

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**MURRAY COUNTY**  
**SLAYTON, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2007

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**For the Year Ended December 31, 2007**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

ORGANIZATION  
2007

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Kevin Vickerman**	January 2009
2nd District	Robert Moline*	January 2009
3rd District	Gerald W. Magnus	January 2011
4th District	John M. Giese	January 2011
5th District	William J. Sauer	January 2009
<b>Officers</b>		
<b>Elected</b>		
Attorney	Paul M. Malone	January 2007
Auditor/Treasurer	Heidi E. Winter	January 2007
County Judge	David Christenson	January 2007
County Recorder	James V. Johnson	January 2007
Registrar of Titles	James V. Johnson	January 2007
Sheriff	Steven Telkamp	January 2007
<b>Appointed</b>		
Assessor	Marcy Barritt	Indefinite
Highway Engineer	Randy Groves	Indefinite
Court Administrator	Steven Schulze	Indefinite
Veterans Service Officer	James Reinert	Indefinite
Coroner	Dr. H. Dean Hughes	Indefinite

\*Chair for 2007

\*\*Chair for 2008

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Murray County

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Murray County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Murray County Memorial Hospital, which is both a major fund (Hospital Enterprise Fund) and 93 percent, 101 percent, and 90 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed here, insofar as it relates to amounts included for the Hospital, is based solely on the report of the other auditors.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Murray County as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison schedules listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Murray County. The schedule and statement listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Murray County. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2009, on our consideration of Murray County'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

January 29, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007  
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2007. The MD&A provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$46,550,685, of which \$36,575,945 is invested in capital assets and \$1,819,337 is restricted to specific purposes. The \$8,155,403 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's governmental activities' net assets increased by \$1,428,045 for the year ended December 31, 2007. A large part of the increase is attributable to the County's investing in infrastructure assets without increasing long-term debt and an increase in receivables.
- The net cost of governmental activities for the current fiscal year was \$5,109,424. General revenues and other items totaling \$6,537,469 funded the net cost.
- The General Fund balance decreased by \$623,344, the Road and Bridge Special Revenue Fund balance increased by \$450,827, and the Ditch Special Revenue Fund balance increased by \$1,397,228.
- For the year ended December 31, 2007, the unreserved fund balance of the General Fund was \$3,139,776, or 48.7 percent, of the total General Fund expenditures for the year of \$6,449,338.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

## **Government-Wide Financial Statements**

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. The statement of net assets presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net assets. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. Assessing the County's overall fiscal health will require consideration of other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets.

The government-wide financial statements of the County are divided into three categories:

- **Governmental activities**--Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- **Business-type activities**--The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Murray County Memorial Hospital and Congregate Housing.
- **Component units**--The County includes the Shetek Area Water and Sewer Commission, a legally separate entity, because the County is legally accountable for it.

The government-wide statements can be found as Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

Fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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 how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

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

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Ditch Special Revenue Fund, and EDA Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as Exhibits 3 through 6 of this report.

Business-type funds are maintained by Murray County to account for the Murray County Memorial Hospital and Congregate Housing. The financial statements for these funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic business-type fund financial statements can be found as Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

All fiduciary activities are reported in a separate statement of fiduciary net assets on Exhibit 10.

### **Notes to the Financial Statements**

Notes to the financial statements provide additional information 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 on pages 32 through 80 of this report.

### **Other Information**

Other information is provided as supplementary information regarding Murray County's intergovernmental revenue.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$59,272,345 at the close of 2007. The largest portion of the net assets (67.3 percent) reflects its investment in capital assets (for example: land; buildings; equipment; and infrastructure, such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2006 is presented.

### Net Assets (in thousands)

	Governmental Activities	Business-Type Activities	Total	
			2007	2006 (Restated)
<b>Assets</b>				
Current and other assets	\$ 15,435	\$ 10,857	\$ 26,292	\$ 21,860
Capital assets	<u>36,576</u>	<u>8,005</u>	<u>44,581</u>	<u>44,973</u>
Total Assets	<u>\$ 52,011</u>	<u>\$ 18,862</u>	<u>\$ 70,873</u>	<u>\$ 66,833</u>
<b>Liabilities</b>				
Long-term liabilities	\$ 4,369	\$ 4,532	\$ 8,901	\$ 8,380
Other liabilities	<u>1,091</u>	<u>1,608</u>	<u>2,699</u>	<u>2,368</u>
Total Liabilities	<u>\$ 5,460</u>	<u>\$ 6,140</u>	<u>\$ 11,600</u>	<u>\$ 10,748</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 36,576	\$ 3,289	\$ 39,865	\$ 39,878
Restricted	1,820	-	1,820	705
Unrestricted	<u>8,155</u>	<u>9,433</u>	<u>17,588</u>	<u>15,502</u>
Total Net Assets	<u>\$ 46,551</u>	<u>\$ 12,722</u>	<u>\$ 59,273</u>	<u>\$ 56,085</u>

Unrestricted net assets--the part of net assets that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--are 29.7 percent of the net assets.

## Governmental Activities

The County's governmental activities' net assets increased by 3.2 percent (\$46,550,685 for 2007 compared to \$45,122,640 for 2006). Key elements in this increase in net assets are as follows, with comparative data for 2006.

<b>Governmental Activities Changes in Net Assets (in thousands)</b>		
	2007	2006
Revenues		
Program revenues		
Charges for services	\$ 2,299	\$ 1,318
Operating grants and contributions	1,923	3,938
Capital grants and contributions	1,830	557
General revenues		
Property taxes	4,273	4,056
Other	2,275	2,184
Total Revenues	\$ 12,600	\$ 12,053
Expenses		
General government	\$ 2,681	\$ 1,870
Public safety	1,327	1,234
Highways and streets	3,288	3,146
Sanitation	380	420
Human services	1,067	968
Health	64	64
Culture and recreation	736	670
Conservation of natural resources	747	690
Economic development	690	126
Interest	182	115
Total Expenses	\$ 11,162	\$ 9,303
Revenues Over Expenses	\$ 1,438	\$ 2,750
Transfers to business-type activities	(10)	(8)
Increase in Net Assets	\$ 1,428	\$ 2,742
Net Assets - January 1	45,123	42,381
Net Assets - December 31	\$ 46,551	\$ 45,123

The cost of all governmental activities for 2007 was \$11,161,249 and, as shown on the Statement of Activities on Exhibit 2; the amount that taxpayers ultimately financed for these activities through County taxes was only \$4,273,125. The amount paid by those who directly benefited from the programs was \$2,299,321, and the amount paid by other governments and organizations to subsidize certain programs with grants and contributions was \$1,922,789. Capital grants and contributions were \$1,829,715. The County paid for the remaining “public benefit” portion of governmental activities with \$1,168,478 in grants and contributions not restricted to specific programs and \$626,705 in interest.

The following table presents the cost of each of the County’s four largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden placed on the County’s taxpayers by each of these functions.

**Governmental Activities  
2007  
(in thousands)**

	Total Cost of Services	Net Cost of Services
General government	\$ 2,681	\$ 2,213
Public safety	1,327	1,095
Highways and streets	3,288	(103)
Human services	1,067	1,067
All others	2,799	837
Total	\$ 11,162	\$ 5,109

**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

**Governmental Funds**

The focus of the County’s governmental funds is to provide information on short-term inflows, outflows, and the balances left at year-end that are available for spending. Such information is useful in assessing the County’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$10,108,689, an increase of \$1,288,508 in comparison with the prior year. Of the combined ending fund balances, \$8,391,946 represents unreserved fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law, grant agreements, or bond covenants.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$3,139,776. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund unreserved fund balance represents 48.7 percent of total General Fund expenditures. The General Fund total fund balance decreased by \$623,344, and its unreserved fund balance decreased by \$1,381,228.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$2,739,517 at fiscal year-end, representing 96.4 percent of its annual expenditures. The Road and Bridge Special Revenue Fund's total fund balance increased by \$450,827 during 2007, and its unreserved fund balance increased by \$442,332.

The Human Services Special Revenue Fund has no fund balance, as Lincoln, Lyon, & Murray Human Services performs human services functions for Murray County through a joint powers agreement.

The Ditch Special Revenue Fund had an unreserved fund balance of \$2,600,717 at fiscal year-end. The ending fund balance increased \$1,397,228 during 2007.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the County Board revised the General Fund budget. The expenditure budget increased \$1,159,205. These budget amendments fall into two categories: new information changing original budget estimates and greater than anticipated costs.

With these adjustments, the actual charges to appropriations (expenditures) were \$221,595 below the final budget amounts.

On the other hand, revenues were \$471,759 above the final budgeted amount.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The County's capital assets for its governmental activities at December 31, 2007, totaled \$36,575,945 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets decreased \$245,533, or 0.67 percent, from the previous year. The major capital asset events were: construction of highways and streets, various building improvements, the construction of a sewer improvement system, and purchase of highway and other miscellaneous equipment.

**Capital Assets at Year-End  
(Net of Depreciation, in thousands)**

	2007	2006
Land, including right-of-way	\$ 633	\$ 581
Infrastructure	31,788	32,218
Buildings	2,363	2,136
Work in progress	103	168
Improvements other than buildings	208	180
Machinery and equipment	1,481	1,538
Total	\$ 36,576	\$ 36,821

Additional information about the County's capital assets can be found in Note 3.A.3. to the financial statements.

**Long-Term Debt**

At the end of the current fiscal year, the County had total outstanding debt of \$7,257,000, which was backed by the full faith and credit of the government.

**Outstanding Debt  
(in thousands)**

	2007	2006
General obligation notes	\$ -	\$ 275
General obligation ditch bonds	3,260	1,995
General obligation refunding bonds	1,375	1,440
Hospital revenue note	3,436	3,547
General obligation promissory notes	351	-
Total	\$ 8,422	\$ 7,257

The County's debt related to general obligation bonds increased by \$1,154,280 (33.6 percent) during the fiscal year.

