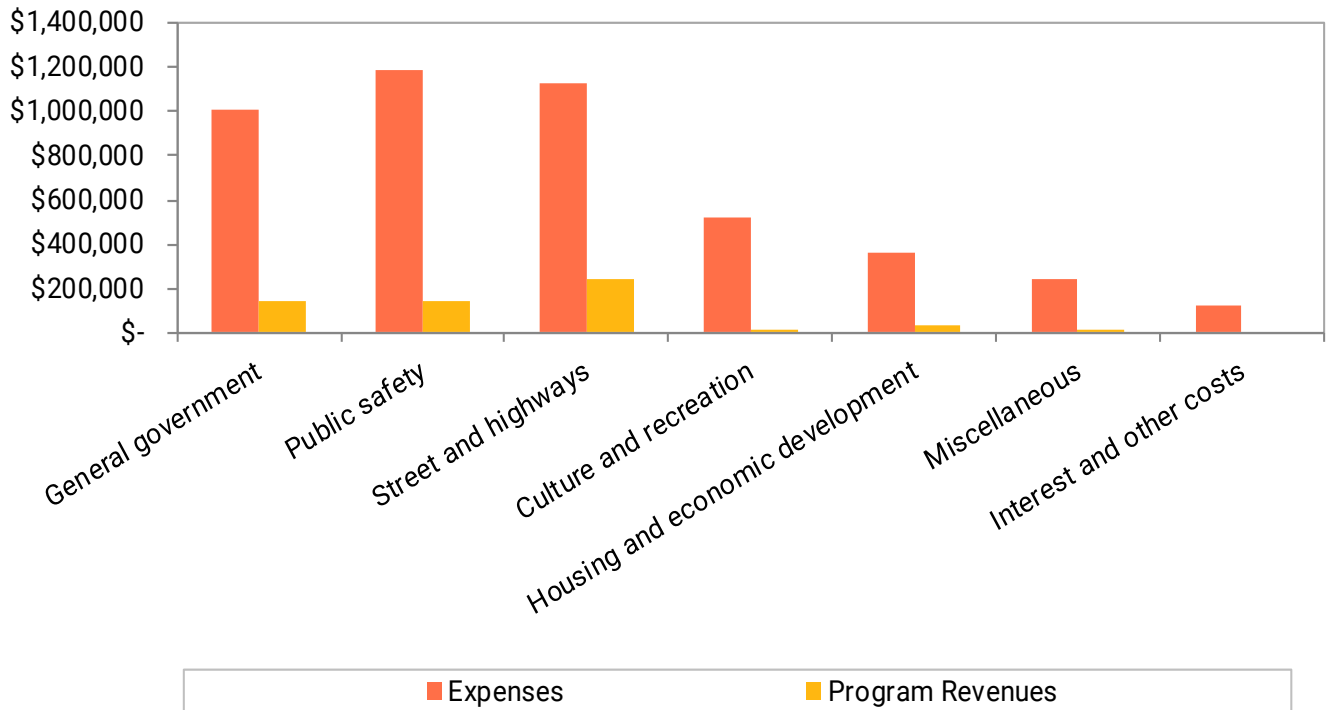
City of Jackson' Changes in Net Position

	Governmental Activities			Business-type Activities			Total	
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)	2022	2021
Revenues								
Program Revenues								
Charges for services	\$ 397,655	\$ 392,108	\$ 5,547	\$ 9,738,310	\$ 9,696,101	\$ 42,209	\$ 10,135,965	\$ 10,088,209
Operating grants and contributions	158,315	356,074	(197,759)	58,549	41,410	17,139	216,864	397,484
Capital grants and contributions	5,541	43,604	(38,063)	2,167,690	1,469,007	698,683	2,173,231	1,512,611
General Revenues								
Property taxes/tax increments	2,024,801	1,950,478	74,323	-	-	-	2,024,801	1,950,478
Other taxes	47,194	47,262	(68)	-	-	-	47,194	47,262
Grants and contributions not restricted to specific programs								
Unrestricted investment earnings	(214,763)	(12,578)	(202,185)	(371,108)	(2,846)	(368,262)	(585,871)	(15,424)
Other revenues	11,960	12,400	(440)	-	-	-	11,960	12,400
Gain on sale of capital assets	3,200	5,386	(2,186)	-	-	-	3,200	5,386
Total Revenues	3,915,809	4,244,511	(328,702)	11,593,441	11,203,672	389,769	15,509,250	15,448,183
Expenses								
General government	1,009,104	858,136	150,968	-	-	-	1,009,104	858,136
Public safety	1,180,875	1,109,232	71,643	-	-	-	1,180,875	1,109,232
Streets and highways	1,128,806	1,031,408	97,398	-	-	-	1,128,806	1,031,408
Culture and recreation	525,730	461,410	64,320	-	-	-	525,730	461,410
Economic development	358,199	624,834	(266,635)	-	-	-	358,199	624,834
Miscellaneous	238,719	147,160	91,559	-	-	-	238,719	147,160
Interest and other costs	120,374	74,576	45,798	-	-	-	120,374	74,576
Municipal liquor store	-	-	-	1,530,757	1,449,566	81,191	1,530,757	1,449,566
Sewer utility	-	-	-	667,957	595,902	72,055	667,957	595,902
Airport	-	-	-	275,643	274,644	999	275,643	274,644
Electric utility	-	-	-	4,391,808	4,421,777	(29,969)	4,391,808	4,421,777
Water utility	-	-	-	811,230	739,696	71,534	811,230	739,696
Ambulance	-	-	-	693,004	640,680	52,324	693,004	640,680
Total Expenses	4,561,807	4,306,756	255,051	8,370,399	8,122,265	248,134	12,932,206	12,429,021
Increase (Decrease) in Net Position								
Before Contributions and Transfers	(645,998)	(62,245)	(583,753)	3,223,042	3,081,407	141,635	2,577,044	3,019,162
Contribution of Capital Assets	850,537	-	850,537	(850,537)	-	(850,537)	-	-
Transfers	711,060	730,759	(19,699)	(711,060)	(730,759)	19,699	-	-
Change in Net Position	915,599	668,514	247,085	1,661,445	2,350,648	(689,203)	2,577,044	3,019,162
Net Position January 1	22,321,779	21,653,265	668,514	27,923,545	25,572,897	2,350,648	50,245,324	47,226,162
Prior Period Adjustment (Note 6)	(245,000)	-	(245,000)	-	-	-	(245,000)	-
Net Position - December 31	\$ 22,992,378	\$ 22,321,779	\$ 670,599	\$ 29,584,990	\$ 27,923,545	\$ 1,661,445	\$ 52,577,368	\$ 50,245,324

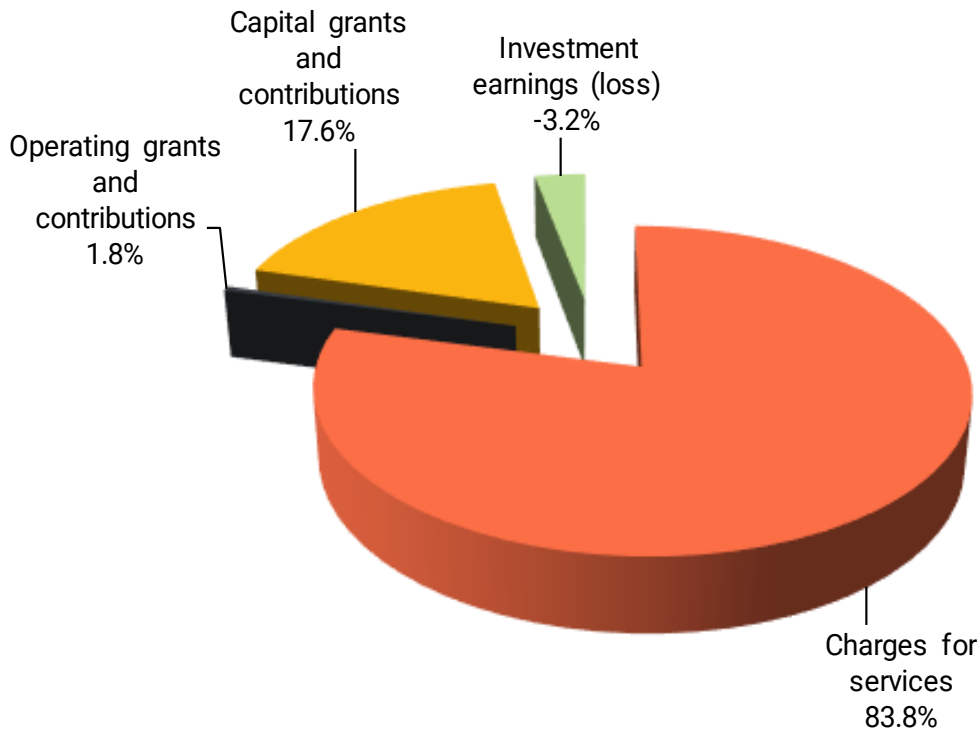
Property taxes increased by \$59,873 (3.8 percent) during the year.

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

Expenses and Program Revenues - Governmental Activities



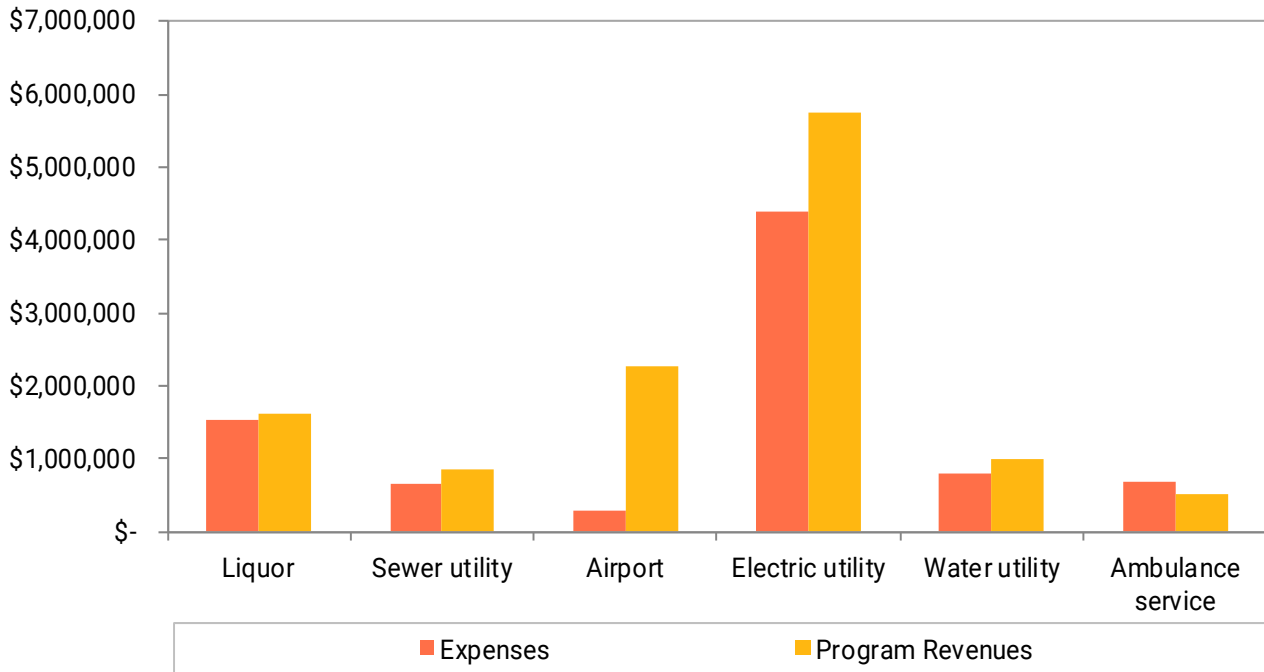
Revenues by Source - Governmental Activities



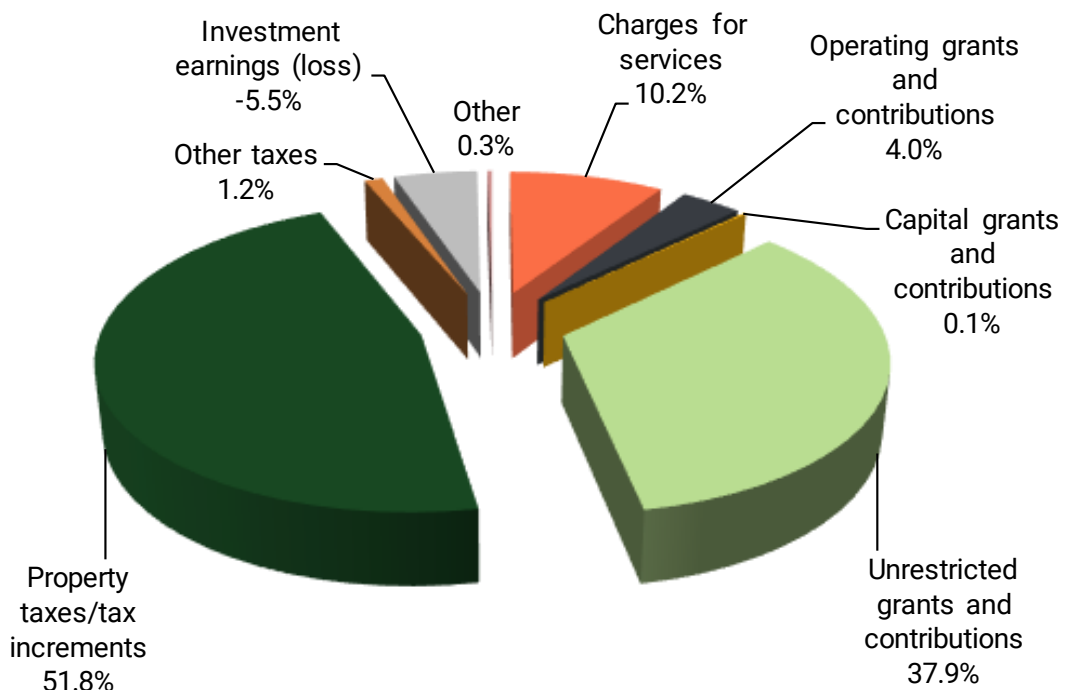
Business-type Activities. Business-type activities increased the City's net position by \$1,661,445. Key elements of this increase are as follows:

- Capital contributions from the State of Minnesota and Federal government of \$2,160,178 for airport projects.
- Water, Sewer, Electric and Municipal Liquor Store funds all had large operating income, with Electric resulting in an increase of \$1,444,087.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,566,944, an increase of \$26,516 in comparison with the prior year. Approximately 50.0 percent of this total amount \$5,279,132 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The majority of the remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted to pay capital projects, debt service, qualifying tax increments and revolving loans expenses in the total amount of \$3,113,002; and an additional \$250,687 committed for economic development and \$1,924,123 for future capital items and capital projects.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$5,279,132. 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 160.3 percent of fund expenditures, while total fund balance represents 160.3 percent of that same amount.