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2007, the County's outstanding debt was 1.2 percent of its total estimated market value.

Additional information on the County's long-term debt can be found in the notes to the financial statements.



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

The County's elected and appointed officials considered many factors when setting the 2008 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Murray County at the end of 2007 was 4.4 percent. This is lower than the state unemployment rate of 4.6 percent and shows a slight increase from the County's 4.3 percent rate of one year ago.
- Mortgage interest rates are increasing slightly from 2006 but refinancing of mortgages and/or financing of new construction continues to occur.
- General Fund expenditures for 2008 are budgeted to increase \$304,337, or 5.0 percent, over the 2007 original budget.
- The County's net property tax levy for 2007 (2007 payable) increased by \$234,868, or 5.0 percent.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Murray County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the County Auditor/Treasurer, Heidi E. Winter, Murray County Government Center, P. O. Box 57, Slayton, Minnesota 56172.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	<b>Primary Government</b>			<b>Shetek Area Water and Sewer Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
<b>Current assets</b>				
Cash and pooled investments	\$ 8,831,774	\$ 3,097,095	\$ 11,928,869	\$ 3,133,247
Petty cash and change funds	2,100	-	2,100	-
Cash with fiscal agent	1,458,299	-	1,458,299	-
Taxes receivable				
Prior - net	53,917	-	53,917	-
Special assessments receivable				
Current	6,243	-	6,243	310,582
Prior	4,419	-	4,419	-
Noncurrent - net	1,953,498	-	1,953,498	8,506,330
Accounts receivable - net	49,086	148,697	197,783	23,594
Patient receivable - net	-	2,495,456	2,495,456	-
Accrued interest receivable	64,080	-	64,080	26,591
Due from other governments	1,741,012	-	1,741,012	380,451
Loans receivable	690,701	-	690,701	-
Inventories	259,153	424,560	683,713	-
Prepaid items	300	89,063	89,363	-
Restricted assets				
Cash and pooled investments	-	9,600	9,600	540,772
<b>Total current assets</b>	<b>\$ 15,114,582</b>	<b>\$ 6,264,471</b>	<b>\$ 21,379,053</b>	<b>\$ 12,921,567</b>
<b>Noncurrent assets</b>				
Deferred debt issuance costs	\$ 15,433	\$ 17,618	\$ 33,051	\$ 95,877
Long-term receivable	305,000	-	305,000	-
Capital assets				
Non-depreciable	736,692	143,401	880,093	13,194,099
Depreciable - net of accumulated depreciation	35,839,253	7,861,543	43,700,796	1,705,130
Other assets	-	4,574,709	4,574,709	-
<b>Total noncurrent assets</b>	<b>\$ 36,896,378</b>	<b>\$ 12,597,271</b>	<b>\$ 49,493,649</b>	<b>\$ 14,995,106</b>
<b>Total Assets</b>	<b>\$ 52,010,960</b>	<b>\$ 18,861,742</b>	<b>\$ 70,872,702</b>	<b>\$ 27,916,673</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	<b>Primary Government</b>			<b>Shetek Area Water and Sewer Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 103,771	\$ 503,244	\$ 607,015	\$ 56,308
Salaries payable	157,891	880,013	1,037,904	732
Contracts payable	146,184	-	146,184	590,615
Due to other governments	150,156	198	150,354	2,567
Accrued interest payable	82,337	28,479	110,816	30,064
Payable from restricted assets	-	9,600	9,600	-
Compensated absences payable - current	51,604	228	51,832	-
Loans payable - current	103,056	-	103,056	-
General obligation bonds payable - current	-	70,000	70,000	45,000
Revenue bonds payable - current	-	115,874	115,874	-
Promissory notes payable - current	50,742	-	50,742	-
Revenue notes payable - current	-	-	-	553,549
General obligation special assessment debt payable - current	220,000	-	220,000	-
<b>Total current liabilities</b>	<b>\$ 1,065,741</b>	<b>\$ 1,607,636</b>	<b>\$ 2,673,377</b>	<b>\$ 1,278,835</b>
<b>Noncurrent liabilities</b>				
Compensated absences payable	\$ 390,891	\$ 7,142	\$ 398,033	\$ -
Loans payable	674,564	-	674,564	-
General obligation bonds payable	-	1,204,990	1,204,990	3,750,000
Unamortized premium	-	-	-	13,711
General obligation special assessment debt payable	3,040,000	-	3,040,000	-
Unamortized discount	(11,145)	-	(11,145)	-
Revenue bonds payable	-	3,320,314	3,320,314	-
Promissory notes payable	300,224	-	300,224	-
Revenue notes payable	-	-	-	13,373,077
<b>Total noncurrent liabilities</b>	<b>\$ 4,394,534</b>	<b>\$ 4,532,446</b>	<b>\$ 8,926,980</b>	<b>\$ 17,136,788</b>
<b>Total Liabilities</b>	<b>\$ 5,460,275</b>	<b>\$ 6,140,082</b>	<b>\$ 11,600,357</b>	<b>\$ 18,415,623</b>



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

	<u>Primary Government</u>			<u>Shetek Area Water and Sewer Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b><u>Net Assets</u></b>				
Invested in capital assets - net of related debt	\$ 36,575,945	\$ 3,289,153	\$ 39,865,098	\$ -
Restricted for				
Public safety	78,949	-	78,949	-
Highways and streets	1,510,415	-	1,510,415	-
Conservation of natural resources	9,559	-	9,559	-
Debt service	-	-	-	540,772
Other purposes	220,414	-	220,414	-
Unrestricted	8,155,403	9,432,507	17,587,910	8,960,278
<b>Total Net Assets</b>	<b><u>\$ 46,550,685</u></b>	<b><u>\$ 12,721,660</u></b>	<b><u>\$ 59,272,345</u></b>	<b><u>\$ 9,501,050</u></b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 2,680,875	\$ 441,766	\$ 25,790
Public safety	1,327,187	64,935	166,702
Highways and streets	3,287,783	126,792	1,434,448
Sanitation	380,074	325,034	52,039
Human services	1,066,462	-	-
Health	63,627	-	-
Culture and recreation	736,442	126,227	111,590
Conservation of natural resources	746,745	614,085	92,123
Economic development	690,055	600,482	40,097
Interest	181,999	-	-
<b>Total governmental activities</b>	<b>\$ 11,161,249</b>	<b>\$ 2,299,321</b>	<b>\$ 1,922,789</b>
<b>Business-type activities</b>			
Hospital	\$ 13,146,373	\$ 14,433,422	\$ -
Congregate Housing	267,893	273,424	-
<b>Total business-type activities</b>	<b>\$ 13,414,266</b>	<b>\$ 14,706,846</b>	<b>\$ -</b>
<b>Total Primary Government</b>	<b>\$ 24,575,515</b>	<b>\$ 17,006,167</b>	<b>\$ 1,922,789</b>
<b>Component unit</b>			
Shetek Area Water and Sewer Commission	\$ 198,017	\$ 80,427	\$ -

**General Revenues**

Property taxes  
Mortgage registry and deed tax  
Wind production tax  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Investment income  
Miscellaneous  
Gain on sale of capital assets

**Transfers**

**Total general revenues and transfers**

**Change in net assets**

**Net Assets - Beginning (Note 1.F.1.)**

**Net Assets - Ending**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Shetek Area Water and Sewer Component Unit
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ -	\$ (2,213,319)	\$ -	\$ (2,213,319)	
-	(1,095,550)	-	(1,095,550)	
1,829,715	103,172	-	103,172	
-	(3,001)	-	(3,001)	
-	(1,066,462)	-	(1,066,462)	
-	(63,627)	-	(63,627)	
-	(498,625)	-	(498,625)	
-	(40,537)	-	(40,537)	
-	(49,476)	-	(49,476)	
-	(181,999)	-	(181,999)	
<b>\$ 1,829,715</b>	<b>\$ (5,109,424)</b>	<b>\$ -</b>	<b>\$ (5,109,424)</b>	
\$ -	\$ -	\$ 1,287,049	\$ 1,287,049	
-	-	5,531	5,531	
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,292,580</b>	<b>\$ 1,292,580</b>	
<b>\$ 1,829,715</b>	<b>\$ (5,109,424)</b>	<b>\$ 1,292,580</b>	<b>\$ (3,816,844)</b>	
<b>\$ 283,891</b>				<b>\$ 166,301</b>
	\$ 4,273,125	\$ -	\$ 4,273,125	\$ -
	12,925	-	12,925	-
	366,591	-	366,591	-
	99,564	-	99,564	-
	1,168,478	185,404	1,353,882	-
	626,705	269,044	895,749	65,266
	-	-	-	669
	500	2,212	2,712	-
	(10,419)	10,419	-	-
	<b>\$ 6,537,469</b>	<b>\$ 467,079</b>	<b>\$ 7,004,548</b>	<b>\$ 65,935</b>
	<b>\$ 1,428,045</b>	<b>\$ 1,759,659</b>	<b>\$ 3,187,704</b>	<b>\$ 232,236</b>
	<b>45,122,640</b>	<b>10,962,001</b>	<b>56,084,641</b>	<b>9,268,814</b>
	<b>\$ 46,550,685</b>	<b>\$ 12,721,660</b>	<b>\$ 59,272,345</b>	<b>\$ 9,501,050</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>EDA</u>	<u>Total</u>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 4,783,597	\$ 2,813,249	\$ 69,366	\$ 1,136,320	\$ 29,242	\$ 8,831,774
Petty cash and change funds	2,100	-	-	-	-	2,100
Cash with fiscal agent	-	-	-	1,458,299	-	1,458,299
Taxes receivable						
Delinquent	35,530	8,035	10,352	-	-	53,917
Special assessments receivable						
Current	6,229	-	-	14	-	6,243
Delinquent	4,419	-	-	-	-	4,419
Noncurrent	713,238	-	-	1,240,260	-	1,953,498
Accounts receivable	46,726	2,262	-	-	98	49,086
Accrued interest receivable	64,080	-	-	-	-	64,080
Due from other funds	127,589	-	-	-	12,934	140,523
Due from other governments	35,036	1,694,639	-	11,337	-	1,741,012
Loans receivable	-	-	-	-	690,701	690,701
Inventories	9,266	249,887	-	-	-	259,153
Prepaid items	-	300	-	-	-	300
Long-term receivable	-	-	-	305,000	-	305,000
<b>Total Assets</b>	<b><u>\$ 5,827,810</u></b>	<b><u>\$ 4,768,372</u></b>	<b><u>\$ 79,718</u></b>	<b><u>\$ 4,151,230</u></b>	<b><u>\$ 732,975</u></b>	<b><u>\$ 15,560,105</u></b>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 87,725	\$ 12,609	\$ -	\$ 3,437	\$ -	\$ 103,771
Salaries payable	117,611	37,531	-	-	2,749	157,891
Contracts payable	146,184	-	-	-	-	146,184
Due to other funds	12,934	-	-	-	127,589	140,523
Due to other governments	77,124	1,864	69,366	1,802	-	150,156
Deferred revenue - unavailable	804,433	1,702,131	10,352	1,545,274	690,701	4,752,891
<b>Total Liabilities</b>	<b><u>\$ 1,246,011</u></b>	<b><u>\$ 1,754,135</u></b>	<b><u>\$ 79,718</u></b>	<b><u>\$ 1,550,513</u></b>	<b><u>\$ 821,039</u></b>	<b><u>\$ 5,451,416</u></b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>EDA</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>						
<b>(Continued)</b>						
<b>Fund Balances</b>						
Reserved for						
Prepaid items	\$ -	\$ 300	\$ -	\$ -	\$ -	\$ 300
Petty cash	2,100	-	-	-	-	2,100
Missing heirs	100	-	-	-	-	100
Law library	6,919	-	-	-	-	6,919
Recorder's compliance	53,932	-	-	-	-	53,932
Recorder's technology	91,684	-	-	-	-	91,684
Inventories	9,266	249,887	-	-	-	259,153
Encumbrances	846,338	-	-	-	-	846,338
Highway allotments	-	24,533	-	-	-	24,533
Sheriff's contingency	1,235	-	-	-	-	1,235
E-911	77,714	-	-	-	-	77,714
Supervision fees	8,912	-	-	-	-	8,912
Septic/sewer loans	259,566	-	-	-	-	259,566
Election equipment	74,698	-	-	-	-	74,698
Unspent grant monies	9,559	-	-	-	-	9,559
Unreserved						
Designated for						
Future expenditures	1,500,000	1,500,000	-	-	-	3,000,000
Compensated absences	316,155	126,340	-	-	-	442,495
Capital improvements	593,597	-	-	-	-	593,597
Sanitation	328,581	-	-	-	-	328,581
Capital equipment	67,418	-	-	-	-	67,418
County septic system loans	46,328	-	-	-	-	46,328
Postemployment benefits	38,968	-	-	-	-	38,968
Parks	20,000	-	-	-	-	20,000
Employee benefits	1,145	130	-	-	-	1,275
Undesignated	227,584	1,113,047	-	2,600,717	(88,064)	3,853,284
<b>Total Fund Balances</b>	<b>\$ 4,581,799</b>	<b>\$ 3,014,237</b>	<b>\$ -</b>	<b>\$ 2,600,717</b>	<b>\$ (88,064)</b>	<b>\$ 10,108,689</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,827,810</b>	<b>\$ 4,768,372</b>	<b>\$ 79,718</b>	<b>\$ 4,151,230</b>	<b>\$ 732,975</b>	<b>\$ 15,560,105</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

<b>Fund balance - total governmental funds (Exhibit 3)</b>		<b>\$</b>	<b>10,108,689</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			36,575,945
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			4,752,891
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Special assessment general obligation bonds	\$	(3,260,000)	
Promissory notes payable		(350,966)	
Loans payable		(777,620)	
Compensated absences		(442,495)	
Accrued interest payable		(82,337)	
Deferred debt issuance costs		15,433	
Discount on bonds issued		11,145	
		(4,886,840)	(4,886,840)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>			<b>\$ 46,550,685</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>EDA</u>	<u>Total</u>
<b>Revenues</b>						
Taxes	\$ 2,877,133	\$ 813,689	\$ 955,502	\$ -	\$ -	\$ 4,646,324
Special assessments	271,316	-	-	331,522	-	602,838
Licenses and permits	21,119	-	-	-	-	21,119
Intergovernmental	1,485,240	2,276,724	110,960	-	40,097	3,913,021
Charges for services	468,790	33,496	-	-	-	502,286
Fines and forfeits	2,743	-	-	-	-	2,743
Gifts and contributions	18,734	-	-	-	-	18,734
Investment earnings	575,781	-	-	31,485	19,432	626,698
Miscellaneous	373,951	93,246	-	-	61,649	528,846
<b>Total Revenues</b>	<b>\$ 6,094,807</b>	<b>\$ 3,217,155</b>	<b>\$ 1,066,462</b>	<b>\$ 363,007</b>	<b>\$ 121,178</b>	<b>\$ 10,862,609</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	\$ 2,771,855	\$ -	\$ -	\$ -	\$ -	\$ 2,771,855
Public safety	1,329,789	-	-	-	-	1,329,789
Highways and streets	-	2,557,599	-	-	-	2,557,599
Sanitation	361,040	-	-	-	-	361,040
Human services	-	-	1,066,462	-	-	1,066,462
Health	8,232	-	-	-	-	8,232
Culture and recreation	928,318	-	-	-	-	928,318
Conservation of natural resources	601,483	-	-	138,415	-	739,898
Economic development	2,576	-	-	-	687,766	690,342
<b>Intergovernmental</b>	52,584	284,985	-	-	-	337,569
<b>Debt service</b>						
Principal	376,025	-	-	360,000	8,937	744,962
Interest	17,005	-	-	121,568	-	138,573
Administrative charges	431	-	-	16,795	-	17,226
<b>Total Expenditures</b>	<b>\$ 6,449,338</b>	<b>\$ 2,842,584</b>	<b>\$ 1,066,462</b>	<b>\$ 636,778</b>	<b>\$ 696,703</b>	<b>\$ 11,691,865</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (354,531)</b>	<b>\$ 374,571</b>	<b>\$ -</b>	<b>\$ (273,771)</b>	<b>\$ (575,525)</b>	<b>\$ (829,256)</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 5  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>EDA</u>	<u>Total</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	\$ -	\$ -	\$ -	\$ 57,144	\$ 16,557	\$ 73,701
Transfers out	(84,120)	-	-	-	-	(84,120)
Discount on bonds	-	-	-	(11,145)	-	(11,145)
Loans issued	76,286	-	-	-	359,903	436,189
Refunding bonds issued	-	-	-	1,625,000	-	1,625,000
Proceeds from the sale of capital assets	500	-	-	-	-	500
	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (7,334)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,670,999</u>	<u>\$ 376,460</u>	<u>\$ 2,040,125</u>
<b>Net Change in Fund Balance</b>	<b>\$ (361,865)</b>	<b>\$ 374,571</b>	<b>\$ -</b>	<b>\$ 1,397,228</b>	<b>\$ (199,065)</b>	<b>\$ 1,210,869</b>
<b>Fund Balance - January 1, as restated (Note 1.F.)</b>	<b>4,942,281</b>	<b>2,563,410</b>	<b>-</b>	<b>1,203,489</b>	<b>111,001</b>	<b>8,820,181</b>
<b>Increase (decrease) in reserved for inventories</b>	<u>1,383</u>	<u>76,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,639</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 4,581,799</u></u>	<u><u>\$ 3,014,237</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,600,717</u></u>	<u><u>\$ (88,064)</u></u>	<u><u>\$ 10,108,689</u></u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,210,869**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 4,752,891	
Deferred revenue - January 1	<u>(3,016,287)</u>	1,736,604

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

Expenditures for general capital assets and infrastructure	\$ 1,366,284	
Current year depreciation	<u>(1,611,817)</u>	(245,533)

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Special assessment general obligation bonds issued	\$ (1,625,000)	
Issuance costs on bonds issued	15,433	
Discount on bonds issued	11,145	
Loans issued	(76,286)	
Promissory notes issued	<u>(359,903)</u>	(2,034,611)

Principal payments		
Special assessment general obligation bonds	\$ 360,000	
Capital notes	275,000	
Loans payable	101,025	
Promissory notes	<u>8,937</u>	744,962

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 6  
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ (41,633)	
Change in compensated absences	(20,252)	
Change in inventories	77,639	15,754
<b>Change in Net Assets of Governmental Activities (Exhibit 2)</b>		<b><u>\$ 1,428,045</u></b>

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**PROPRIETARY FUNDS**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Hospital</b>	<b>Congregate Housing</b>	<b>Totals</b>
<b><u>Assets</u></b>			
Current assets			
Cash and pooled investments	\$ 2,859,263	\$ 237,832	\$ 3,097,095
Accounts receivable - net	146,234	2,463	148,697
Patient receivables - net	2,495,456	-	2,495,456
Inventories	424,560	-	424,560
Prepaid items	89,063	-	89,063
<b>Total current assets, unrestricted</b>	<b>\$ 6,014,576</b>	<b>\$ 240,295</b>	<b>\$ 6,254,871</b>
Restricted assets			
Cash and pooled investments	-	9,600	9,600
<b>Total current assets</b>	<b>\$ 6,014,576</b>	<b>\$ 259,495</b>	<b>\$ 6,274,071</b>
Noncurrent assets			
Deferred charges	\$ -	\$ 17,618	\$ 17,618
Capital assets			
Nondepreciable	143,401	-	143,401
Depreciable - net	6,890,245	971,298	7,861,543
<b>Total noncurrent assets</b>	<b>\$ 7,033,646</b>	<b>\$ 988,916</b>	<b>\$ 8,022,562</b>
Other assets			
Cash - funded depreciation	\$ 4,210,705	\$ -	\$ 4,210,705
Deferred financing costs	55,553	-	55,553
Investment in Shetek Medical Services	200,701	-	200,701
Investment in Southwest Minnesota Radiation	100,000	-	100,000
Investment in Minnesota Rural Health	7,750	-	7,750
<b>Total other assets</b>	<b>\$ 4,574,709</b>	<b>\$ -</b>	<b>\$ 4,574,709</b>
<b>Total Assets</b>	<b>\$ 17,622,931</b>	<b>\$ 1,238,811</b>	<b>\$ 18,861,742</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT 7  
(Continued)*

**STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Hospital</b>	<b>Congregate Housing</b>	<b>Totals</b>
<b><u>Liabilities</u></b>			
Current liabilities payable from current assets			
Accounts payable	\$ 499,901	\$ 3,343	\$ 503,244
Salaries payable	877,521	2,492	880,013
Compensated absences payable - current	-	228	228
Due to other governments	-	198	198
Accrued interest payable	4,613	23,866	28,479
General obligation bonds payable - current	-	70,000	70,000
Revenue bonds payable - current	115,874	-	115,874
	<b>\$ 1,497,909</b>	<b>\$ 100,127</b>	<b>\$ 1,598,036</b>
Current liabilities payable from restricted assets			
Accounts payable	-	9,600	9,600
	<b>\$ 1,497,909</b>	<b>\$ 109,727</b>	<b>\$ 1,607,636</b>
Noncurrent liabilities			
Compensated absences payable - long-term	\$ -	\$ 7,142	\$ 7,142
General obligation bonds payable - long-term	-	1,204,990	1,204,990
Revenue bonds payable - long-term	3,320,314	-	3,320,314
	<b>\$ 3,320,314</b>	<b>\$ 1,212,132</b>	<b>\$ 4,532,446</b>
<b>Total Liabilities</b>	<b>\$ 4,818,223</b>	<b>\$ 1,321,859</b>	<b>\$ 6,140,082</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 3,592,845	\$ (303,692)	\$ 3,289,153
Unrestricted	9,211,863	220,644	9,432,507
	<b>\$ 12,804,708</b>	<b>\$ (83,048)</b>	<b>\$ 12,721,660</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Hospital</b>	<b>Congregate Housing</b>	<b>Totals</b>
<b>Operating Revenues</b>			
Charges for services	\$ -	\$ 262,229	\$ 262,229
Patient services revenues	14,149,206	-	14,149,206
Miscellaneous	284,216	11,195	295,411
<b>Total Operating Revenues</b>	<b>\$ 14,433,422</b>	<b>\$ 273,424</b>	<b>\$ 14,706,846</b>
<b>Operating Expenses</b>			
Personal services	\$ -	\$ 64,737	\$ 64,737
Professional services	2,765,234	1,656	2,766,890
Nursing services	3,172,950	-	3,172,950
Contracted services	-	37,003	37,003
Repairs and maintenance	873,372	759	874,131
Administration and fiscal services	2,473,695	-	2,473,695
Other services and charges	-	12,866	12,866
Supplies	-	6,832	6,832
Utilities	-	22,592	22,592
Insurance	-	4,525	4,525
Wellness center	35,033	-	35,033
Dental clinic	891,335	-	891,335
Downtown building	1,464	-	1,464
Surgery clinic	372,621	-	372,621
Clinic	1,568,196	-	1,568,196
Depreciation	814,147	51,121	865,268
<b>Total Operating Expenses</b>	<b>\$ 12,968,047</b>	<b>\$ 202,091</b>	<b>\$ 13,170,138</b>
<b>Operating Income (Loss)</b>	<b>\$ 1,465,375</b>	<b>\$ 71,333</b>	<b>\$ 1,536,708</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	\$ 255,307	\$ -	\$ 255,307
Grants	185,404	-	185,404
Gain on sale/disposal of capital assets	2,212	-	2,212
Gain/loss on investment in Shetek Medical Services	13,737	-	13,737
Interest expense	(178,326)	(64,544)	(242,870)
Amortization of deferred charges	-	(1,258)	(1,258)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 278,334</b>	<b>\$ (65,802)</b>	<b>\$ 212,532</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT 8  
(Continued)*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Hospital</b>	<b>Congregate Housing</b>	<b>Totals</b>
	<b>Income (Loss) Before Transfers</b>	<b>\$ 1,743,709</b>	<b>\$ 5,531</b>
Transfers in	-	10,419	10,419
<b>Change in net assets</b>	<b>\$ 1,743,709</b>	<b>\$ 15,950</b>	<b>\$ 1,759,659</b>
<b>Net Assets - January 1, as restated (Note 1.F.1.)</b>	<b>11,060,999</b>	<b>(98,998)</b>	<b>10,962,001</b>
<b>Net Assets - December 31</b>	<b>\$ 12,804,708</b>	<b>\$ (83,048)</b>	<b>\$ 12,721,660</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Hospital</b>	<b>Congregate Housing</b>	
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 15,341,966	\$ 271,581	\$ 15,613,547
Other receipts and payments, net	286,430	-	286,430
Payments to suppliers and contractors	(7,764,195)	(88,420)	(7,852,615)
Payments to employees	(4,712,991)	(66,148)	(4,779,139)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 3,151,210</b>	<b>\$ 117,013</b>	<b>\$ 3,268,223</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Noncapital grants	\$ 185,404	\$ -	\$ 185,404
Transfers in	-	10,418	10,418
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 185,404</b>	<b>\$ 10,418</b>	<b>\$ 195,822</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Transfer to fund depreciation account	\$ (4,210,705)	\$ -	\$ (4,210,705)
Principal paid on long-term debt	(106,108)	(65,000)	(171,108)
Interest paid on long-term debt	(178,326)	(58,009)	(236,335)
Purchases of capital assets	(714,717)	-	(714,717)
Investment in SW Minnesota Radiation	(100,000)	-	(100,000)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (5,309,856)</b>	<b>\$ (123,009)</b>	<b>\$ (5,432,865)</b>
<b>Cash Flows from Investing Activities</b>			
Investment earnings received	\$ 255,307	\$ -	\$ 255,307
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (1,717,935)</b>	<b>\$ 4,422</b>	<b>\$ (1,713,513)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>4,577,198</b>	<b>243,010</b>	<b>4,820,208</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 2,859,263</b>	<b>\$ 247,432</b>	<b>\$ 3,106,695</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Hospital</b>	<b>Congregate Housing</b>	
<b>Cash and Cash Equivalents - Exhibit 7</b>			
Cash and pooled investments	\$ 2,859,263	\$ 237,832	\$ 3,097,095
Restricted cash and pooled investments	-	9,600	9,600
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 2,859,263</u></b>	<b><u>\$ 247,432</u></b>	<b><u>\$ 3,106,695</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
<b>Operating income (loss)</b>	<b><u>\$ 1,465,375</u></b>	<b><u>\$ 71,333</u></b>	<b><u>\$ 1,536,708</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>			
Depreciation expense	\$ 814,147	\$ 51,121	\$ 865,268
(Increase) decrease in accounts receivable	522,762	(1,754)	521,008
(Increase) decrease in inventories	(183,020)	-	(183,020)
(Increase) decrease in prepaid items	97,166	-	97,166
Increase (decrease) in accounts payable	393,866	(2,004)	391,862
Increase (decrease) in salaries payable	38,702	(2,476)	36,226
Increase (decrease) in compensated absences payable	-	757	757
Increase (decrease) in due to other governments	-	36	36
Gain (loss) on disposal of assets	2,212	-	2,212
<b>Total adjustments</b>	<b><u>\$ 1,685,835</u></b>	<b><u>\$ 45,680</u></b>	<b><u>\$ 1,731,515</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 3,151,210</u></b>	<b><u>\$ 117,013</u></b>	<b><u>\$ 3,268,223</u></b>



**FIDUCIARY FUNDS**

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MURRAY COUNTY  
SLAYTON, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2007

Assets

Cash and pooled investments	\$ <u>116,973</u>
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Liabilities

Due to other governments	\$ <u>116,973</u>
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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The County has chosen to apply FASB pronouncements issued on or before that date to its business-type activities. The more significant accounting policies, established in GAAP and used by the County, are discussed below.

A. Financial Reporting Entity

Murray County was established May 23, 1857, and is an organized County having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Murray County and its component units. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Units

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

<u>Component Unit</u>	<u>Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Murray County Memorial Hospital provides acute inpatient and outpatient care to the County area.	County Commissioners are the members of the Murray County Memorial Hospital Board.	Separate financial statements can be obtained at: 2042 Juniper Avenue Slayton, Minnesota 56172

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Units (Continued)

<u>Component Unit</u>	<u>Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Murray County Economic Development Authority	The Authority's governing body is substantively the same as the governing body of the County.	Separate financial statements are not issued for the Murray County Economic Development Authority

Discretely Presented Component Unit

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

<u>Component Unit</u>	<u>Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The Shetek Area Water and Sewer Commission is responsible for constructing and operating a sanitary water and sewer district within Murray County.	The County appoints Commission members and must approve any debt.	Separate financial statements can be obtained at: 2500 - 28th Street Slayton, Minnesota 56172

Joint Ventures

The County participates in several joint ventures described in Note 6.B. The County also participates in jointly-governed organizations described in Note 6.C.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about Murray County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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 to external parties for support.

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. The County presents two enterprise funds. The County reports all of its funds as major funds.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The Hospital Enterprise Fund accounts for unrestricted donations received by the Hospital or nonoperating gains in the period received. Donations restricted by donors or grantors for specific operating purposes are reported in other revenue to the extent used within the period.