The fund balance of the City's General fund decreased by \$345,172 during the current fiscal year. Key factors of this decrease was a large decrease in the market value of investments and an increase in capital outlay expenses for park equipment and sealcoating projects.

The *Debt Service fund* has a total fund balance of \$925,943, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$78,738. The major factor in this increase was tax levies and transfers from other funds for payments on debt service being in excess of current obligations. Bonds were also issued with a small portion allocated to the debt service fund for capitalized interest.

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

Unassigned net position of the enterprise funds at the end of the year amounted to \$10,163,600. The total increase in net position for the funds was \$1,661,445. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were received under budget by \$229,823 due to a large decrease in the market value of investments. The expenditures were under budget by \$138,648 due to less snow removal and sanitation costs.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2022, amounts to \$50,477,108 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction in progress, structures, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 11.2 percent (a 13.0 percent increase for governmental activities and a 10.0 percent increase for business-type activities).

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

- 2020 Street, Utility and Parking project capitalized at a total cost of \$5,676,264
- 2021 Chevrolet Life Line Superliner (Ambulance) costing \$200,114
- Sanitary Sewer Extension capitalized at a total cost of \$2,472,050
- Downtown Electric Project capitalized at a total cost of \$842,128
- Airport Runway Project current year costs totaling \$2,277,165
- 2022 Street Project was under way with costs of \$572,818

Additional information on the City's capital assets can be found in Note 3C starting on page 67 of this report.

City of Jackson Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 596,170	\$ 596,170	\$ -	\$ 988,336	\$ 988,336	\$ -
Land Improvements	-	-	-	19,609,519	15,577,084	4,032,435
Infrastructure/Plant	12,550,305	8,650,899	3,899,406	-	-	-
Buildings	3,089,327	3,182,368	(93,041)	5,813,478	6,020,768	(207,290)
Machinery and Equipment	802,053	747,963	54,090	1,512,802	1,518,452	(5,650)
Vehicles	795,049	894,545	(99,496)	-	-	-
Construction in Progress	295,637	2,999,917	(2,704,280)	4,424,432	6,970,852	(2,546,420)
Total	\$ 18,128,541	\$ 17,071,862	\$ 1,056,679	\$ 32,348,567	\$ 31,075,492	\$ 1,273,075

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$19,504,224. Of this amount \$435,000 is general obligation debt, \$4,590,950 is general obligation improvement debt and \$14,426,050 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Jackson Outstanding Debt

The City's total debt increased \$1,390,753, or 7.7 percent during the current fiscal year. The increase was due to bonds issued for the 2022 street project and final draw on the 2017 PFA loan.

The City's current bond rating from Moody is an "A2" rating for general obligation and revenue debt. This is an upgrade from the 2021 rating of A1. The Electric fund bond rating was A3 in 2022.

	Governmental Activities			Business-type Activities			Totals	
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)	2022	2021
General Obligation Bonds	\$ 435,000	\$ 567,000	\$ (132,000)	\$ -	\$ -	\$ -	\$ 435,000	\$ 567,000
G.O. Tax Increment bonds	-	240,000	(240,000)	-	-	-	-	240,000
General Obligation Improvement Bonds	4,590,950	4,220,000	370,950	-	-	-	4,590,950	4,220,000
General Obligation Revenue Bonds	-	-	-	14,426,050	13,034,247	1,391,803	14,426,050	13,034,247
Bond Premium	-	-	-	52,224	-	-	52,224	-
Total	\$ 5,025,950	\$ 5,027,000	\$ (1,050)	\$ 14,478,274	\$ 13,034,247	\$ 1,391,803	\$ 19,504,224	\$ 18,061,247

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$6,511,341 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3E starting on page 70 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Jackson County is currently 2.6 percent, which is an increase from a rate of 2.3 percent a year ago. This compares favorably to the State's average unemployment rate of 3.0 percent and favorably to the national average rate of 3.3 percent.
- Property valuations within the City remain strong and consistent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2023 fiscal year.

Property taxes will increase in 2023 by approximately 7.5 percent.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deb Mitchell at City of Jackson, 80 W Ashley Street, Jackson, Minnesota 56143.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF JACKSON
JACKSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Jackson, Minnesota
Statement of Net Position
December 31, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 9,066,800	\$ 10,829,292	\$ 19,896,092
Receivables			
Delinquent taxes	22,563	-	22,563
Interest	-	2,553	2,553
Accounts, net of allowance	22,709	759,692	782,401
Intergovernmental	8,478	237,166	245,644
Special assessments	22,698	201,674	224,372
Loans, net of allowance	1,796,328	-	1,796,328
Internal balances	(387,086)	387,086	-
Inventories	-	507,824	507,824
Land held for resale	515,025	-	515,025
Capital assets			
Capital assets not being depreciated	891,807	5,412,768	6,304,575
Capital assets (net of accumulated depreciation)	17,236,734	26,935,799	44,172,533
Total Assets	<u>29,196,056</u>	<u>45,273,854</u>	<u>74,469,910</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>263,773</u>	<u>189,723</u>	<u>453,496</u>
Liabilities			
Accounts and contracts payable	151,661	548,769	700,430
Due to other governments	4,634	64,094	68,728
Accrued salaries payable	3,891	571	4,462
Accrued interest payable	43,583	118,827	162,410
Deposits payable	-	64,470	64,470
Unearned revenue	295,124	1,927	297,051
Noncurrent liabilities			
Due within one year			
Other longterm liabilities	558,735	876,424	1,435,159
Due in more than one year			
Other longterm liabilities	4,636,551	13,644,097	18,280,648
Net pension liability	763,113	527,852	1,290,965
Total Liabilities	<u>6,457,292</u>	<u>15,847,031</u>	<u>22,304,323</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>10,159</u>	<u>31,556</u>	<u>41,715</u>
Net Position			
Net investment in capital assets	13,606,908	19,374,648	32,981,556
Restricted			
Restricted for sanitary sewer replacement	-	46,742	46,742
Debt service	887,010	-	887,010
Economic development loans	1,405,943	-	1,405,943
Tax increment financing	308,921	-	308,921
Capital projects	472,195	-	472,195
Unrestricted	<u>6,311,401</u>	<u>10,163,600</u>	<u>16,475,001</u>
Total Net Position	<u>\$ 22,992,378</u>	<u>\$ 29,584,990</u>	<u>\$ 52,577,368</u>

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

City of Jackson, Minnesota
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,009,104	\$ 136,980	\$ 3,351	\$ -
Public safety	1,180,875	41,532	102,660	3,025
Public works	1,128,806	185,934	52,304	2,516
Culture and recreation	525,730	2,542	-	-
Economic development	358,199	30,482	-	-
Miscellaneous	238,719	185	-	-
Interest and other costs	120,374	-	-	-
Total Governmental Activities	<u>4,561,807</u>	<u>397,655</u>	<u>158,315</u>	<u>5,541</u>
Business-type Activities				
Water utility	811,230	990,063	-	-
Sewer utility	667,957	807,366	-	7,512
Electric utility	4,391,808	5,737,790	-	-
Municipal liquor store	1,530,757	1,619,316	-	-
Airport	275,643	68,143	45,676	2,160,178
Ambulance	693,004	515,632	12,873	-
Total Business-type Activities	<u>8,370,399</u>	<u>9,738,310</u>	<u>58,549</u>	<u>2,167,690</u>
Total Primary Government	<u>\$ 12,932,206</u>	<u>\$ 10,135,965</u>	<u>\$ 216,864</u>	<u>\$ 2,173,231</u>

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings (loss)
- Gain on sale of capital assets
- Other revenues

Contribution of capital assets and debt

Transfers

Total General Revenues, Contributions and Transfers

Change in Net Position

Net Position, January 1

Prior period adjustment (Note 6)

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (868,773)		\$ (868,773)
(1,033,658)		(1,033,658)
(888,052)		(888,052)
(523,188)		(523,188)
(327,717)		(327,717)
(238,534)		(238,534)
(120,374)		(120,374)
<u>(4,000,296)</u>		<u>(4,000,296)</u>
-	\$ 178,833	178,833
-	146,921	146,921
-	1,345,982	1,345,982
-	88,559	88,559
-	1,998,354	1,998,354
-	(164,499)	(164,499)
-	<u>3,594,150</u>	<u>3,594,150</u>
<u>(4,000,296)</u>	<u>3,594,150</u>	<u>(406,146)</u>
1,391,197	-	1,391,197
268,218	-	268,218
365,386	-	365,386
47,194	-	47,194
1,481,906	-	1,481,906
(214,763)	(371,108)	(585,871)
3,200	-	3,200
11,960	-	11,960
850,537	(850,537)	-
711,060	(711,060)	-
<u>4,915,895</u>	<u>(1,932,705)</u>	<u>2,983,190</u>
915,599	1,661,445	2,577,044
22,321,779	27,923,545	50,245,324
<u>(245,000)</u>	<u>-</u>	<u>(245,000)</u>
<u>\$ 22,992,378</u>	<u>\$ 29,584,990</u>	<u>\$ 52,577,368</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF JACKSON
JACKSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Jackson, Minnesota
Balance Sheet
Governmental Funds
December 31, 2022

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and temporary investments	\$ 4,334,606	\$ 925,943	\$ 3,806,251	\$ 9,066,800
Receivables				
Delinquent taxes	17,593	4,650	320	22,563
Accounts	22,709	-	-	22,709
Intergovernmental	8,478	-	-	8,478
Special assessments	22,698	-	-	22,698
Loans, net of allowance	-	-	1,796,328	1,796,328
Due from other funds	451,830	-	-	451,830
Land held for resale	515,025	-	-	515,025
	<u>\$ 5,372,939</u>	<u>\$ 930,593</u>	<u>\$ 5,602,899</u>	<u>\$ 11,906,431</u>
Liabilities				
Accounts and contracts payable	\$ 44,971	\$ -	\$ 106,690	\$ 151,661
Due to other governments	4,634	-	-	4,634
Advances from other funds	-	-	838,916	838,916
Accrued salaries payable	3,891	-	-	3,891
Unearned revenue	20	-	295,104	295,124
Total Liabilities	<u>53,516</u>	<u>-</u>	<u>1,240,710</u>	<u>1,294,226</u>
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	17,593	4,650	320	22,563
Assessments	22,698	-	-	22,698
Total Deferred Inflows of Resources	<u>40,291</u>	<u>4,650</u>	<u>320</u>	<u>45,261</u>
Fund Balances				
Restricted				
Debt service	-	925,943	-	925,943
Tax increment financing	-	-	308,921	308,921
Capital projects	-	-	472,195	472,195
Economic development loans	-	-	1,405,943	1,405,943
Committed				
Economic development	-	-	250,687	250,687
Capital projects	-	-	380,935	380,935
Future capital improvements	-	-	1,543,188	1,543,188
Assigned				
Future capital projects	-	-	-	-
Unassigned	5,279,132	-	-	5,279,132
Total Fund Balances	<u>5,279,132</u>	<u>925,943</u>	<u>4,361,869</u>	<u>10,566,944</u>
	<u>\$ 5,372,939</u>	<u>\$ 930,593</u>	<u>\$ 5,602,899</u>	<u>\$ 11,906,431</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				

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

City of Jackson, Minnesota
 Reconciliation of the Balance Sheet
 To the Statement of Net Position
 Governmental Funds
 December 31, 2022

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

Total Fund Balances - Governmental Funds	\$ 10,566,944
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	18,128,541
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(169,336)
Net pension liability	(763,113)
Bonds payable	(5,025,950)
Long-term assets are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	
Delinquent property taxes receivable	22,563
Special assessments receivable	22,698
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	263,773
Deferred inflows of pension resources	(10,159)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(43,583)</u>
Total Net Position - Governmental Activities	<u><u>\$ 22,992,378</u></u>