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.
- The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.
- The EDA Special Revenue Fund is used to account for the activity of the Economic Development Authority.



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise funds:

- The Hospital Fund is used to account for the operation of the Murray County Memorial Hospital, a blended component unit of Murray County.
- The Congregate Housing Fund is used to account for the operation of the Murray County Congregate Housing facility.

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2007 were \$575,781.

The Hospital's investment income for the year ended December 31, 2007, was \$255,307 and is included in nonoperating revenues.

Murray County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent 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 reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Patient receivables are uncollateralized patient and third-party payor obligations. Unpaid patient receivables, excluding amounts due from third-party payors, with private pay dates over 30 days old have interest assessed at 1.5 percent per month. Due to the uncertainty of collecting private pay accounts, these interest charges are recognized as income when received. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from parties due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

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

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, applicable laws and regulations limit their use.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs 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 improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the Hospital Enterprise Fund had no capitalized interest.

Property, plant, and equipment of the County, as well as the blended component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	3 - 30
Buildings	5 - 40
Public domain infrastructure	10 - 50
Machinery and equipment	3 - 20

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Hospital's Investments in Equity

a. Investment in Shetek Medical Services, LLC

The Hospital is a 40-percent owner in Shetek Medical Services, LLC. This venture provides various healthcare-related services to the surrounding area. The Hospital's investment in the clinic is reported on the equity method of accounting. The net gain on the investment, \$13,737 for the year ended December 31, 2007, is included in nonoperating expenses.

b. Investment in SW Minnesota Radiation, LLC

The Hospital is a 14-percent owner in SW Minnesota Radiation. The Hospital made an initial capital contribution in 2007 totaling \$100,000. This venture provides advanced radiation treatment to the people of southwest Minnesota. The Hospital's investment in this clinic is reported on the equity method of accounting. Information on net gain or loss on the investment is not available for the year ended December 31, 2007.

c. Investment in Minnesota Rural Health

The Hospital is a member of this cooperative effort of physicians, public health agencies, and hospitals to preserve and maintain health care resources and access with local community choice and control for member communities in southwestern Minnesota. As required to participate in this cooperative membership, the Hospital purchased 25 shares of hospital class B shares, for \$3,750 and purchased four shares of the clinic class A, for \$4,000 for a total of \$7,750 in stock certificates. Additional purchases are required based on criteria of number of state licensed beds and number of physicians. No new purchases occurred in 2007.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds and the government-wide statements also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, there was no unearned revenue. The various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Special assessments receivable delinquent and deferred	\$ 1,964,160	\$ -
Highway allotments that do not provide current financial resources	1,694,096	-
Loans receivable	690,701	-
Long-term receivable	305,000	-
Delinquent property taxes	53,917	-
Deferred revenue from accrued interest	42,641	-
Grants receivable	2,376	-
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 4,752,891	\$ -

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. Long-Term Obligations

In the government-wide financial statements, and in the proprietary 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

E. Hospital Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates of discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$101,493 in 2007 and \$63,421 in 2006.

Revenue from the Medicare and Medicaid programs respectively accounted for approximately 37 and 2 percent and 32 and 2 percent of the Hospital's net patient revenue for the years ended December 31, 2007 and 2006, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Hospital Net Patient Service Revenue (Continued)

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare--Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services and certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid--Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

F. Prior Period Adjustments

1. Congregate Housing Enterprise Fund and Business-Type Activities

Net assets of the Congregate Housing Enterprise Fund at January 1, 2007, have been restated. Previously, the County did not recognize accrued interest payable on the 2004 G.O. Refunding Bonds. The restatement is as follows:

	Congregate Housing Enterprise Fund	Business-Type Activities
Net assets, previously reported	\$ (74,523)	\$ 10,986,476
Correction of an error in recording accrued interest payable	(24,475)	(24,475)
Net assets, as restated	\$ (98,998)	\$ 10,962,001

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

F. Prior Period Adjustments (Continued)

2. General Fund

Fund balance in the General Fund at January 1, 2007, has been restated. Previously, the County recognized revenue when loans were made and reserved that portion of fund balance. For the current year, the revenue from loans receivable will be deferred until received. An adjustment to beginning fund balance was also made to remove the EDA Fund's assets and liabilities.

Fund balance, previously reported	\$ 5,205,143
To recognize loans receivable as deferred revenue until received	(151,861)
To remove the EDA Fund's cash balance	(117,619)
To remove the EDA Fund's 2006 payable accruals	<u>6,618</u>
Fund balance, as restated	<u>\$ 4,942,281</u>

3. EDA Special Revenue Fund

The EDA Special Revenue Fund was previously reported as part of the General Fund. The restated beginning fund balance shows the EDA Fund's 2006 cash balance and salaries payable and accounts payable accruals.

Fund balance, previously reported	\$ -
To recognize the December 31, 2006, cash balance	117,619
To recognize 2006 accruals	<u>(6,618)</u>
Fund balance, as restated	<u>\$ 111,001</u>

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance/Net Assets

The EDA Special Revenue Fund had a deficit fund balance for the year ended December 31, 2007, of \$88,064. The County expects an excess of revenues over expenses in the future will eliminate the deficit.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance/Net Assets (Continued)

The Congregate Housing Enterprise Fund had deficit fund net assets for the year ended December 31, 2007, of \$83,048. The County expects an excess of revenues over expenses in the future will eliminate the deficit.

B. Excess of Expenditures Over Budget

	Expenditures		Budget		Excess
Ditch Special Revenue Fund	\$ 636,778		\$ 344,645		\$ 292,133
EDA Special Revenue Fund	696,703		679,501		17,202

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets			
Governmental activities			
Cash and pooled investments		\$	8,831,774
Cash with fiscal agent			1,458,299
Petty cash and change funds			2,100
Business-type activities			
Cash and pooled investments			3,097,095
Restricted assets - cash and pooled investments			9,600
Cash-funded depreciation			4,210,705
Component unit - Shetek Area Water and Sewer Commission			
Cash and pooled investments			3,133,247
Restricted assets			540,772
Agency funds			
Cash and pooled investments			116,973
Total Cash and Investments		\$	21,400,565

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	
Checking	\$ 1,185,949
Certificates of deposit	5,420,000
Invested in MAGIC Fund	10,577,217
Invested in U.S. government agency securities	1,842,299
Invested in negotiable certificates of deposit	2,373,000
Petty cash and change funds	<u>2,100</u>
 Total Deposits, Cash on Hand, and Investments	 <u>\$ 21,400,565</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2007, the County's deposits were not exposed to custodial credit risk.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities that are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries rated in the highest quality category by two nationally recognized rating agencies and maturing in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The 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 in the possession of an outside party. The County does not have a policy on custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2007, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Farm Credit Bank Bond	AAA	S&P	<5%	05/19/2010	\$ 169,000
Federal Home Loan Bank Bond	AAA	S&P	<5%	07/14/2010	\$ 215,000
U.S. Treasury SLGS	N/A	N/A	5.48%	02/01/2009	\$ 1,458,299
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	N/A	N/A	\$ 10,577,217
Negotiable certificates of deposit					
Omni National Bank, NC	N/A	N/A		05/30/2008	\$ 94,000
North Atlanta National Bank, GA	N/A	N/A		05/30/2008	94,000
Texas Community Bank, TX	N/A	N/A		05/30/2008	94,000
Aquesta Bank, NC	N/A	N/A		05/30/2008	94,000
Midtown Bank & Trust, GA	N/A	N/A		05/30/2008	94,000
Indy Mac Bank FSB, CA	N/A	N/A		02/19/2008	96,000
FlagstarBank, MI	N/A	N/A		02/21/2008	96,000
First State Bank, KS	N/A	N/A		02/21/2008	96,000
FirstBank Puerto Rico, PR	N/A	N/A		02/21/2008	96,000
Seattle Savings Bank, WA	N/A	N/A		02/21/2008	96,000
Regal Financial Bank, WA	N/A	N/A		02/21/2008	96,000
Franklin Security BK, PA	N/A	N/A		08/27/2008	95,000
Alliance, CA	N/A	N/A		08/27/2008	94,000
Benchmark Bank, OH	N/A	N/A		08/27/2008	94,000
Horizon Bank, CO	N/A	N/A		08/27/2008	94,000
First Chatham Bank, GA	N/A	N/A		11/28/2008	95,000
West Pointe, WI	N/A	N/A		11/28/2008	95,000
USA Bank, NY	N/A	N/A		11/28/2008	95,000
First National BK, LA	N/A	N/A		11/28/2008	95,000
Ameribank, OH	N/A	N/A		11/28/2008	95,000
American Home Bank, PA	N/A	N/A		11/28/2008	95,000
New City Bank, IL	N/A	N/A		11/28/2008	95,000
State Bank of India, CA	N/A	N/A		11/28/2008	95,000
Tennessee Commerce BK, TN	N/A	N/A		11/28/2008	95,000
First Regional Bank, CA	N/A	N/A		11/28/2008	95,000
Total negotiable certificates of deposit			17.8%		\$ 2,373,000



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Total investments					\$ 14,792,516
Checking					1,185,949
Certificates of deposit					5,420,000
Petty cash					2,100
Total Cash and Investments					<u>\$ 21,400,565</u>

N/A - Not Applicable

N/R - Not Rated

<5% - Concentration is less than 5% of investments

S&P - Standard & Poor's

2. Loans Receivable

In 2001, the Murray County Board transferred responsibility for managing and operating the Murray County Economic Development Revolving Loan Fund to the newly formed Economic Development Authority, which is accounted for in the EDA Special Revenue Fund. The purpose of the fund is to provide low-interest, flexible-term loans for the development of new businesses or the expansion of existing ones. These loans have been made to private enterprises and are offset by a reserve of fund balance. Changes in loans receivable are as follows:

Loan Agreements	
Beginning balance	\$ 151,861
Loans issued	590,000
Loan repayments	<u>(51,160)</u>
Ending Balance	<u>\$ 690,701</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 242,600	\$ 48,613	\$ -	\$ 291,213
Right-of-way	338,662	3,660	-	342,322
Work in progress	167,751	103,157	167,751	103,157
<b>Total capital assets not depreciated</b>	<b>\$ 749,013</b>	<b>\$ 155,430</b>	<b>\$ 167,751</b>	<b>\$ 736,692</b>
Capital assets depreciated				
Land improvements	\$ 230,028	\$ 37,815	\$ -	\$ 267,843
Buildings	3,827,347	357,267	-	4,184,614
Machinery and equipment	4,017,858	251,645	101,828	4,167,675
Infrastructure	44,723,234	731,878	-	45,455,112
<b>Total capital assets depreciated</b>	<b>\$ 52,798,467</b>	<b>\$ 1,378,605</b>	<b>\$ 101,828</b>	<b>\$ 54,075,244</b>
Less: accumulated depreciation for				
Land improvements	\$ 49,935	\$ 10,161	\$ -	\$ 60,096
Buildings	1,690,944	130,813	-	1,821,757
Machinery and equipment	2,480,355	308,326	101,828	2,686,853
Infrastructure	12,504,768	1,162,517	-	13,667,285
<b>Total accumulated depreciation</b>	<b>\$ 16,726,002</b>	<b>\$ 1,611,817</b>	<b>\$ 101,828</b>	<b>\$ 18,235,991</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 36,072,465</b>	<b>\$ (233,212)</b>	<b>\$ -</b>	<b>\$ 35,839,253</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 36,821,478</b>	<b>\$ (77,782)</b>	<b>\$ 167,751</b>	<b>\$ 36,575,945</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 143,401	\$ -	\$ -	\$ 143,401
Capital assets depreciated				
Land improvements	\$ 367,717	\$ 7,727	\$ -	\$ 375,444
Buildings	7,590,982	299,261	-	7,890,243
Fixed equipment	1,152,438	-	-	1,152,438
Major movable equipment	2,750,912	407,729	60,248	3,098,393
Total capital assets depreciated	\$ 11,862,049	\$ 714,717	\$ 60,248	\$ 12,516,518
Less: accumulated depreciation for				
Land improvements	\$ 74,950	\$ 23,638	\$ -	\$ 98,588
Buildings	1,639,903	406,661	-	2,046,564
Fixed equipment	725,913	40,857	-	766,770
Major movable equipment	1,412,192	391,109	60,248	1,743,053
Total accumulated depreciation	\$ 3,852,958	\$ 862,265	\$ 60,248	\$ 4,654,975
Total capital assets depreciated, net	\$ 8,009,091	\$ (147,548)	\$ -	\$ 7,861,543
Business-Type Activities Capital Assets, Net	\$ 8,152,492	\$ (147,548)	\$ -	\$ 8,004,944

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

Governmental Activities	
General government	\$ 100,016
Public safety	87,298
Highways and streets, including depreciation of infrastructure assets	1,345,499
Sanitation	17,389
Culture and recreation, including depreciation of infrastructure assets	60,584
Conservation of natural resources	1,031
Total Depreciation Expense - Governmental Activities	<u>\$ 1,611,817</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities		
Hospital	\$	811,144
Congregate Housing		51,121
Total Depreciation Expense - Business-Type Activities	\$	862,265

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2007, is as follows:

Receivable Fund	Payable Fund	Amount
General	EDA Special Revenue	\$ 127,589
EDA Special Revenue	General	12,934
Totals		\$ 140,523

The outstanding balances between funds are the result of economic development activity recorded in the funds. All balances are expected to be liquidated in the subsequent year.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfer to Ditch Special Revenue Fund from General Fund	\$ 57,144	Provide funding
Transfer to EDA Special Revenue Fund from General Fund	16,557	Provide funding
Transfer to Congregate Housing Enterprise Fund from General Fund	10,419	Provide funding
Total Interfund Transfers	\$ 84,120	

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2007. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Fairgrounds project	\$ -	\$ 411,813
Human Services building	494,597	342,100
Industrial Park	-	76,414
Fulda First Dam	122,006	6,870
Total Construction Commitments	\$ 616,603	\$ 837,197

2. Leases

Operating Leases

Total equipment rental expense for the Hospital for the year ended December 31, 2007, was \$87,678.

3. Long-Term Debt

Governmental Activities--Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
Special assessment bonds with government commitment					
2001 G.O. ditch bonds	2017	\$80,000 - \$160,000	4.25 - 5.00	\$ 2,355,000	\$ 1,475,000
2002 G.O. ditch bonds	2011	\$40,000 - \$45,000	2.10 - 3.80	335,000	160,000
2007A G.O. refunding bonds	2029	\$25,000 - \$195,000	4.00 - 4.25	1,625,000	1,625,000
Total G.O. Special Assessment Bonds				\$ 4,315,000	\$ 3,260,000
Less: unamortized discount					(11,145)
Net G.O. Special Assessment Bonds					\$ 3,248,855

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities--Bonds Payable (Continued)

The 2007A General Obligation Refunding Bonds include an amount to refund the 1999A G.O. Water Revenue Bonds of Red Rock Rural Water System (RRRWS). RRRWS is levying special assessments to pay for these bonds. The County has pledged its full faith and credit for the repayment of principal and interest on these refunding bonds, should RRRWS special assessment revenue be insufficient. The County has recognized a long-term receivable in the Ditch Special Revenue Fund for the total principal amount, \$305,000, due from RRRWS, which will decrease as principal payments are made starting 2010.

Business-Type Activities--Bonds Payable

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Average Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2007</u>
General obligation bonds					
2004 G.O. refunding bonds	2022	\$65,000 - \$130,000	1.75 - 5.00	<u>\$ 1,580,000</u>	\$ 1,375,000
Less: deferred amounts for					
Issuance discount					(12,288)
On refunding					<u>(87,722)</u>
Total General Obligation Refunding Bonds, Net					<u>\$ 1,274,990</u>
Revenue note					
2006 Hospital Revenue Note	2026	\$112,869 - \$270,153	4.9	<u>\$ 3,600,000</u>	<u>\$ 3,436,188</u>

Governmental Activities--Loans Payable

In 1998, the County agreed to act as loan and project sponsor for a loan agreement made under the Clean Water Partnership (CWP) Law with the State of Minnesota through its Pollution Control Agency. The County makes loans to residents to be used for the control and abatement of water pollution. The loans are to be repaid at interest rates of 3.0 to 3.5 percent, with repayment terms from 5 to 20 years, and are secured by special assessments placed on the individual parcels.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities--Loans Payable (Continued)

In 1998, 2000, and 2001, the County entered into the Lake Shetek Clean Water Partnership Project, the Cottonwood River Restoration Clean Water Partnership Project, and the Beaver Creek Clean Water Partnership Project, respectively. The County is financing the loans to residents with loans from the Minnesota Pollution Control Agency, payable annually with interest at two percent. Loan payments are reported in the General Fund. In 2004, the Board authorized the transfer of \$100,000 to the Clean Water Partnership Loan Fund for the County septic loan program.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2007</u>
Cottonwood River CWP Project	2016	\$ 8,154	2.00	\$ 147,139	\$ 124,986
Beaver Creek CWP Project	2014	9,944	2.00	327,066	276,931
Lake Shetek CWP Project	2013	39,474	2.00	<u>712,332</u>	<u>375,703</u>
Total Loans Payable				<u>\$ 1,186,537</u>	<u>\$ 777,620</u>

Governmental Activities--G.O. Promissory Note Payable

The County has a non-interest bearing G.O. Promissory Note with the Minnesota Department of Employment and Economic Development (DEED). The original issue amount was \$400,000, which was distributed to Monogram Meat Snacks and was recognized as a loan receivable in the County's EDA Special Revenue Fund. Monogram Meat Snacks is to repay the County the full amount with three percent interest. The County is to repay DEED \$359,903 with installment amounts of \$785 to \$4,229. As of December 31, 2007, the County had \$350,966 outstanding.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Governmental Activities

Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2008	\$ 220,000	\$ 135,633
2009	1,385,000	98,663
2010	235,000	61,730
2011	235,000	52,410
2012	190,000	43,950
2013 - 2017	780,000	114,150
2018 - 2022	85,000	35,900
2023 - 2027	90,000	18,655
2028 - 2029	40,000	1,700
Total	<u>\$ 3,260,000</u>	<u>\$ 562,791</u>

Year Ending December 31	G.O. Promissory Notes		Loans Payable	
	Principal	Interest	Principal	Interest
2008	\$ 50,742	\$ -	\$ 103,056	\$ 12,087
2009	50,742	-	105,127	10,016
2010	50,742	-	88,493	7,996
2011	50,742	-	90,272	6,217
2012	50,742	-	92,086	4,403
2013 - 2017	97,256	-	150,957	4,167
Total	<u>\$ 350,966</u>	<u>\$ -</u>	<u>\$ 629,991</u>	<u>\$ 44,886</u>

The loans payable to the Minnesota Pollution Control Agency of \$147,629 do not have fixed amortization schedules at December 31, 2007, and are not included in the previous table.