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

City of Jackson, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Taxes	\$ 1,302,599	\$ 371,743	\$ 356,374	\$ 2,030,716
Special assessments	2,880	-	-	2,880
Licenses and permits	55,481	-	-	55,481
Intergovernmental	1,584,169	298	52,403	1,636,870
Charges for services	261,531	-	-	261,531
Fines and forfeits	8,661	-	-	8,661
Investment earnings (loss)	(291,623)	6,375	70,485	(214,763)
Miscellaneous	89,431	11,000	33,730	134,161
Total Revenues	<u>3,013,129</u>	<u>389,416</u>	<u>512,992</u>	<u>3,915,537</u>
Expenditures				
Current				
General government	861,522	-	-	861,522
Public safety	1,012,834	-	-	1,012,834
Public works	809,542	-	-	809,542
Culture and recreation	339,110	-	-	339,110
Economic development	3,896	-	354,303	358,199
Miscellaneous	55,188	-	-	55,188
Capital outlay				
General government	30,003	-	-	30,003
Public safety	41,502	-	-	41,502
Public works	66,373	-	659,583	725,956
Culture and recreation	72,795	-	48,894	121,689
Miscellaneous	-	-	183,531	183,531
Debt service				
Principal	-	502,000	240,000	742,000
Interest and other costs	-	81,065	31,922	112,987
Total Expenditures	<u>3,292,765</u>	<u>583,065</u>	<u>1,518,233</u>	<u>5,394,063</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(279,636)</u>	<u>(193,649)</u>	<u>(1,005,241)</u>	<u>(1,478,526)</u>
Other Financing Sources (Uses)				
Transfers in	506,000	262,377	568,842	1,337,219
Debt issued	-	10,010	730,940	740,950
Transfers out	(571,536)	-	(54,623)	(626,159)
Total Other Financing Sources (Uses)	<u>(65,536)</u>	<u>272,387</u>	<u>1,245,159</u>	<u>1,452,010</u>
Net Change in Fund Balances	(345,172)	78,738	239,918	(26,516)
Fund Balances, January 1	5,624,304	847,205	4,366,951	10,838,460
Prior Period Adjustment (Note 9)	-	-	(245,000)	(245,000)
Fund Balances, December 31	<u>\$ 5,279,132</u>	<u>\$ 925,943</u>	<u>\$ 4,361,869</u>	<u>\$ 10,566,944</u>

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

City of Jackson, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2022

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

Net change in fund balances - governmental funds	\$ (26,516)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	797,899
Depreciation expense	(594,957)
Capital contributions to business-type activities	850,537
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>	
Book value of capital asset disposals	3,200
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Debt issued or incurred	(740,950)
Principal repayments	742,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(7,387)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Negative pension expense	(97,964)
Direct aid contributions	3,351
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(5,915)
Special assessments	(364)
<p>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.</p>	
Compensated absences	(7,335)
Change in Net Position - Governmental Activities	\$ 915,599

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

City of Jackson, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended December 31, 2022

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,306,400	\$ 1,306,400	\$ 1,302,599	\$ (3,801)
Special assessments	2,500	2,500	2,880	380
Licenses and permits	37,750	37,750	55,481	17,731
Intergovernmental	1,544,066	1,544,066	1,584,169	40,103
Charges for services	223,836	223,836	261,531	37,695
Fines and forfeits	9,100	9,100	8,661	(439)
Investment earnings	55,030	55,030	(291,623)	(346,653)
Miscellaneous	64,270	64,270	89,431	25,161
Total Revenues	<u>3,242,952</u>	<u>3,242,952</u>	<u>3,013,129</u>	<u>(229,823)</u>
Expenditures				
Current				
General government	888,189	888,189	861,522	26,667
Public safety	1,031,140	1,031,140	1,012,834	18,306
Streets and highways	883,914	883,914	809,542	74,372
Culture and recreation	342,370	342,370	339,110	3,260
Economic development	10,700	10,700	3,896	6,804
Miscellaneous	90,100	90,100	55,188	34,912
Capital outlay				
General government	18,000	18,000	30,003	(12,003)
Public safety	53,500	53,500	41,502	11,998
Streets and highways	57,500	57,500	66,373	(8,873)
Culture and recreation	36,000	36,000	72,795	(36,795)
Miscellaneous	20,000	20,000	-	20,000
Total Expenditures	<u>3,431,413</u>	<u>3,431,413</u>	<u>3,292,765</u>	<u>138,648</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(188,461)</u>	<u>(188,461)</u>	<u>(279,636)</u>	<u>(91,175)</u>
Other Financing Sources (Uses)				
Transfers in	506,000	506,000	506,000	-
Transfers out	(283,000)	(283,000)	(571,536)	(288,536)
Total Other Financing Sources (Uses)	<u>223,000</u>	<u>223,000</u>	<u>(65,536)</u>	<u>(288,536)</u>
Net Change in Fund Balances	34,539	34,539	(345,172)	(379,711)
Fund Balances, January 1	<u>5,624,304</u>	<u>5,624,304</u>	<u>5,624,304</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 5,658,843</u>	<u>\$ 5,658,843</u>	<u>\$ 5,279,132</u>	<u>\$ (379,711)</u>

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

City of Jackson, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities - Enterprise Funds		
	601	602	604
	Water Utility	Sewer Utility	Electric Utility
Assets			
Current Assets			
Cash and temporary investments	\$ 1,788,062	\$ 2,031,410	\$ 5,998,076
Receivables			
Interest	-	-	-
Accounts, net of allowance	74,195	65,230	466,505
Intergovernmental	12,167	12,167	94,994
Special assessments	136	10,138	-
Advance to other funds - current portion	-	-	29,316
Inventories	-	-	276,498
Total Current Assets	<u>1,874,560</u>	<u>2,118,945</u>	<u>6,865,389</u>
Noncurrent Assets			
Special assessments	1,115	190,285	-
Advance to other funds - noncurrent portion	-	-	1,400,513
Capital assets			
Land	8,340	161,664	66,720
Buildings and structures	2,092,134	3,391,567	3,668,135
Infrastructure	6,488,818	10,369,545	10,010,546
Machinery and equipment	308,720	377,768	1,985,408
Construction in progress	517,243	347,515	-
Less accumulated depreciation	(3,825,298)	(5,054,761)	(5,288,287)
Total Capital Assets (Net of Accumulated Depreciation)	<u>5,589,957</u>	<u>9,593,298</u>	<u>10,442,522</u>
Total Noncurrent Assets	<u>5,591,072</u>	<u>9,783,583</u>	<u>11,843,035</u>
Total Assets	<u>7,465,632</u>	<u>11,902,528</u>	<u>18,708,424</u>
Deferred Outflows of Resources			
Deferred pension resources	76,017	39,038	-
Liabilities			
Current Liabilities			
Accounts and contracts payable	12,119	17,874	329,560
Due to other governments	7,747	2,360	37,798
Due to other funds	-	-	-
Accrued salaries payable	327	74	-
Accrued interest payable	56,749	47,896	14,182
Advance from other funds - current portion	-	-	-
Deposits payable	-	-	64,470
Unearned revenue	-	-	-
Compensated absences payable - current portion	8,036	3,422	-
Bonds payable - current portion	167,350	298,750	393,400
Total Current Liabilities	<u>252,328</u>	<u>370,376</u>	<u>839,410</u>
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	6,889	15,183	-
Advance from other funds - noncurrent portion	-	-	-
Bonds payable - noncurrent portion	4,807,817	5,473,957	3,337,000
Net pension liability	219,923	112,941	-
Total Noncurrent Liabilities	<u>5,034,629</u>	<u>5,602,081</u>	<u>3,337,000</u>
Total Liabilities	<u>5,286,957</u>	<u>5,972,457</u>	<u>4,176,410</u>
Deferred Inflows of Resources			
Deferred pension resources	2,928	1,504	-
Net Position			
Net investment in capital assets	1,884,418	4,616,915	6,712,122
Restricted for sanitary sewer replacement	-	46,742	-
Unrestricted	367,346	1,303,948	7,819,892
Total Net Position	<u>\$ 2,251,764</u>	<u>\$ 5,967,605</u>	<u>\$ 14,532,014</u>

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

Business-type Activities -
Enterprise Funds

609	612	Nonmajor Enterprise 608	Total
Municipal Liquor Store	Airport	Ambulance	
\$ 216,434	\$ -	\$ 795,310	\$ 10,829,292
-	-	2,553	2,553
-	23,196	130,566	759,692
-	117,838	-	237,166
-	-	-	10,274
-	-	-	29,316
231,326	-	-	507,824
<u>447,760</u>	<u>141,034</u>	<u>928,429</u>	<u>12,376,117</u>
-	-	-	191,400
-	-	-	<u>1,400,513</u>
149,250	602,362	-	988,336
935,579	361,398	-	10,448,813
-	3,970,026	-	30,838,935
99,492	224,239	855,881	3,851,508
-	3,559,674	-	4,424,432
(98,550)	(3,277,430)	(659,131)	(18,203,457)
<u>1,085,771</u>	<u>5,440,269</u>	<u>196,750</u>	<u>32,348,567</u>
<u>1,085,771</u>	<u>5,440,269</u>	<u>196,750</u>	<u>33,940,480</u>
<u>1,533,531</u>	<u>5,581,303</u>	<u>1,125,179</u>	<u>46,316,597</u>
<u>53,710</u>	<u>-</u>	<u>20,958</u>	<u>189,723</u>
52,792	130,733	5,691	548,769
15,950	46	193	64,094
-	451,830	-	451,830
78	-	92	571
-	-	-	118,827
29,316	-	-	29,316
-	-	-	64,470
1,927	-	-	1,927
2,628	-	2,838	16,924
-	-	-	859,500
<u>102,691</u>	<u>582,609</u>	<u>8,814</u>	<u>2,156,228</u>
-	-	3,251	25,323
561,597	-	-	561,597
-	-	-	13,618,774
155,388	-	39,600	527,852
<u>716,985</u>	<u>-</u>	<u>42,851</u>	<u>14,733,546</u>
<u>819,676</u>	<u>582,609</u>	<u>51,665</u>	<u>16,889,774</u>
<u>2,069</u>	<u>-</u>	<u>25,055</u>	<u>31,556</u>
524,174	5,440,269	196,750	19,374,648
-	-	-	46,742
<u>241,322</u>	<u>(441,575)</u>	<u>872,667</u>	<u>10,163,600</u>
<u>\$ 765,496</u>	<u>\$ 4,998,694</u>	<u>\$ 1,069,417</u>	<u>\$ 29,584,990</u>

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

City of Jackson, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	601	602	604
	Water Utility	Sewer Utility	Electric Utility
Operating Revenues			
Charges for services	\$ 968,462	\$ 805,889	\$ 5,700,818
Other operating revenues	21,601	1,477	36,972
Sales	-	-	-
Cost of sales	-	-	-
Total Operating Revenues	<u>990,063</u>	<u>807,366</u>	<u>5,737,790</u>
Operating Expenses			
Purchased power	-	-	3,244,440
Personal services	280,230	137,632	-
Operating supplies and expenses	31,410	11,362	52,931
Professional services	-	-	-
Utilities	74,980	39,584	90,546
Repairs and maintenance	61,820	-	20,927
Other services and charges	63,256	64,058	466,659
Depreciation	177,720	306,078	418,200
Total Operating Expenses	<u>689,416</u>	<u>558,714</u>	<u>4,293,703</u>
Operating Income (Loss)	<u>300,647</u>	<u>248,652</u>	<u>1,444,087</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	-	-	-
Investment income (loss)	7,566	17,952	(411,565)
Contributions and donations	-	-	-
Gain (loss) on sale of capital assets	-	-	-
Interest expense and other	(122,251)	(111,708)	(98,105)
Amortization of bond premiums	437	2,465	-
Total Nonoperating Revenues (Expenses)	<u>(114,248)</u>	<u>(91,291)</u>	<u>(509,670)</u>
Income (Loss) Before Contributions and Transfers	186,399	157,361	934,417
Capital Contributions			
Special Assessments	-	7,512	-
Capital Contributions from Other Governments	-	-	-
Capital Contributions from (to) Other Funds	-	(850,537)	-
Transfers In	13,925	87,207	-
Transfers Out	<u>(155,896)</u>	<u>(168,326)</u>	<u>(491,970)</u>
Change in Net Position	44,428	(766,783)	442,447
Net Position, January 1	<u>2,207,336</u>	<u>6,734,388</u>	<u>14,089,567</u>
Net Position, December 31	<u>\$ 2,251,764</u>	<u>\$ 5,967,605</u>	<u>\$ 14,532,014</u>

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

Business-type Activities -
Enterprise Funds

609	612	Nonmajor Enterprise 608	Total
Municipal Liquor Store	Airport	Ambulance	
\$ -	\$ 68,143	\$ 486,960	\$ 8,030,272
2,908	45,676	28,672	137,306
1,616,408	-	-	1,616,408
(1,177,854)	-	-	(1,177,854)
<u>441,462</u>	<u>113,819</u>	<u>515,632</u>	<u>8,606,132</u>
-	-	-	3,244,440
214,248	-	368,372	1,000,482
3,794	6,027	22,551	128,075
-	-	83,900	83,900
12,005	24,670	-	241,785
3,908	24,677	10,897	122,229
72,560	61,293	129,795	857,621
28,661	158,976	70,133	1,159,768
<u>335,176</u>	<u>275,643</u>	<u>685,648</u>	<u>6,838,300</u>
<u>106,286</u>	<u>(161,824)</u>	<u>(170,016)</u>	<u>1,767,832</u>
-	-	4,673	4,673
2,647	-	12,292	(371,108)
-	-	8,200	8,200
-	-	(7,356)	(7,356)
(17,727)	-	-	(349,791)
-	-	-	2,902
<u>(15,080)</u>	<u>-</u>	<u>17,809</u>	<u>(712,480)</u>
91,206	(161,824)	(152,207)	1,055,352
-	-	-	7,512
-	2,160,178	-	2,160,178
-	-	-	(850,537)
-	60,000	-	161,132
<u>(56,000)</u>	<u>-</u>	<u>-</u>	<u>(872,192)</u>
35,206	2,058,354	(152,207)	1,661,445
<u>730,290</u>	<u>2,940,340</u>	<u>1,221,624</u>	<u>27,923,545</u>
<u>\$ 765,496</u>	<u>\$ 4,998,694</u>	<u>\$ 1,069,417</u>	<u>\$ 29,584,990</u>

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

City of Jackson, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	601	602	604
	Water Utility	Sewer Utility	Electric Utility
Cash Flows from Operating Activities			
Receipts from customers	\$ 984,124	\$ 807,419	\$ 5,717,819
Payments to suppliers and vendors	(230,169)	(104,468)	(4,005,599)
Payments to and on behalf of employees	(271,342)	(119,862)	-
Other receipts	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>482,613</u>	<u>583,089</u>	<u>1,712,220</u>
Cash Flows from Noncapital Financing Activities			
Grants received	-	-	-
Decrease (increase) in advance to (from) other funds	-	-	546,462
Transfer from other funds	13,925	87,207	-
Transfers to other funds	(155,896)	(168,326)	(491,970)
Increase (decrease) in due (from) to other funds	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(141,971)</u>	<u>(81,119)</u>	<u>54,492</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(361,635)	(444,911)	(191,374)
Proceeds from sale of capital assets	-	-	-
Proceeds from the issuance of bonds	1,374,800	888,002	-
Special assessment collections	130	22,531	-
Proceeds from capital contributions from other governments	-	-	-
Principal paid on long-term debt	(168,100)	(298,500)	(404,400)
Interest paid on long-term debt	(101,648)	(99,672)	(100,355)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>743,547</u>	<u>67,450</u>	<u>(696,129)</u>
Cash Flows from Investing Activities			
Interest received (paid) on cash and investments	<u>7,566</u>	<u>17,952</u>	<u>(411,565)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	1,091,755	587,372	659,018
Cash and Cash Equivalents, January 1	<u>696,307</u>	<u>1,444,038</u>	<u>5,339,058</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 1,788,062</u></u>	<u><u>\$ 2,031,410</u></u>	<u><u>\$ 5,998,076</u></u>

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

Business-type Activities -
Enterprise Funds

609	612	Nonmajor Enterprise 608	Total
Municipal Liquor Store	Airport	Ambulance	
\$ 1,619,314	\$ 58,360	\$ 469,236	\$ 9,656,272
(1,268,693)	(111,334)	(259,083)	(5,979,346)
(207,245)	-	(374,556)	(973,005)
-	45,676	8,200	53,876
<u>143,376</u>	<u>(7,298)</u>	<u>(156,203)</u>	<u>2,757,797</u>
-	-	4,673	4,673
(28,462)	-	-	518,000
-	60,000	-	161,132
(56,000)	-	-	(872,192)
-	87,650	-	87,650
<u>(84,462)</u>	<u>147,650</u>	<u>4,673</u>	<u>(100,737)</u>
-	(2,277,996)	(200,114)	(3,476,030)
-	-	35,600	35,600
-	-	-	2,262,802
-	-	-	22,661
-	2,137,644	-	2,137,644
-	-	-	(871,000)
(17,727)	-	-	(319,402)
<u>(17,727)</u>	<u>(140,352)</u>	<u>(164,514)</u>	<u>(207,725)</u>
<u>2,647</u>	<u>-</u>	<u>13,070</u>	<u>(370,330)</u>
43,834	-	(302,974)	2,079,005
<u>172,600</u>	<u>-</u>	<u>1,098,284</u>	<u>8,750,287</u>
<u>\$ 216,434</u>	<u>\$ -</u>	<u>\$ 795,310</u>	<u>\$ 10,829,292</u>

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

City of Jackson, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	601	602	604
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Electric Utility</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 300,647	\$ 248,652	\$ 1,444,087
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	177,720	306,078	418,200
Other income related to operations	-	-	-
(Increase) decrease in assets			
Accounts, net	(4,743)	1,249	(23,887)
Due from other governments	(1,196)	(1,196)	(9,569)
Inventories	-	-	(89,861)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	20,105	2,901	-
Increase (decrease) in liabilities			
Accounts and contracts payable	1,716	10,849	(40,485)
Due to other governments	(419)	(313)	250
Accrued salaries payable	237	21	-
Deposits payable	-	-	13,485
Unearned revenue	-	-	-
Compensated absences payable	1,504	3,290	-
Net pension liability	98,131	59,801	-
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(111,089)	(48,243)	-
Net Cash Provided by Operating Activities	<u>\$ 482,613</u>	<u>\$ 583,089</u>	<u>\$ 1,712,220</u>
Schedule of Noncash Investing, Capital and Financing Activities			
Book value of disposed/traded of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets acquired on account	<u>\$ 5,259</u>	<u>\$ 4,584</u>	<u>\$ -</u>
Capital assets/debt transferred (to) from other funds	<u>\$ -</u>	<u>\$ (850,537)</u>	<u>\$ -</u>
Amortization of bond (premium) discount	<u>\$ (437)</u>	<u>\$ (2,465)</u>	<u>\$ -</u>

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

Business-type Activities -
Enterprise Funds

<u>609</u>	<u>612</u>	<u>Nonmajor Enterprise 608</u>	<u>Total</u>
Municipal Liquor Store	Airport	Ambulance	
\$ 106,286	\$ (161,824)	\$ (170,016)	\$ 1,767,832
28,661	158,976	70,133	1,159,768
-	-	8,200	8,200
128	(9,783)	(46,396)	(83,432)
-	-	-	(11,961)
(4,587)	-	-	(94,448)
11,439	-	10,888	45,333
4,335	5,342	(12,133)	(30,376)
1,680	(9)	193	1,382
12	-	92	362
-	-	-	13,485
(130)	-	-	(130)
(2,080)	-	348	3,062
72,841	-	(3,104)	227,669
<u>(75,209)</u>	<u>-</u>	<u>(14,408)</u>	<u>(248,949)</u>
<u>\$ 143,376</u>	<u>\$ (7,298)</u>	<u>\$ (156,203)</u>	<u>\$ 2,757,797</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,956</u>	<u>\$ 42,956</u>
<u>\$ -</u>	<u>\$ 122,719</u>	<u>\$ -</u>	<u>\$ 132,562</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (850,537)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,902)</u>

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Jackson, Minnesota (the City) is a municipal corporation governed by a mayor and a six member council elected by eligible voters of the City. The City is the basic level of government which has oversight responsibility and control over all activities related to the government in the City's area. The City receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since the mayor and council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no activity that meets the definition of a component unit.

Housing and Redevelopment Authority (HRA)

The Housing and Redevelopment Authority of Jackson, Minnesota (HRA) is an entity legally separate from the City. The HRA is responsible for administering affordable housing programs for eligible individuals and families in Jackson. The City's officials are responsible for appointing members to the HRA's board of commissioners, but the City's accountability for the HRA does not extend beyond making the appointments. Consequently, HRA is therefore not considered to be a part of the City's financial reporting entity. Audited financial statements are available upon request from the HRA offices located at 116 State Street, Jackson, MN 56143.

Economic Development Authority (EDA)

The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to primarily carry out housing development within the City in accordance with policies established by the City Council. The governing board is appointed by the City Council which also approves the EDA's tax levy. The EDA is governed by seven board members, two of which must City Council members. The EDA is presented as a governmental fund within the City. Separate financial statements for the EDA are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, franchise taxes, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The City reports the following major proprietary funds:

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

The *Sewer Utility fund* accounts for the activities of the City's sewage system and to ensure that user charges are sufficient to pay for those costs.

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

The *Municipal Liquor fund* accounts for the operation of the municipal off-sale liquor store.

The *Airport fund* accounts for the costs associated with the City's airport.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payment in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

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

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2022:

- Negotiable certificates of deposits of \$11,263,571 are valued using a matrix pricing model (Level 2 inputs)

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

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

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list above.
- *Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits investments in any one institution, other than the U.S. Government or its agencies, to not more than \$2,000,000 or 30 percent of the total portfolio. The City has no concentrations greater than their own requirements in any one issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City requires at least 5 percent of the City's investment portfolio to be available on a daily basis without loss of principal. Also, no more than 30 percent of the portfolio should have maturities exceeding 3 years.

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. All utility receivables are reported at their gross value, and if appropriate, reduced by the estimated portion that is expected to be uncollectible. Uncollectible utility accounts are periodically charged to operations on a direct write off method. The City has determined an allowance for uncollectible accounts of \$258,153 in the Ambulance fund for December 31, 2022

Special Assessments

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

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

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

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

Inventories and Prepaid Items

Inventories of materials and supplies are recorded at cost, which approximates market, using the first-in, first out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are recorded as prepaid items. The City uses the consumption method to account for all prepaid items

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such purchased assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1986 are recorded at estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvement are capitalized as projects are constructed.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
System Infrastructure	30 - 50
Swimming Pool	50
Buildings	20 - 50
Storm Sewer	30 - 50
Street Lights	30
Curb and Gutter	30
Streets/Alleys Concrete Pavement Surface	30
Portable Structures	25
Sidewalks	20
Streets/Alleys Asphalt Pavement Surface	20
Land Improvements	20
Furniture and Fixtures	20
Outdoor Equipment	20
Grounds and Maintenance Equipment	15
Machinery and Tools	15
Police and Fire Equipment	10
Office Equipment	10
Traffic Signals	10
Science & Engineering Equipment	10
Vehicles	7
Computer Equipment & Software	5
Land	Not Depreciated

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

Vacation, sick leave and comp time are accrued as a liability and recorded as an expense of those funds as the benefits are earned by the employees. In accordance with the provisions of GASB Statement No. 16 Accounting for Compensated Absences an accrual for compensated absences should be made only to the extent it is probable that the benefits will result in termination payments. Upon termination, the City pays out all vacation and comp time to employees. The City also pays out unused sick leave to employees upon retirement. Sick leave payouts are prorated for years of service as follows: 50 percent after 10 years; 75 percent after 15 years; and 100 percent after 20 years. The General fund is typically used to liquidate governmental compensated absences.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position 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 except that PERA's fiscal year end is June 30. 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. The General fund is typically used to liquidate the governmental net pension liability.

The City only participates in the GERP fund of PERA and the pension expense as follows:

	GERP
Pension Expense	\$ 224,127

Deferred Inflows of Resources

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

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

The City has adopted a policy to strive to maintain a minimum unassigned fund balance of six months of operating expenses. If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

Net Position

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

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

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

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for most governmental funds. All annual appropriations lapse at year end. The actual revenues, expenditures, and transfers for the year ended December 31, 2022, have been compared to the City’s budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate revenues are less than budgeted or expenditures are greater than budgeted. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council. There were no budget amendments in 2022.

By the end of the first week in August of each year, all agencies of the government submit requests for appropriation to the government’s Administrator so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2022, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
EDA Revolving Loan Fund	\$ 159,300	\$ 241,860	\$ 82,560

These excess expenditures were due to paying off an outstanding bond. This excess came from available fund balance.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City’s deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

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

At year end, the City's carrying amount of deposits was \$8,520,525 and the bank balance was \$8,776,664. Of the bank balance, \$6,207,876 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name, apart from monies held at Leading Edge Credit Union, which did not have sufficient collateral coverage.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$1,083.

Investments

As of December 31, 2022, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 2
Pooled Investments at Amortized Costs				
Brokered Money Market Funds	N/A	Less than 1 year	\$ 110,913	
Non-pooled Investments at Fair Value				
Negotiable Certificates of Deposits	N/A	Less than 1 year	1,760,156	\$ 1,760,156
Negotiable Certificates of Deposits	N/A	1 to 5 years	8,772,525	8,772,525
Negotiable Certificates of Deposits	N/A	More than 5 years	730,890	730,890
Total Investments			<u>\$ 11,374,484</u>	<u>\$ 11,263,571</u>

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

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

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

There were no Level 1 or Level 3 investments in the current year and therefore was not necessary to include.
N/A Indicates not applicable or available.

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

	Primary Government
Deposits	\$ 8,520,525
Investments	11,374,484
Cash on Hand	1,083
Total	\$ 19,896,092

B. Loans Receivable

The City has made loans to local businesses and individuals that qualify for the Minnesota small cities development program. The businesses and individuals pay varying installments on the loans. The loan balances at year end totaled \$26,917, of which \$13,550 is offset with an allowance for forgivable portions.

The Economic Development Authority has loans receivable from businesses that made improvements that qualified for the industrial development loan program, Minnesota Investment fund, EDA Revolving fund and CARES. The businesses and individuals make monthly payments which carry an interest rate of zero to four percent. The balance at year end on the programs total \$1,724,953 of which several are secured by real estate. The loans include amounts loaned to the Jackson Economic Development Corporation that total \$838,922, which represents a significant concentration of credit risk if the Corporation is unable to repay the loans. The remaining amount of COVID loans is \$140,084. The remaining \$58,008 are other RLF loans.