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Revenue Note		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 115,874	\$ 168,560	\$ 70,000	\$ 56,402
2009	122,246	162,188	70,000	54,565
2010	128,460	155,974	70,000	52,553
2011	134,989	149,445	75,000	50,284
2012	141,439	142,995	80,000	47,665
2013 - 2017	824,557	597,613	435,000	189,695
2018 - 2022	1,056,621	365,549	575,000	74,862
2023 - 2026	912,002	83,515	-	-
Total	<u>\$ 3,436,188</u>	<u>\$ 1,825,839</u>	<u>\$ 1,375,000</u>	<u>\$ 526,026</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation notes	\$ 275,000	\$ -	\$ 275,000	\$ -	\$ -
Special assessment debt with government commitment	1,995,000	1,625,000	360,000	3,260,000	220,000
Total bonds payable	\$ 2,270,000	\$ 1,625,000	\$ 635,000	\$ 3,260,000	\$ 220,000
Less: deferred amounts for issuance discounts on refunding	-	(11,145)	-	(11,145)	-
Net bonds and notes payable	\$ 2,270,000	\$ 1,613,855	\$ 635,000	\$ 3,248,855	\$ 220,000
G.O. promissory notes payable	-	359,903	8,937	350,966	50,742
Loans payable	802,359	76,286	101,025	777,620	103,056
Compensated absences	422,243	20,252	-	442,495	51,604
Governmental Activities Long-Term Liabilities	<u>\$ 3,494,602</u>	<u>\$ 2,070,296</u>	<u>\$ 744,962</u>	<u>\$ 4,819,936</u>	<u>\$ 425,402</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 1,440,000	\$ -	\$ 65,000	\$ 1,375,000	\$ 70,000
Revenue note of 2006	3,546,908	-	110,720	3,436,188	115,874
Compensated absences	6,613	757	-	7,370	228
 Total long-term liabilities	 \$ 4,993,521	 \$ 757	 \$ 175,720	 \$ 4,818,558	 \$ 186,102
Less: deferred amounts	(107,154)	-	(7,144)	(100,010)	-
 Business-Type Activities Long-Term Liabilities	 \$ 4,886,367	 \$ 757	 \$ 168,576	 \$ 4,718,548	 \$ 186,102

6. Prior Years' Debt Defeasance - Business-Type Activities

In prior years, the County has defeased for the City of Slayton Economic Development Authority the General Obligation Housing Development Bonds, Series 1996, which were accounted for in the Congregate Housing Enterprise Fund as a capital lease, by creating a separate irrevocable trust fund. New debt has been issued, and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the capital lease, which was backed by the General Obligation Housing Development Bonds, Series 1996, has been considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2007, the amount of defeased debt outstanding but removed from financial statements amounted to \$1,280,000.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Bond Refundings

Crossover Refundings

In 2007, the County issued \$1,625,000 General Obligation Refunding Bonds, Series 2007A. Of this amount, \$1,485,000 was issued to refund the 2001 General Obligation Drainage Bonds and the 1999A General Obligation Water Revenue Bonds. These are crossover refundings with the proceeds deposited with an escrow agent. The 2001 Ditch and the 1999A series will be called on February 1, 2009, and be redeemed with proceeds of the escrow account. On February 1, 2010, the County will “crossover” and begin making payments on the 2007A General Obligation Refunding Bonds.

Current Refunding

In 2007, the County issued the remaining \$140,000 General Obligation Refunding Bonds, Series 2007A for a current refunding of \$300,000 General Obligation Drainage Ditch Bonds of 1999. This current refunding was undertaken to reduce total debt service payments over the next seven years by \$5,703 and resulted in an economic gain of \$2,168. The refunded bonds were retired in February 2007.

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Murray County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

**MURRAY COUNTY  
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4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement 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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Employees Retirement Fund	\$ 172,320	\$ 148,266	\$ 130,722
Public Employees Police and Fire Fund	52,857	39,422	27,834

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

Seven employees of Murray County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan established and administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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4. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,374	\$ 6,374
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**MURRAY COUNTY  
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5. Risk Management (Continued)

protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000 with a substantial umbrella providing excess coverage.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

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

B. Joint Ventures

Lincoln, Lyon, & Murray Human Services

Lincoln, Lyon, & Murray Human Services was formed pursuant to Minn. Stat. § 393.01, subd. 7, by Lincoln, Lyon, and Murray Counties. The Human Services began official operation on July 1, 1974, and performs welfare functions formerly performed by the individual counties. Local financing is provided by the three member counties on the basis of each County's welfare expenditures in 1973:

Lincoln County	20.90%
Lyon County	54.77
Murray County	24.33



**MURRAY COUNTY  
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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Lincoln, Lyon, & Murray Human Services (Continued)

Lincoln, Lyon, & Murray Human Services is governed by two county commissioners from each of the participating counties who are chosen by their respective county boards and one lay person from each participating county. Financing is provided by state grants and appropriations from member counties. Murray County's contribution in 2007 was \$1,066,462.

At December 31, 2007, Lincoln, Lyon, & Murray Human Services reported a total fund balance of \$3,850,861. In addition, governmental activities of Lincoln, Lyon, & Murray Human Services reported total net assets of \$3,395,484. Lincoln, Lyon, & Murray Human Services' long-term debt at December 31, 2007, is composed of \$455,377 of compensated absences payable. The debt will be funded by intergovernmental revenue and revenue from computer services.

Complete financial statements of Lincoln, Lyon, & Murray Human Services can be obtained at 607 West Main, Marshall, Minnesota 56258.

Lincoln, Lyon, Murray, and Pipestone Public Health Services

Murray County participates with other surrounding counties to provide health services to its citizens through a joint venture as authorized by Minn. Stat. § 471.59. Financing is provided by state grants, appropriations from member counties, and charges for services. The County's contribution in 2007 was \$52,584.

At December 31, 2005, the Health Services had net assets of \$905,772 and long-term liabilities of \$99,767.

Complete financial statements of the Lincoln, Lyon, Murray, and Pipestone Public Health Services can be obtained at 607 West Main Street, Marshall, Minnesota 56258.

**MURRAY COUNTY  
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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

Pursuant to Minn. Stat. ch. 116A, Murray County entered into a joint powers agreement with Lincoln, Lyon, Nobles, Pipestone, Rock, Lac qui Parle, Redwood, and Yellow Medicine Counties to establish the Lincoln-Pipestone Rural Water System. The Water System is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it services. The cost of providing these services is recovered through user charges.

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

The Water System's 2007 financial report shows total net assets of \$38,079,073, including unrestricted assets of \$19,414,884. The decrease in net assets for the year ended December 31, 2007, is \$68,041. Outstanding long-term debt obligations at December 31, 2007, are \$21,957,644.

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

Southwest Regional Solid Waste Commission

The County has entered into a joint powers agreement with a number of other counties to create and operate the Southwest Regional Solid Waste Commission under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County's authority and obligation pursuant to Minn. Stat. chs. 400 and 115A; to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in Southwest Minnesota.

**MURRAY COUNTY  
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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Regional Solid Waste Commission (Continued)

The governing board is composed of one board member from each of the participating counties. Financing of the Commission's solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares up to \$1,000 per county per year. The current assessment is \$400.

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor at 319 Rebecca Street, P. O. Box 29, Ivanhoe, Minnesota 56142.

Red Rock Rural Water System

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

The Red Rock Rural Water System is governed by an 11-member Board appointed for terms of three years by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county.

Bond issues and notes payable are shown as long-term debt on the financial statements of the Red Rock Rural Water System. Outstanding bonds at December 31, 2006 (the most recent information available), were \$6,145,000, and notes payable were \$5,259,310.

A complete financial report of the Red Rock Rural Water System can be obtained at 305 West Whited Street, Jeffers, Minnesota 56145.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items (Continued)

C. Jointly-Governed Organizations

Murray County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$2,897 of the County levy to the Project.

Minnesota River Board

The Minnesota River Board promotes orderly water quality improvements and management of the Minnesota River watersheds. The County paid \$693 in membership dues in 2007.

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) promotes orderly water quality improvements and management within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. During the year, the County paid \$3,078 of the County levy to the RCRCA.

Heron Lake Watershed District

The County Board is responsible for appointing two of the Board of Managers for the Heron Lake Watershed District, but the County's responsibility does not extend beyond making the appointments.

**MURRAY COUNTY  
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6. Summary of Significant Contingencies and Other Items (Continued)

D. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and two local lending institutions to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement.

E. Functional Expenses - Hospital Enterprise Fund

The Hospital provides general healthcare services to residents within its geographic location. Expenses related to providing these services for the year ended December 31, 2007, are:

Healthcare services	\$	8,805,369
General and administrative		4,162,678
Total		\$ 12,968,047

F. Concentrations of Credit Risk - Hospital Enterprise Fund

The Hospital grants credit, without collateral, to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors and patients at December 31, 2007, follows:

Medicare	\$	1,526,184	41%
Medicaid		189,876	5%
Blue Cross		901,535	24%
Other third-party payors		594,032	16%
Patients		516,730	14%
Total		\$ 3,728,357	100%

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

The accounting policies of the Shetek Area Water and Sewer Commission conform to generally accepted accounting principles.

1. Financial Reporting Entity

The Shetek Area Water and Sewer Commission was formed May 8, 2001, pursuant to Minn. Stat. §§ 115.18 to 115.37. The Commission was created for the purpose of promoting the public health and welfare by providing an adequate and efficient means of collecting, conveying, pumping, treating, and disposing of domestic sewage and industrial waste within the Shetek area. The Commission is governed by a five-member Board appointed by the Murray County Board of Commissioners. Each member of the Board must be a voter residing in the area.

The Shetek Area Water and Sewer Commission has no component units for which it is financially accountable.

2. Basis of Presentation

The accounts of the Shetek Area Water and Sewer Commission are presented as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Commission's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues. Operating revenues result from exchange transactions associated with providing water and sewer services, the Commission's principal activity. Nonexchange revenues, including contributions from Murray County, are reported as nonoperating revenues.

3. Basis of Accounting

The Commission uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Pursuant to GASB Statement 20, the Commission has elected to not apply accounting standards issued after November 30, 1989, by the Financial Accounting Standards Board.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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7. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

4. Assets and Liabilities

Deposits and Investments

The Commission's cash balance is combined with Murray County as part of its pooled cash and investments account. Investments are reported at fair value, based on market prices.