The City also has a program to offer loans to businesses to improve the appearance of their buildings in order to stimulate private investment and revitalize Jackson businesses. The City pays up to \$10,000 in improvements forgivable between 2-5 years. The outstanding balance on these loans as of December 31, 2022 was \$54,935 all of which are offset with an allowance for forgivable portions.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the City government for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 596,170	\$ -	\$ -	\$ 596,170
Construction in progress	2,999,917	659,583	(3,363,863)	295,637
Total Capital Assets Not Being Depreciated	<u>3,596,087</u>	<u>659,583</u>	<u>(3,363,863)</u>	<u>891,807</u>
Capital Assets Being Depreciated				
Buildings	4,456,048	11,982	-	4,468,030
Infrastructure	11,158,577	4,220,946	-	15,379,523
Machinery and equipment	2,074,951	122,988	(35,200)	2,162,739
Vehicles	2,190,609	-	-	2,190,609
Total Capital Assets Being Depreciated	<u>19,880,185</u>	<u>4,355,916</u>	<u>(35,200)</u>	<u>24,200,901</u>
Less Accumulated Depreciation For				
Buildings	(1,273,680)	(105,023)	-	(1,378,703)
Infrastructure	(2,507,678)	(321,540)	-	(2,829,218)
Machinery and equipment	(1,326,988)	(68,898)	35,200	(1,360,686)
Vehicles	(1,296,064)	(99,496)	-	(1,395,560)
Total Accumulated Depreciation	<u>(6,404,410)</u>	<u>(594,957)</u>	<u>35,200</u>	<u>(6,964,167)</u>
Total Capital Assets Being Depreciated, Net	<u>13,475,775</u>	<u>3,760,959</u>	<u>-</u>	<u>17,236,734</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,071,862</u>	<u>\$ 4,420,542</u>	<u>\$ (3,363,863)</u>	<u>\$ 18,128,541</u>

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

Governmental Activities	
General government	\$ 59,905
Public safety	126,539
Streets and highways	234,081
Culture and recreation	<u>174,432</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 594,957</u>

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 988,336	\$ -	\$ -	\$ 988,336
Construction in progress	6,970,852	3,080,162	(5,626,582)	4,424,432
Total Capital Assets Not Being Depreciated	<u>7,959,188</u>	<u>3,080,162</u>	<u>(5,626,582)</u>	<u>5,412,768</u>
Capital Assets Being Depreciated				
Buildings	10,459,023	-	(10,210)	10,448,813
Machinery and equipment	3,789,434	246,172	(184,098)	3,851,508
Improvements other than buildings	26,062,888	4,776,047	-	30,838,935
Total Capital Assets Being Depreciated	<u>40,311,345</u>	<u>5,022,219</u>	<u>(194,308)</u>	<u>45,139,256</u>
Less Accumulated Depreciation For				
Buildings	(4,438,255)	(207,290)	10,210	(4,635,335)
Machinery and equipment	(2,270,982)	(208,866)	141,142	(2,338,706)
Improvements other than buildings	(10,485,804)	(743,612)	-	(11,229,416)
Total Accumulated Depreciation	<u>(17,195,041)</u>	<u>(1,159,768)</u>	<u>151,352</u>	<u>(18,203,457)</u>
Total Capital Assets Being Depreciated, Net	<u>23,116,304</u>	<u>3,862,451</u>	<u>(42,956)</u>	<u>26,935,799</u>
Business-type Activities Capital Assets, Net	<u>\$ 31,075,492</u>	<u>\$ 6,942,613</u>	<u>\$ (5,669,538)</u>	<u>\$ 32,348,567</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-Type Activities	
Water	\$ 177,720
Sewer Utility	306,078
Electric Utility	418,200
Municipal	28,661
Airport	158,976
Ambulance Service	<u>70,133</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,159,768</u>

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2022. The projects include improvements and infrastructure improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2020 Street, Utility and Parking Project	\$ 4,720,628	\$ 617,299
2022 Street, Utility and Parking Project	342,894	2,463,992
Airport Project	2,108,539	3,209,653
Total	\$ 7,172,061	\$ 6,290,944

D. Interfund Receivables, Payables and Transfers

Interfund Receivables/Payables

The composition of advances from/to other funds at December 31, 2022 is as follows:

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Utility	Municipal Liquor	3.00 %	12/31/18	12/31/38	\$ 590,913
	EDA Revolving Loan	0.55	12/28/12	12/28/22	838,916
Total					\$ 1,429,829

In 2018, the City made an interfund loan of \$635,000 from the Electric fund to the Liquor Store fund to help pay for the construction of a new municipal liquor store fund. In 2019, the City issued an additional \$65,000 to this loan. The current outstanding balance is \$590,913.

The Electric Utility fund made an interfund loan to the EDA Revolving Loan fund to provide a promissory note to the Jackson Economic Development Corporation for the purchase of land for a development park. The remaining balance is \$838,916.

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Airport	\$ 451,830

The General fund is owed \$451,830 from the Airport fund to cover the fund's cash deficit.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

Transfers made for the year ended December 31, 2022 are as follows:

Fund	Transfer in						Total
	General	Debt Service	Nonmajor Governmental	Water	Sewer	Nonmajor Enterprise	
Transfer Out							
General	\$ -	\$ -	\$ 511,536	\$ -	\$ -	\$ 60,000	\$ 571,536
Nonmajor governmental	-	-	22,822	4,762	27,039	-	54,623
Water Utility	50,000	71,412	34,484	-	-	-	155,896
Sewer Utility	50,000	118,326	-	-	-	-	168,326
Electric Utility	350,000	72,639	-	9,163	60,168	-	491,970
Municipal Liquor	56,000	-	-	-	-	-	56,000
Total	\$ 506,000	\$ 262,377	\$ 568,842	\$ 13,925	\$ 87,207	\$ 60,000	\$ 1,498,351

During the year, the following transfers were made:

- From the Municipal Liquor fund and the Electric, Water, and Sewer Utility funds into the General fund in lieu of taxes
- From the Water, Sewer and Electric Utility funds to the Debt Service funds for their portion of the bond payments
- There were several transfers made from the General fund to nonmajor governmental funds for various capital needs.

E. Long-term Debt

The City issues general obligation bonds and equipment certificates to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

General Obligation Bonds

The following bonds are direct obligations and pledge the full faith and credit of the City. These bond issues will be repaid primarily from ad valorem taxes.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bond of 2017A	\$ 1,092,000	2.00 - 2.35 %	05/24/17	02/01/25	<u>\$ 435,000</u>

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 140,000	\$ 8,030	\$ 148,030
2024	144,000	4,906	148,906
2025	151,000	1,661	152,661
Total	<u>\$ 435,000</u>	<u>\$ 14,597</u>	<u>\$ 449,597</u>

General Obligation Improvement Bonds

The following bonds will be repaid from assessments levied against benefiting properties and future tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Street and Utility 2012A Bond	\$ 2,245,000	2.00 - 2.20 %	10/01/12	02/01/26	\$ 770,000
G.O. Street and Utility 2013B Bond	1,125,000	2.00 - 3.60	08/01/13	02/01/29	570,000
G.O. Street and Utility 2020A Bond	2,625,000	1.00 - 1.75	08/18/20	02/01/41	2,510,000
G.O. Street and Utility 2022A Bond	740,950	3.85	08/01/22	02/01/43	<u>740,950</u>
Total General Obligation Improvement Bonds					<u>\$ 4,590,950</u>

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

Year Ending December 31	General Obligation Improvement Bonds Governmental Activities		
	Principal	Interest	Total
2023	\$ 380,000	\$ 92,148	\$ 472,148
2024	407,650	84,569	492,219
2025	422,650	75,953	498,603
2026	428,100	66,754	494,854
2027	233,550	59,500	293,050
2028 - 2032	972,700	229,031	1,201,731
2033 - 2037	871,700	151,945	1,023,645
2038 - 2042	824,300	57,762	882,062
2043	50,300	970	51,270
Total	<u>\$ 4,590,950</u>	<u>\$ 818,632</u>	<u>\$ 5,409,582</u>

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds and Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Minnesota Public Facilities Authority Note 2012	\$ 2,728,116	1.00 %	10/02/12	08/20/32	\$ 1,402,000
Minnesota Public Facilities Authority Note 2017	300,169 *	1.00	12/06/16	02/20/35	222,000
G.O. Improvement Bonds 2013A	3,420,000	2.00 - 2.75	05/01/13	02/01/27	1,400,000
G.O. Water Revenue Bonds 2018A	2,115,000	3.00 - 3.60	10/02/18	02/01/39	1,865,000
G.O. Water and Sewer Utility Revenue Bonds 2019A	2,210,000	3.00	05/21/19	02/01/40	2,030,000
G.O. Water and Sewer Utility Revenue Bonds 2020A	2,625,000	1.00 - 1.75	08/18/20	02/01/41	2,360,000
County Public Works Shop Note	4,278,000	2.80 - 3.13	02/01/13	02/01/38	2,913,000
G.O. Water and Sewer Utility Revenue Bonds 2022A	2,234,050	3.85	08/01/22	02/01/43	<u>2,234,050</u>
Total G.O. Revenue Bonds and Notes					<u><u>\$ 14,426,050</u></u>

* Includes undrawn note proceeds of \$28,753

The annual debt service requirements to maturity for G.O. revenue bonds and notes are as follows:

Year Ending December 31	G.O. Revenue Bonds and Notes Business-type Activities		
	Principal	Interest	Total
2023	\$ 859,500	\$ 371,554	\$ 1,231,054
2024	962,350	351,185	1,313,535
2025	972,350	328,689	1,301,039
2026	997,400	305,451	1,302,851
2027	1,022,450	280,961	1,303,411
2028 - 2032	3,893,800	1,111,608	5,005,408
2033 - 2037	3,579,048	618,057	4,197,105
2038 - 2042	1,967,452	152,026	2,119,478
2043	<u>171,700</u>	<u>2,978</u>	<u>174,678</u>
Total	<u><u>\$ 14,426,050</u></u>	<u><u>\$ 3,522,509</u></u>	<u><u>\$ 17,948,559</u></u>

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water Utility	Sewer Utility	Electric Utility
Revenues	\$ 990,063	\$ 807,366	\$ 5,737,790
Principal and Interest	269,748	398,172	504,755
Percentage of Revenues	27.2%	49.3%	8.8%

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 567,000	\$ -	\$ (132,000)	\$ 435,000	\$ 140,000
General obligation tax increment bonds	240,000	-	(240,000)	-	-
General obligation improvement bonds	4,220,000	740,950	(370,000)	4,590,950	380,000
Bond premium	-	-	-	-	-
Total Bonds Payable	5,027,000	740,950	(742,000)	5,025,950	520,000
Compensated Absences Payable	162,001	68,254	(60,919)	169,336	38,735
Governmental Activity Long-term Liabilities	\$ 5,189,001	\$ 809,204	\$ (802,919)	\$ 5,195,286	\$ 558,735
Business-type Activities					
Bonds Payable					
General obligation revenue bonds and notes	\$ 13,034,247	\$ 2,262,803	\$ (871,000)	\$ 14,426,050	\$ 859,500
Bond premium	55,126	-	(2,902)	52,224	-
Total Bonds Payable	13,089,373	2,262,803	(873,902)	14,478,274	859,500
Compensated Absences Payable	39,185	48,810	(45,748)	42,247	16,924
Business-type Activity Long-term Liabilities	\$ 13,128,558	\$ 2,311,613	\$ (919,650)	\$ 14,520,521	\$ 876,424

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

The City 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.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

General Employee 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 of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. For 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 on 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.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in the fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ending December 31, 2022, 2021 and 2020 were \$95,244, \$82,611 and \$76,619, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Ambulance - General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in the fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ending December 31, 2022, 2021 and 2020 were \$4,553, \$5,627 and \$4,996, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,251,365 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$36,769. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0158 percent which was an increase of 0.0013 percent from its proportion measured as of June 30, 2021.

City's Proportionate Share of the Net Pension Liability	\$ 1,251,365
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	36,769
Total	\$ 1,288,134

For the year ended December 31, 2022, the City recognized pension expense of \$220,535 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$5,494 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, the City 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 10,452	\$ 12,215
Changes in Actuarial Assumptions	260,609	4,445
Net Difference Between Projected and Actual Earnings on Plan Investments	54,958	-
Changes in Proportion	58,413	-
Contributions to PERA Subsequent to the Measurement Date	48,106	-
Total	\$ 432,538	\$ 16,660

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The \$48,106 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$	153,825
2024		127,545
2025		(26,765)
2026		113,167

Ambulance – General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$39,600 for its proportionate share of the General Employees Fund's net pension liability related to the Ambulance function. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City's Ambulance function totaled \$1,128. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share related to the Ambulance function was 0.0005 percent which was a decrease of .0005 percent from its proportion measured as of June 30, 2021.

Ambulance's Proportionate Share of the Net Pension Liability	\$	39,600
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Ambulance		1,128
Total		\$ 40,728

For the year ended December 31, 2022, the City recognized negative pension expense of \$2,071 for its proportionate share of the General Employees Plan's pension expense related the Ambulance function. In addition, the City recognized \$169 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, the City 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 331	\$ 839
Changes in Actuarial Assumptions	17,654	290
Net Difference Between Projected and Actual Earnings on Plan Investments	-	13,250
Changes in Proportion	1,499	10,676
Contributions to PERA Subsequent to the Measurement Date	1,474	-
Total	\$ 20,958	\$ 25,055

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The \$1,473 reported as deferred outflows of resources related to pensions resulting from the City's contributions to subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$	(813)
2024		(2,034)
2025		(6,306)
2026		3,582

E. Long -Term Expected Return on Investment

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	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.00 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2022 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 assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the City'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 City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (5.5%)	Current (6.5%)	1 Percent Increase (7.5%)
General Employee Fund	\$ 1,976,597	\$ 1,251,365	\$ 656,563
Ambulance General Employee Fund	62,551	39,600	20,777

I. 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.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the prior three years.

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

B. Contingent Liabilities

The City participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the City believes that any disallowed costs as a result of such audits will be immaterial.

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2022, the City is under the legal debt margin.

D. Tax Increment Districts

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

E. Tax Abatements

As of December 31, 2022, the City has 10 agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax abatement agreement in 2011 with a local organization in which costs were incurred to create new jobs. In return, the City agreed to a tax abatement program with the organization. The agreement has a maximum return to the organization of \$1,304,385 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and will end in 2027. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on August 5, 2014 with a local company in which costs were incurred to construct a new pharmacy. In return, the City agreed to a tax abatement program with the company. The agreement has a maximum return to the organization of \$50,175 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and will end in 2030. The calculation of taxes abated during the fiscal year is noted in the chart below.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Other Information (Continued)

The City entered into a tax abatement agreement on May 24, 2016 with a local company in which costs were incurred to construct a new building. In return, the City agreed to a tax abatement program with the company. The agreement has a maximum return to the organization of \$36,630 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and will end in 2026. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on September 21, 2017 with a local company in which costs were incurred to reopen and operate a lumberyard. In return, the City agreed to a tax abatement program with the company. The agreement has a maximum return to the organization of \$33,885 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.1812-469.1815) and will end in 2022. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #1-3) with a developer in which the developer incurred costs for a redevelopment. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The agreement was negotiated under state law (Minnesota Statute 469.124-469.134). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #3-5) on January, 3, 2012 with a local organization in which costs were incurred for the construction of new product storage and handling facilities. The agreement was amended on May 1, 2012 and again on November 7, 2012 for additional costs for the expansion of fertilizer distribution facilities and the expansion of several manufacturing facilities. In return, the City will reimburse the organizations for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the organizations of \$1,642,552 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179) and has a maximum duration to 2/1/2023. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #3-6) on December 4, 2012 with a local organization in which costs were incurred for the expansion of storage facilities. In return, the City will reimburse the organization for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the organization of \$670,263 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179) and has a maximum duration to 2/1/2024. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #3-7) on March 4, 2014 with a developer in which costs were incurred to develop a 48-unit multi-family residential project. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of \$944,551 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179) and has a maximum duration to 2/1/2043. The calculation of taxes abated during the fiscal year is noted in the chart below.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Other Information (Continued)

Lost revenue as it relates to tax abatements for the year ended December 31, 2022, was as follows:

	<u>City Tax Rate (Year of Establishment)</u>	<u>Captured Tax Capacity</u>	<u>Amount of Taxes Abated During the Year</u>
Tax Abatement Agreements			
AgCo			\$ 53,182
TP Holdings			3,257
Tri-State Contracting			4,070
Boekett Building Supply			3,765
Palmer Jackson Bus Service			3,725
SS Electric, Inc.			2,214
Tax Increment Districts (PAYGO)			
TIF District #3-5	82.06 %	\$ 128,918	105,784
TIF District #3-6	88.06	35,760	<u>31,490</u>
Total			<u>\$ 207,487</u>

F. Joint Powers Agreement

The City has a joint powers agreement with Jackson County for the purpose of the construction and operation of a public works facility. The joint facility board is comprised of two members appointed by the county and one member appointed by the City council. The City is responsible for 33% of all operating expenses of the facility and 30% of the debt issued by the County to finance the construction (see long-term debt section). The City has title to 30% of the facility. The City has allocated the facility to the Water, Sewer, and Electric enterprise funds 10%, 10%, and 80%, respectively, based on the estimated benefit each fund will receive. The agreement has no set ending date but either the county or the City may terminate this agreement for any reason with a written notice on or before the last day of a budget year.

The City has a joint powers agreement with Jackson County Central school district for the purpose of the construction and operation of splash pad. The joint facility board is comprised of two members appointed by the county and one member appointed by the City council. The City has title and is responsible for 100% of all operating expenses of the facility once operational. The agreement has no set ending date but either the school district or the City may terminate this agreement for any reason with a written notice on or before the last day of a budget year.

G. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2022 was \$1,452,556 which accounted for 48.2 percent of General fund revenue.

City of Jackson, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 6: Prior Period Adjustment

A prior period adjustment was needed to account for a portion of loans forgiven in 2021 that was not applied to the receivable account in 2021.

Fund	Net Position December 31, 2021 as Previously Reported	Prior Period Adjustment	Net Position January 1, 2022 as Restated
Governmental activities	\$ 22,321,779	\$ (245,000)	\$ 22,076,779
Governmental funds			
Economic Development Revolving Fund	\$ 1,847,604	\$ (245,000)	\$ 1,602,604

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JACKSON
JACKSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Jackson, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2022

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

City

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0158 %	\$ 1,251,365	\$ 36,769	\$ 1,288,134	\$ 1,242,346	100.7 %	76.7 %
06/30/21	0.0145	619,215	18,855	638,070	1,041,447	59.5	87.0
06/29/20	0.0138	827,373	25,467	852,840	985,669	83.9	79.0
06/30/19	0.0125	691,097	21,499	712,596	887,074	77.9	80.2
06/30/18	0.0131	726,734	23,786	750,520	881,820	82.4	79.5
06/30/17	0.0161	1,027,813	-	1,027,813	1,011,164	101.6	75.9
06/29/16	0.0165	1,339,718	-	1,339,718	1,156,993	115.8	68.9
06/30/15	0.0167	865,481	-	865,481	1,013,491	85.4	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Ambulance

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.0005 %	\$ 39,600	\$ 1,128	\$ 40,728	\$ 74,889	52.9 %	76.7 %
06/30/21	0.0010	42,704	1,265	43,969	71,363	59.8	87.0
06/29/20	0.0009	53,959	1,793	55,752	122,491	44.1	79.0
06/30/19	0.0009	49,759	1,500	51,259	168,727	29.5	80.2
06/30/18	0.0009	49,928	1,586	51,514	161,745	30.9	79.5
06/30/17	0.0009	57,455	-	57,455	142,160	40.4	75.9
06/29/16	0.0006	48,717	-	48,717	133,225	36.6	68.9
06/30/15	0.0007	36,278	-	36,278	101,670	35.7	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Jackson, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2022

Schedule of Employer's PERA Contributions - General Employees Fund - Combined

City

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 95,244	\$ 95,244	\$ -	\$ 1,269,924	7.5 %
12/31/21	82,611	82,611	-	1,101,481	7.5
12/30/20	76,619	76,619	-	1,021,587	7.5
12/31/19	71,390	71,390	-	951,860	7.5
12/31/18	66,192	66,192	-	882,555	7.5
12/31/17	77,147	77,147	-	956,632	8.1
12/30/16	76,045	76,045	-	1,065,695	7.1
12/31/15	75,760	75,760	-	1,100,251	6.9

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Ambulance

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 4,553	\$ 4,553	\$ -	\$ 60,706	7.5 %
12/31/21	5,627	5,627	-	75,027	7.5
12/30/20	4,996	4,996	-	66,614	7.5
12/31/19	12,667	12,667	-	168,895	7.5
12/31/18	11,975	11,975	-	159,670	7.5
12/31/17	11,411	11,411	-	152,147	7.5
12/30/16	9,913	9,913	-	132,173	7.5
12/31/15	7,625	7,625	-	134,278	5.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employees Fund (City and Ambulance)

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement 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.

2015 - The assumed post-retirement 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.

City of Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - General Employees Fund (City and Ambulance) (Continued)

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution 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 - 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 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 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 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 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 - 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 - There were no changes in plan provisions since the previous valuation

2015 - 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.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF JACKSON
JACKSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Jackson, Minnesota
 Nonmajor Special Revenue and Capital Project Funds
 Combining Balance Sheet
 December 31, 2022

	Special Revenue					
	223	224	226	227	228	
	Coop/TSE TIF	SWMNHP Housing TIF	COOP/TSE TIF	Westridge/ Sunset TIF	FCA Bin TIF	Ashley Estate TIF
Assets						
Cash and temporary investments	\$ 51,880	\$ 11,970	\$ 11,943	\$ 133,946	\$ 22,739	\$ 89,729
Receivables						
Delinquent taxes	-	-	-	-	-	-
Loans, net of allowance	-	-	-	-	-	-
Total Assets	<u>\$ 51,880</u>	<u>\$ 11,970</u>	<u>\$ 11,943</u>	<u>\$ 133,946</u>	<u>\$ 22,739</u>	<u>\$ 89,729</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,286
Advances from other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,286</u>
Deferred Inflows of Resources						
Unavailable revenue						
Taxes	-	-	-	-	-	-
Fund Balances						
Restricted						
Tax increment financing	51,880	11,970	11,943	133,946	22,739	76,443
Capital projects	-	-	-	-	-	-
Economic development loans	-	-	-	-	-	-
Committed						
Economic development	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Future capital improvements	-	-	-	-	-	-
Total Fund Balances	<u>51,880</u>	<u>11,970</u>	<u>11,943</u>	<u>133,946</u>	<u>22,739</u>	<u>76,443</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 51,880</u>	<u>\$ 11,970</u>	<u>\$ 11,943</u>	<u>\$ 133,946</u>	<u>\$ 22,739</u>	<u>\$ 89,729</u>

Special Revenue			Capital Project				Total
616 Economic Development Authority	618 American Rescue Plan	801 EDA Revolving Loan	222 Capital Reserve	419 2019 Capital Projects	420 2020 Capital Projects	421 2021 Capital Projects	
\$ 257,479	\$ 307,072	\$ 448,531	\$ 1,540,025	\$ -	\$ 428,856	\$ 502,081	\$ 3,806,251
320	-	-	-	-	-	-	320
-	-	1,796,328	-	-	-	-	1,796,328
<u>\$ 257,799</u>	<u>\$ 307,072</u>	<u>\$ 2,244,859</u>	<u>\$ 1,540,025</u>	<u>\$ -</u>	<u>\$ 428,856</u>	<u>\$ 502,081</u>	<u>\$ 5,602,899</u>
\$ 6,792	\$ 8,805	\$ -	\$ -	\$ -	\$ 47,921	\$ 29,886	\$ 106,690
-	-	838,916	-	-	-	-	838,916
-	295,104	-	-	-	-	-	295,104
<u>6,792</u>	<u>303,909</u>	<u>838,916</u>	<u>-</u>	<u>-</u>	<u>47,921</u>	<u>29,886</u>	<u>1,240,710</u>
	2						
320	-	-	-	-	-	-	320
-	-	-	-	-	-	-	308,921
-	-	-	-	-	-	472,195	472,195
-	-	1,405,943	-	-	-	-	1,405,943
250,687	-	-	-	-	-	-	250,687
-	-	-	-	-	380,935	-	380,935
-	3,163	-	1,540,025	-	-	-	1,543,188
<u>250,687</u>	<u>3,163</u>	<u>1,405,943</u>	<u>1,540,025</u>	<u>-</u>	<u>380,935</u>	<u>472,195</u>	<u>4,361,869</u>
<u>\$ 257,799</u>	<u>\$ 307,072</u>	<u>\$ 2,244,859</u>	<u>\$ 1,540,025</u>	<u>\$ -</u>	<u>\$ 428,856</u>	<u>\$ 502,081</u>	<u>\$ 5,602,899</u>

City of Jackson, Minnesota
 Nonmajor Special Revenue and Capital Project Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2022

	Special Revenue					
	223	224	226	227	228	229
	Coop/TSE TIF	SWMNHP Housing TIF	COOP/TSE TIF	Westridge/ Sunset TIF	FCA Bin TIF	Ashley Estate TIF
Revenues						
Taxes						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	149,106	31,710	5,001	11,053	36,796	29,524
Intergovernmental						
Federal	-	-	-	-	-	-
State	-	-	-	-	-	-
Investment earnings	1,270	129	103	1,685	268	1,042
Miscellaneous						
Contributions and donations	-	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>150,376</u>	<u>31,839</u>	<u>5,104</u>	<u>12,738</u>	<u>37,064</u>	<u>30,566</u>
Expenditures						
Current						
Economic development	143,390	28,539	-	-	33,117	42,473
Capital outlay						
Streets and highways	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and other costs	-	-	-	-	-	-
Total Expenditures	<u>143,390</u>	<u>28,539</u>	<u>-</u>	<u>-</u>	<u>33,117</u>	<u>42,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,986</u>	<u>3,300</u>	<u>5,104</u>	<u>12,738</u>	<u>3,947</u>	<u>(11,907)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(8,822)	-	-	-	-	-
Debt issued	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(8,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,836)	3,300	5,104	12,738	3,947	(11,907)
Fund Balances, January 1	53,716	8,670	6,839	121,208	18,792	88,350
Prior Period Adjustment (Note 6)	-	-	-	-	-	-
Fund Balances, December 31	<u>\$ 51,880</u>	<u>\$ 11,970</u>	<u>\$ 11,943</u>	<u>\$ 133,946</u>	<u>\$ 22,739</u>	<u>\$ 76,443</u>

Special Revenue			Capital Project				Total
616 Economic Development Authority	618 American Rescue Plan	801 EDA Revolving Loan	222 Capital Reserve	419 2019 Capital Projects	420 2020 Capital Projects	421 2021 Capital Projects	
\$ 93,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,184
-	-	-	-	-	-	-	263,190
-	52,304	-	-	-	-	-	52,304
99	-	-	-	-	-	-	99
3,429	3,163	18,317	18,915	422	7,044	14,698	70,485
-	-	-	3,025	-	-	-	3,025
-	-	-	38	-	-	-	38
3,600	-	26,882	185	-	-	-	30,667
<u>100,312</u>	<u>55,467</u>	<u>45,199</u>	<u>22,163</u>	<u>422</u>	<u>7,044</u>	<u>14,698</u>	<u>512,992</u>
106,738	-	46	-	-	-	-	354,303
-	52,304	-	-	-	380,656	226,623	659,583
-	-	-	48,894	-	-	-	48,894
-	-	-	183,531	-	-	-	183,531
-	-	240,000	-	-	-	-	240,000
-	-	1,814	-	-	-	30,108	31,922
<u>106,738</u>	<u>52,304</u>	<u>241,860</u>	<u>232,425</u>	<u>-</u>	<u>380,656</u>	<u>256,731</u>	<u>1,518,233</u>
(6,426)	3,163	(196,661)	(210,262)	422	(373,612)	(242,033)	(1,005,241)
8,822	-	-	430,800	-	129,220	-	568,842
-	-	-	(14,000)	(31,801)	-	-	(54,623)
-	-	-	-	-	-	730,940	730,940
<u>8,822</u>	<u>-</u>	<u>-</u>	<u>416,800</u>	<u>(31,801)</u>	<u>129,220</u>	<u>730,940</u>	<u>1,245,159</u>
2,396	3,163	(196,661)	206,538	(31,379)	(244,392)	488,907	239,918
248,291	-	1,847,604	1,333,487	31,379	625,327	(16,712)	4,366,951
-	-	(245,000)	-	-	-	-	(245,000)
<u>\$ 250,687</u>	<u>\$ 3,163</u>	<u>\$ 1,405,943</u>	<u>\$ 1,540,025</u>	<u>\$ -</u>	<u>\$ 380,935</u>	<u>\$ 472,195</u>	<u>\$ 4,361,869</u>

City of Jackson, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
EDA Revolving Loan
For the Year Ended December 31, 2022

	EDA Revolving Loan			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Investment earnings	42,600	42,600	18,317	(24,283)
Miscellaneous	154,621	154,621	26,882	(127,739)
Total Revenues	<u>222,221</u>	<u>222,221</u>	<u>45,199</u>	<u>(177,022)</u>
Expenditures				
Current				
Economic development	155,700	155,700	46	155,654
Debt service				
Principal	-	-	240,000	(240,000)
Interest and other costs	3,600	3,600	1,814	1,786
Total Expenditures	<u>159,300</u>	<u>159,300</u>	<u>241,860</u>	<u>(82,560)</u>
Net Change in Fund Balances	62,921	62,921	(196,661)	(259,582)
Fund Balances, January 1	1,847,604	1,847,604	1,847,604	-
Prior Period Adjustment (Note 6)	-	-	(245,000)	(245,000)
Fund Balances, December 31	<u>\$ 1,910,525</u>	<u>\$ 1,910,525</u>	<u>\$ 1,405,943</u>	<u>\$ (504,582)</u>

City of Jackson, Minnesota
 General Fund
 Comparative Balance Sheets
 For the Year Ended December 31, 2022

	2022	2021
Assets		
Cash and temporary investments	\$ 4,334,606	\$ 5,283,640
Escrowed funds	-	34
Receivables		
Delinquent taxes	17,593	22,083
Accounts	22,709	19,178
Special assessments	22,698	23,062
Intergovernmental	8,478	7,081
Due from other funds	451,830	364,180
Land held for resale	515,025	-
Total Assets	\$ 5,372,939	\$ 5,719,258
Liabilities		
Accounts payable	\$ 44,971	\$ 34,308
Due to other governments	4,634	11,856
Accrued salaries payable	3,891	3,611
Deposits payable	-	34
Unearned revenue	20	-
Total Liabilities	53,516	49,809
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	17,593	22,083
Assessments	22,698	23,062
Total Deferred Inflows of Resources	40,291	45,145
Fund Balances		
Assigned		
Future capital projects	-	74,897
Unassigned	5,279,132	5,549,407
Total Fund Balances	5,279,132	5,624,304
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,372,939	\$ 5,719,258

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City of Jackson, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Taxes					
Property taxes	\$ 1,306,400	\$ 1,306,400	\$ 1,302,599	\$ (3,801)	\$ 1,247,047
Special assessments	2,500	2,500	2,880	380	10,137
Licenses and permits					
Business	14,000	14,000	18,575	4,575	19,863
Nonbusiness	23,750	23,750	36,906	13,156	58,734
Total Licenses and Permits	<u>37,750</u>	<u>37,750</u>	<u>55,481</u>	<u>17,731</u>	<u>78,597</u>
Intergovernmental					
Federal					
FEMA	-	-	-	-	3,286
Other	-	-	5,000	5,000	-
Total Federal	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>3,286</u>
State					
Local government aid	1,452,556	1,452,556	1,452,556	-	1,435,198
Property tax credits and aids	-	-	444	444	489
Police aid	50,799	50,799	56,092	5,293	59,200
Fire aid	40,711	40,711	41,568	857	40,711
Other state aids	-	-	28,509	28,509	21,724
Total State	<u>1,544,066</u>	<u>1,544,066</u>	<u>1,579,169</u>	<u>35,103</u>	<u>1,557,322</u>
Total Intergovernmental	<u>1,544,066</u>	<u>1,544,066</u>	<u>1,584,169</u>	<u>40,103</u>	<u>1,560,608</u>
Charges for services					
General government	3,300	3,300	4,401	1,101	5,241
Public safety	50,000	50,000	68,914	18,914	62,918
Public works	169,286	169,286	186,351	17,065	189,589
Culture and recreation	1,250	1,250	1,865	615	1,795
Total Charges for Services	<u>223,836</u>	<u>223,836</u>	<u>261,531</u>	<u>37,695</u>	<u>259,543</u>
Fines and forfeits	9,100	9,100	8,661	(439)	10,623
Investment earnings (loss)	55,030	55,030	(291,623)	(346,653)	(65,706)
Miscellaneous					
Refunds and reimbursements	5,000	5,000	15,492	10,492	11,825
Contributions and donations	47,000	47,000	48,300	1,300	47,967
Other	12,270	12,270	25,639	13,369	13,942
Total Miscellaneous	<u>64,270</u>	<u>64,270</u>	<u>89,431</u>	<u>25,161</u>	<u>73,734</u>
Total Revenues	<u>3,242,952</u>	<u>3,242,952</u>	<u>3,013,129</u>	<u>(229,823)</u>	<u>3,174,583</u>

City of Jackson, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personal services	\$ 34,248	\$ 34,248	\$ 33,128	\$ 1,120	\$ 33,133
Supplies	400	400	26	374	100
Other services and charges	26,068	26,068	22,032	4,036	22,310
Total Mayor and Council	<u>60,716</u>	<u>60,716</u>	<u>55,186</u>	<u>5,530</u>	<u>55,543</u>
Administration					
Personal services	463,776	463,776	463,412	364	434,419
Supplies	7,850	7,850	6,364	1,486	7,447
Other services and charges	38,224	38,224	33,945	4,279	29,477
Total Administration	<u>509,850</u>	<u>509,850</u>	<u>503,721</u>	<u>6,129</u>	<u>471,343</u>
Elections					
Personal services	4,000	4,000	6,461	(2,461)	-
Other services and charges	3,200	3,200	4,874	(1,674)	3,388
Total Elections	<u>7,200</u>	<u>7,200</u>	<u>11,335</u>	<u>(4,135)</u>	<u>3,388</u>
Assessor					
Other services and charges	<u>24,000</u>	<u>24,000</u>	<u>23,468</u>	<u>532</u>	<u>23,356</u>
General government building					
Supplies	5,100	5,100	4,094	1,006	4,846
Other services and charges	281,323	281,323	263,718	17,605	264,791
Total General Government Building	<u>286,423</u>	<u>286,423</u>	<u>267,812</u>	<u>18,611</u>	<u>269,637</u>
Total General Government	<u>888,189</u>	<u>888,189</u>	<u>861,522</u>	<u>26,667</u>	<u>823,267</u>
Public safety					
Police protection					
Other services and charges	<u>835,096</u>	<u>835,096</u>	<u>835,096</u>	<u>-</u>	<u>793,548</u>
Fire protection					
Personal services	106,132	106,132	98,649	7,483	98,360
Supplies	8,000	8,000	6,641	1,359	4,583
Other services and charges	60,562	60,562	56,023	4,539	53,227
Total Fire Protection	<u>174,694</u>	<u>174,694</u>	<u>161,313</u>	<u>13,381</u>	<u>156,170</u>
Building inspection					
Supplies	<u>250</u>	<u>250</u>	<u>108</u>	<u>142</u>	<u>-</u>
Animal control					
Supplies	100	100	70	30	79
Other services and charges	2,000	2,000	2,000	-	2,000
Total Animal Control	<u>2,100</u>	<u>2,100</u>	<u>2,070</u>	<u>30</u>	<u>2,079</u>
Civil defense					
Other services and charges	<u>19,000</u>	<u>19,000</u>	<u>14,247</u>	<u>4,753</u>	<u>20,830</u>
Total Public Safety	<u>1,031,140</u>	<u>1,031,140</u>	<u>1,012,834</u>	<u>18,306</u>	<u>972,627</u>

City of Jackson, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
Public works					
Streets and highways					
Personal services	\$ 374,684	\$ 374,684	\$ 357,691	\$ 16,993	\$ 337,686
Supplies	125,450	125,450	137,501	(12,051)	98,152
Other services and charges	149,843	149,843	127,237	22,606	147,736
Total Streets and Highways	<u>649,977</u>	<u>649,977</u>	<u>622,429</u>	<u>27,548</u>	<u>583,574</u>
Snow removal					
Other services and charges	65,371	65,371	28,870	36,501	53,462
Sanitation					
Other services and charges	<u>168,566</u>	<u>168,566</u>	<u>158,243</u>	<u>10,323</u>	<u>156,964</u>
Total Public Works	<u>883,914</u>	<u>883,914</u>	<u>809,542</u>	<u>74,372</u>	<u>794,000</u>
Culture and recreation					
Parks					
Personal services	113,925	113,925	102,218	11,707	97,880
Supplies	14,725	14,725	9,355	5,370	10,189
Other services and charges	161,837	161,837	150,954	10,883	151,622
Total Parks	<u>290,487</u>	<u>290,487</u>	<u>262,527</u>	<u>27,960</u>	<u>259,691</u>
Library					
Supplies	<u>51,883</u>	<u>51,883</u>	<u>76,583</u>	<u>(24,700)</u>	<u>48,780</u>
Total Culture and Recreation	<u>342,370</u>	<u>342,370</u>	<u>339,110</u>	<u>3,260</u>	<u>308,471</u>
Economic development					
Other services and charges	<u>10,700</u>	<u>10,700</u>	<u>3,896</u>	<u>6,804</u>	<u>5,980</u>
Miscellaneous					
Other services and charges	<u>90,100</u>	<u>90,100</u>	<u>55,188</u>	<u>34,912</u>	<u>68,789</u>
Total Current	<u>3,246,413</u>	<u>3,246,413</u>	<u>3,082,092</u>	<u>164,321</u>	<u>2,973,134</u>
Capital outlay					
General government	18,000	18,000	30,003	(12,003)	7,335
Public safety	53,500	53,500	41,502	11,998	44,405
Streets and highways	57,500	57,500	66,373	(8,873)	40,405
Culture and recreation	36,000	36,000	72,795	(36,795)	6,304
Miscellaneous	20,000	20,000	-	20,000	6,605
Total Capital Outlay	<u>185,000</u>	<u>185,000</u>	<u>210,673</u>	<u>(25,673)</u>	<u>105,054</u>
Total Expenditures	<u>3,431,413</u>	<u>3,431,413</u>	<u>3,292,765</u>	<u>138,648</u>	<u>3,078,188</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(188,461)</u>	<u>(188,461)</u>	<u>(279,636)</u>	<u>(91,175)</u>	<u>96,395</u>
Other Financing Sources (Uses)					
Transfers in	506,000	506,000	506,000	-	459,829
Transfers out	<u>(283,000)</u>	<u>(283,000)</u>	<u>(571,536)</u>	<u>(288,536)</u>	<u>(1,114,212)</u>
Total Other Financing Sources (Uses)	<u>223,000</u>	<u>223,000</u>	<u>(65,536)</u>	<u>(288,536)</u>	<u>(654,383)</u>
Net Change in Fund Balances	34,539	34,539	(345,172)	(379,711)	(557,988)
Fund Balances, January 1	<u>5,624,304</u>	<u>5,624,304</u>	<u>5,624,304</u>	<u>-</u>	<u>6,182,292</u>
Fund Balances, December 31	<u>\$ 5,658,843</u>	<u>\$ 5,658,843</u>	<u>\$ 5,279,132</u>	<u>\$ (379,711)</u>	<u>\$ 5,624,304</u>

City of Jackson, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2022

	308	311	312
	Sunset View Debt Service	State Street Debt Service	2013 Street Reconstruction Bonds
Assets			
Cash and temporary investments	\$ 333,844	\$ (144,391)	\$ 278,315
Receivables			
Delinquent taxes	22	1,185	287
Total Assets	<u>\$ 333,866</u>	<u>\$ (143,206)</u>	<u>\$ 278,602</u>
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	\$ 22	\$ 1,185	\$ 287
Fund Balances			
Restricted			
Debt service	333,844	-	278,315
Unassigned	-	(144,391)	-
Total Fund Balance	<u>333,844</u>	<u>(144,391)</u>	<u>278,315</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 333,866</u>	<u>\$ (143,206)</u>	<u>\$ 278,602</u>

313 2017A GO Refunding Bonds	316 2020A Street Reconstruction Bonds	317 2022A Street Reconstruction Bonds	Total
\$ 289,139	\$ 159,026	\$ 10,010	\$ 925,943
2,212	944	-	4,650
<u>\$ 291,351</u>	<u>\$ 159,970</u>	<u>\$ 10,010</u>	<u>\$ 930,593</u>
\$ 2,212	\$ 944	\$ -	\$ 4,650
289,139	159,026	10,010	1,070,334
-	-	-	(144,391)
<u>289,139</u>	<u>159,026</u>	<u>10,010</u>	<u>925,943</u>
<u>\$ 291,351</u>	<u>\$ 159,970</u>	<u>\$ 10,010</u>	<u>\$ 930,593</u>

City of Jackson, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

	308 Sunset View Debt Service	311 State Street Debt Service	312 2013 Street Reconstruction Bonds
Revenues			
Taxes			
Property taxes	\$ 34	\$ 86,113	\$ 20,380
Tax increments	71,910	-	-
Intergovernmental			
State	298	-	-
Investment earnings	408	-	3,519
Miscellaneous	-	-	-
Total Revenues	<u>72,650</u>	<u>86,113</u>	<u>23,899</u>
Expenditures			
Debt service			
Principal	-	180,000	75,000
Interest and other costs	-	13,599	13,292
Total Expenditures	<u>-</u>	<u>193,599</u>	<u>88,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>72,650</u>	<u>(107,486)</u>	<u>(64,393)</u>
Other Financing Sources (Uses)			
Transfers in	-	120,479	69,259
Bonds issued	-	-	-
Transfers out	(66,587)	-	-
Total Other Financing Sources (Uses)	<u>(66,587)</u>	<u>120,479</u>	<u>69,259</u>
Net Change in Fund Balances	6,063	12,993	4,866
Fund Balances, January 1	<u>327,781</u>	<u>(157,384)</u>	<u>273,449</u>
Fund Balances, December 31	<u>\$ 333,844</u>	<u>\$ (144,391)</u>	<u>\$ 278,315</u>

313 2017A GO Refunding Bonds	316 2020A Street Reconstruction Bonds	317 2022A Street Reconstruction Bonds	Total
\$ 78,549	\$ 84,471	\$ -	\$ 269,547
30,286	-	-	102,196
-	-	-	298
2,448	-	-	6,375
11,000	-	-	11,000
<u>122,283</u>	<u>84,471</u>	<u>-</u>	<u>389,416</u>
132,000	115,000	-	502,000
12,384	41,790	-	81,065
<u>144,384</u>	<u>156,790</u>	<u>-</u>	<u>583,065</u>
<u>(22,101)</u>	<u>(72,319)</u>	<u>-</u>	<u>(193,649)</u>
66,587	72,639	-	328,964
-	-	10,010	10,010
-	-	-	(66,587)
<u>66,587</u>	<u>72,639</u>	<u>10,010</u>	<u>272,387</u>
44,486	320	10,010	78,738
244,653	158,706	-	847,205
<u>\$ 289,139</u>	<u>\$ 159,026</u>	<u>\$ 10,010</u>	<u>\$ 925,943</u>

City of Jackson, Minnesota
 Summary Financial Report
 Revenues and Expenditures for General Operations
 Governmental Funds
 For the Years Ended December 31, 2022 and 2021

	Total		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 2,030,716	\$ 1,962,279	3.5 %
Special assessments	2,880	10,137	(71.6)
Licenses and permits	55,481	78,597	(29.4)
Intergovernmental	1,636,870	1,804,961	(9.3)
Charges for services	261,531	259,543	0.8
Fines and forfeits	8,661	10,623	(18.5)
Investment earnings (loss)	(214,763)	(12,578)	(1,607.5)
Miscellaneous	134,161	142,265	(5.7)
	<u>\$ 3,915,537</u>	<u>\$ 4,255,827</u>	(8.0) %
Total Revenues	<u>\$ 3,915,537</u>	<u>\$ 4,255,827</u>	(8.0) %
Per Capita	\$ 1,177	\$ 1,281	(8.1) %
Expenditures			
Current			
General government	\$ 861,522	\$ 823,267	4.7 %
Public safety	1,012,834	972,627	4.1
Public works	809,542	794,000	2.0
Culture and recreation	339,110	308,471	9.9
Economic development	358,199	624,834	(42.7)
Miscellaneous	55,188	68,789	(19.8)
Capital outlay			
General government	30,003	7,335	309.0
Public safety	41,502	44,405	(6.5)
Streets and highways	725,956	2,414,628	(69.9)
Culture and recreation	121,689	48,892	148.9
Miscellaneous	183,531	78,371	134.2
Debt service			
Principal	742,000	385,000	92.7
Interest and other charges	112,987	70,060	61.3
	<u>\$ 5,394,063</u>	<u>\$ 6,640,679</u>	(18.8) %
Total Expenditures	<u>\$ 5,394,063</u>	<u>\$ 6,640,679</u>	(18.8) %
Per Capita	\$ 1,621	\$ 1,998	(18.9) %
Total Long-term Indebtedness	\$ 5,025,950	\$ 5,027,000	(0.0) %
Per Capita	\$ 1,510	\$ 1,513	(0.2)
General Fund Balance - December 31	\$ 5,279,132	\$ 5,624,304	(6.1) %
Per Capita	\$ 1,586	\$ 1,693	(6.3)

The purpose of this report is to provide a summary of financial information concerning the City of Jackson to interested citizens. The complete financial statements may be examined at City Hall, 80 West Ashley Street, Jackson, MN, 56143. Questions about this report should be directed to Deb Mitchell at (507) 847-4410.

SINGLE AUDIT AND
OTHER REQUIRED REPORTS

CITY OF JACKSON
JACKSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of 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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Jackson, Minnesota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 except as described in the Schedule of Findings, Responses and Questioned Costs as item 2022-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

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



Abdo
Mankato, Minnesota
March 23, 2023

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

Honorable Mayor and City Council
City of 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 and the business-type activities, each major fund and the aggregate remaining fund information of the City of Jackson, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2022-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Responses and Questioned costs as item 2022-004.

Response to Findings

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

Purpose of this Report

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



Abdo
Mankato, Minnesota
March 23, 2023



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

Honorable Mayor and City Council
City of Jackson, Minnesota

Opinion on Each Major Federal Program

We have audited the City of Jackson, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of Findings, Responses and Questioned Costs as item 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Abdo
Mankato, Minnesota
March 23, 2023



City of Jackson, Minnesota
Schedule of Expenditure of Federal Award Programs
For the Year Ended December 31, 2022

Federal Funding Source	Administering Department/Entity	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 - Coronavirus Relief Fund	21.019C		\$ 52,304
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	MnDOT Grant #1032173 MnDOT Grant #1044914 MnDOT Grant #1048621 MnDOT Grant #1051430	2,035,834
U.S. Department of Agriculture	Minnesota Department of Revenue	Cooperative Forestry Assistance	10.664		<u>5,000</u>
Total Federal Expenditures					<u>\$ 2,093,138</u>

City of Jackson, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Jackson, Minnesota (the City) for the year ended December 31, 2022. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended December 31, 2022, the City did not elect to use the 10% de minimis indirect cost rate.

City of Jackson, Minnesota
 Schedule of Findings, Responses and Questioned Costs
 For the Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Modified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	Yes

Identification of Major Programs/Clusters

	CFDA No.
Airport Improvement Program	20.106
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

Three significant deficiencies (findings 2022-001, 2022-003 and 2022-004) and one material weakness (2022-002) relating to the audit of the financial statements are reported in the Report on Internal Control and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Section III - Major Federal Award Findings and Questioned Costs

There is are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance. Finding 2022-003 is reported but does not qualify as an instance of material noncompliance.

Section IV - Corrective Action Plans

Corrective Action Plans are attached as required to be reported under the Federal Single Audit Act.

Section V - Schedule of Prior Year Audit Findings

There were prior year audit findings and they are included in the Schedule of Prior Year Audit Findings.

City of Jackson, Minnesota
Schedule of Findings, Responses and Questioned (Continued)
Costs For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-001	Financial Report Preparation
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept the degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Jackson, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended December 31, 2022

2022-002 **Material Audit Adjustments**

Condition: During our audit, adjustments were needed to record various material transactions and to correct coding and reclassify amounts to correct funds.

Criteria: Such adjustments should be detected and made by the City's personnel.

Cause: City staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.

Effect: It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

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

Management Response:

The City will review all adjusting entries posted this year and make all such necessary adjustments in the future. The Accountant will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent material misstatements from occurring.

2022-003 **Uniform Guidance Written Policies and Procedures**

Condition: During our audit, we discovered that the City has no developed written procedures required by the Uniform Guidance.

Criteria: The City must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the City is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal Awards.

Cause: The City did not have written policies and procedures in place sufficient to comply with the Uniform Guidance requirements.

Effect: The City was out of compliance with this requirement.

Recommendation: The City should implement written policies and procedures to adhere to the above mentioned Uniform Guidance requirements.

Management Response:

The City will establish policies and procedures to ensure future compliance with the Uniform Guidance requirements.

City of Jackson, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-004	Collateral Coverage
<i>Condition:</i>	Auditing of legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota Statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
<i>Cause:</i>	The City had \$431,216 of deposits uncollateralized on December 31, 2022 due to large incoming investments late in the year. The bank had indicated collateral would be sufficient, however, this was inaccurate.
<i>Effect:</i>	At year end, the City did not have sufficient collateral pledged and therefore was not in compliance with state statute.
<i>Recommendation:</i>	We recommend the City establish a more specific understanding with the bank for the needed collateral. Ultimately, it is the City's responsibility to have adequate coverage regardless of the bank's process.

Management Response:

The Office Manager has taken the appropriate action to ensure that City's deposits are sufficiently covered by collateral throughout the entire month.

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2022-001 Preparation of Financial Statements

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The City Council will continue to monitor as a compensating control.

3. Official Responsible for Ensuring CAP:

Matt Skaret, City Administrator, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

Ongoing.

5. Plan to Monitor Completion of CAP:

The City Council will be monitoring this corrective action plan.

Sincerely,

Matt Skaret
City Administrator



2022-002 Material Audit Adjustments

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

Management will continue to thoroughly review journal entries to prepare for the audit and ask questions throughout the year in an attempt to eliminate as many adjusting entries as possible.

3. Official Responsible for Ensuring CAP:

Matt Skaret, City Administrator, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

Ongoing.

5. Plan to Monitor Completion of CAP:

The City Council will be monitoring this corrective action plan.

Sincerely,

Matt Skaret
City Administrator



2022-003 Uniform Guidance Written Policies and Procedures

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The City Council will establish written policies and procedures for Uniform Guidance.

3. Official Responsible for Ensuring CAP:

Matt Skaret, City Administrator, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

December 31, 2023.

5. Plan to Monitor Completion of CAP:

The City Council will be monitoring this corrective action plan.

Sincerely,

Matt Skaret
City Administrator

City of Jackson, Minnesota
Schedule of Prior Year Findings
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2021-001	Financial Report Preparation
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept the degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.
<i>Updated Progress from Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.

City of Jackson, Minnesota
Schedule of Prior Year Findings (Continued)
For The Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2021-002	Utility Billing Rate Updates in Software
<i>Condition:</i>	During our audit we found that one category of utility rates had not been updated in the City software for several years.
<i>Criteria:</i>	The Utility Clerk should update the billing software when there is change in rates approved by Council.
<i>Effect:</i>	The City could be billing less than the approved utility rates.
<i>Cause:</i>	As a result, the City received less revenue for this category of utility. The aggregate amount was not material to the City, but similar errors could be material if made in the future.
<i>Recommendation:</i>	We recommend that after rate changes are approved, the utility clerk updates the software, and the City Administrator or Finance Director review the updates.
<i>Management Response:</i>	
	The City is aware and will take measures to ensure utility rates are updated.
<i>Updated Progress from Prior Year:</i>	
	This finding was corrected in the current year.
2021-003	Material Audit Adjustments
<i>Condition:</i>	During our audit, adjustments were needed to record various material transactions and to correct coding and reclassify amounts to correct funds.
<i>Criteria:</i>	Such adjustments should be detected and made by the City's personnel.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	
	The City will review all adjusting entries posted this year and make all such necessary adjustments in the future. The Finance Director will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent material misstatements from occurring.
<i>Updated Progress from Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.

City of Jackson, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2021-004	Claims Approval
<i>Condition:</i>	We conducted an audit under the provisions of the Minnesota Legal Compliance Audit Guide for Cities. This audit for legal compliance requires a review of the City's claims and disbursements. Our study indicated an instance of non-compliance that we believe should be remedied.
<i>Criteria:</i>	Minnesota Statute § 412.271, subd. 1 directs all claims be audited and allowed by the City Council. Meaning all claims paid by the City are required to be approved by the City Council at the City's monthly meetings. We noted that ambulance checks are not being approved by Council.
<i>Cause:</i>	The ambulance fund accounting is done by an outsourced vendor. The City Council has not been receiving the check reports for ambulance disbursements.
<i>Effect:</i>	This City Council does not have sufficient oversight of all disbursements.
<i>Recommendation:</i>	Because the ambulance fund will now be accounted for by the City office, we believe this finding will be remedied in 2022.
<i>Management Response:</i>	
	The City has taken over accounting for the ambulance fund and will include those disbursements in the listing Council approves.
<i>Updated Progress from Prior Year:</i>	
	This finding was corrected in the current year.

City of Jackson, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2021-005	Uniform Guidance Written Policies and Procedures
<i>Condition:</i>	During our audit, we discovered that the City has no developed written procedures required by the Uniform Guidance.
<i>Criteria:</i>	The City must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the City is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal Awards.
<i>Cause:</i>	The City did not have written policies and procedures in place sufficient to comply with the Uniform Guidance requirements.
<i>Effect:</i>	The City was out of compliance with this requirement.
<i>Recommendation:</i>	The City should implement written policies and procedures to adhere to the above mentioned Uniform Guidance requirements.
<i>Management Response:</i>	
	The City will establish policies and procedures to ensure future compliance with the Uniform Guidance requirements.
<i>Updated Progress from Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.