Cash and Cash Equivalents

The Commission has defined cash and cash equivalents to include restricted and unrestricted cash held by Murray County as part of its pooled cash and investments account. The Murray County pooled investment account is treated as a cash equivalent because the Commission can deposit or effectively withdraw cash at any time without prior notice or penalty.

Due From Other Governments

The amount reported as due from other governments at December 31, 2007, is receivable from the Minnesota Public Facilities Authority and represents draw-downs requested on the revenue notes.

Restricted Assets

Certain funds of the Commission are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, applicable laws and regulations limit their use. When the Commission has both restricted and unrestricted assets available to finance a particular program, it is the Commission's policy to use restricted assets before unrestricted assets.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets and Liabilities (Continued)

Special Assessments Receivable and Revenue

Special assessments were levied to pay debt associated with the sewer system construction and are reported as capital contributions in an amount equal to the capital asset. In Minnesota, counties act as collection agents for special assessments levied with property taxes. Tax settlements, including special assessment collections, are received four times a year--in January, June, July, and December. The special assessments levy is recognized as capital contributions in the year of the levy.

Capital Assets

Capital assets are stated at cost. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The costs 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 improvements are capitalized as projects are constructed.

Property and equipment of the Commission are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	75
Collection system	40
Machinery and equipment	15

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.



**MURRAY COUNTY  
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7. Component Unit Disclosures (Continued)

B. Detailed Notes

1. Deposits

Cash transactions are administered by the Murray County Auditor/Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit the County's cash and to invest in certificates of deposit in financial institutions designated by the County's Board. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral, a requirement which Murray County was in compliance with at December 31, 2007. As of December 31, 2007, the Commission had \$3,674,019 on deposit with Murray County.

2. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2007, follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital assets not depreciated				
Land	\$ 326,000	\$ 25,000	\$ -	\$ 351,000
Construction in progress	8,926,615	5,659,979	1,743,495	12,843,099
Total capital assets not depreciated	<u>\$ 9,252,615</u>	<u>\$ 5,684,979</u>	<u>\$ 1,743,495</u>	<u>\$ 13,194,099</u>
Capital assets depreciated				
Land improvements	\$ -	\$ 1,718,495	\$ -	\$ 1,718,495
Less: accumulated depreciation				
Land improvements	-	(13,365)	-	(13,365)
Capital assets depreciated, net	<u>\$ -</u>	<u>\$ 1,705,130</u>	<u>\$ -</u>	<u>\$ 1,705,130</u>
Total Capital Assets, Net	<u><u>\$ 9,252,615</u></u>	<u><u>\$ 7,390,109</u></u>	<u><u>\$ 1,743,495</u></u>	<u><u>\$ 14,899,229</u></u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes (Continued)

3. Construction Funding Sources

Cumulative construction and debt-related costs and funding sources as of December 31, 2007, follow:

Construction costs	
Engineering and design	\$ 1,534,087
Construction	10,839,230
Administration	<u>115,324</u>
Total Construction Costs	<u>\$ 12,488,641</u>
Funding sources	
Minnesota Public Facilities Water Pollution Control Revolving Fund loan	\$ 10,598,812
Wastewater Infrastructure Fund loan	<u>3,327,814</u>
Total Funding Sources	<u>\$ 13,926,626</u>

4. Long-Term Obligations

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General obligation bonds					
2007 Water Revenue Bonds	2027	\$45,000 - \$130,000	4.00 - 4.40	\$ 1,715,000	\$ 1,715,000
2007B Sewer Revenue Bonds	2028	\$75,000 - \$155,000	4.00 - 4.40	<u>2,080,000</u>	<u>2,080,000</u>
Total General Obligation Bonds				<u>\$ 3,795,000</u>	<u>\$ 3,795,000</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

4. Long-Term Obligations (Continued)

Minnesota Public Facilities Authority General Obligation Notes

Minnesota Public Facilities Authority General Obligation Notes issued for \$15,144,000: \$11,554,549 from the Water Pollution Control Revolving Fund and \$3,589,451 from the Wastewater Infrastructure Fund. Amounts drawn or receivable on this note as of December 31, 2007, were \$13,926,626: \$10,598,812 from the Water Pollution Control Revolving Fund and \$3,327,814 from the Wastewater Infrastructure Fund. Note payments for the Water Pollution Control Revolving Fund are due semi-annually for interest and annually for principal on February 20 and August 20, 2008 through 2026, at an interest rate of 1.01 percent. The Wastewater Infrastructure Fund note payments do not begin until the Revolving Fund loans are repaid. The principal payments are due semi-annually beginning on February 20, 2027 through 2032, and are interest-free.

Debt service requirements at December 31, 2007, are as follows:

Year Ended December 31	Minnesota Public Facilities Authority Loans		
	Water Pollution Control Revolving Fund		Wastewater Infrastructure Fund
	Principal	Interest	Principal
2008	\$ 507,762	\$ 80,303	\$ -
2009	513,679	101,920	-
2010	519,183	96,732	-
2011	524,687	91,488	-
2012	530,191	86,188	-
2013 - 2017	2,728,922	349,599	-
2018 - 2022	2,871,101	208,953	-
2023 - 2027	2,403,286	60,989	600,302
2028 - 2032	-	-	2,727,512
Total	<u>\$ 10,598,811</u>	<u>\$ 1,076,172</u>	<u>\$ 3,327,814</u>

**MURRAY COUNTY  
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7. Component Unit Disclosures

B. Detailed Notes

4. Long-Term Obligations (Continued)

The General Obligation Revenue Notes will be retired with income from operations, special assessments, and unused construction funding and are exempt from the limitations on net debt imposed by Minnesota law.

Year Ended December 31	G.O. Water Revenue Bonds, Series 2007		G.O. Sewer Revenue Bonds, Series 2007B	
	Principal	Interest	Principal	Interest
2008	\$ 45,000	\$ 71,255	\$ -	\$ 57,313
2009	60,000	69,155	-	85,970
2010	60,000	66,755	75,000	84,470
2011	65,000	64,255	80,000	81,370
2012	65,000	61,655	80,000	78,170
2013 - 2017	375,000	265,315	460,000	338,250
2018 - 2022	465,000	178,405	555,000	236,718
2023 - 2027	580,000	66,440	675,000	109,208
2028	-	-	155,000	3,410
Total	<u>\$ 1,715,000</u>	<u>\$ 843,235</u>	<u>\$ 2,080,000</u>	<u>\$ 1,074,879</u>

5. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
Minnesota Public Facilities Authority					
General obligation notes	\$ 10,079,483	\$ 3,847,143	\$ -	\$ 13,926,626	\$ 553,549
General obligation bonds	-	3,795,000	-	3,795,000	45,000
Total Long-Term Liabilities	<u>\$ 10,079,483</u>	<u>\$ 7,642,143</u>	<u>\$ -</u>	<u>\$ 17,721,626</u>	<u>\$ 598,549</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes (Continued)

6. Construction Commitment

As of December 31, 2007, the Commission had the following commitment with respect to the unfinished construction project.

<u>Contractor</u>	<u>Project</u>	<u>Remaining Construction Commitment</u>
Duininck Bros., Inc.	Wastewater Collection System	\$ 672,832
Ellingson Drainage, Inc.	Wastewater Collection System	560,869
Total		<u>\$ 1,233,701</u>

C. Risk Management

The Shetek Area Water and Sewer Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Commission has purchased commercial insurance to insure these risks. There are no employees of the Shetek Area Water and Sewer Commission as the Commission has hired independent contractors to operate the plant and perform its accounting functions. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance during the past three years.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,168,580	\$ 2,883,775	\$ 2,877,133	\$ (6,642)
Special assessments	242,763	242,763	271,316	28,553
Licenses and permits	13,830	13,830	21,119	7,289
Intergovernmental	1,185,648	1,454,011	1,485,240	31,229
Charges for services	446,020	446,020	468,790	22,770
Fines and forfeits	-	-	2,743	2,743
Gifts and contributions	-	2,600	18,734	16,134
Investment earnings	352,000	352,000	575,781	223,781
Miscellaneous	228,049	228,049	373,951	145,902
<b>Total Revenues</b>	<b>\$ 5,636,890</b>	<b>\$ 5,623,048</b>	<b>\$ 6,094,807</b>	<b>\$ 471,759</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 179,974	\$ 252,212	\$ 290,620	\$ (38,408)
Courts	12,900	12,900	18,215	(5,315)
Law library	13,000	13,000	12,636	364
County auditor	341,921	351,216	370,718	(19,502)
Accounting and auditing	37,000	37,000	35,169	1,831
County assessor	181,614	181,614	146,402	35,212
Elections	13,620	13,620	2,861	10,759
Data processing	136,421	153,813	143,634	10,179
Machine room	55,864	55,864	39,930	15,934
Motor pool	19,266	19,266	10,199	9,067
Safety officer	2,085	2,085	1,448	637
Human resources	45,451	45,451	79,666	(34,215)
Attorney	232,743	232,743	140,170	92,573
County recorder	143,236	143,236	128,567	14,669
Planning and zoning	84,528	84,528	87,631	(3,103)
Comprehensive plan	-	9,642	11,591	(1,949)
Buildings and plant	437,590	1,281,018	1,128,044	152,974
Veterans service officer	33,852	33,852	32,887	965
License center	85,960	85,960	90,161	(4,201)
Other general government	81,556	81,556	1,306	80,250
<b>Total general government</b>	<b>\$ 2,138,581</b>	<b>\$ 3,090,576</b>	<b>\$ 2,771,855</b>	<b>\$ 318,721</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,044,622	\$ 1,054,097	\$ 1,183,290	\$ (129,193)
Enhanced 911 system	82,483	82,483	64,311	18,172
Probation	48,400	48,400	25,983	22,417
Civil defense	49,877	49,877	53,908	(4,031)
Other public safety	11,800	11,800	2,297	9,503
<b>Total public safety</b>	<b>\$ 1,237,182</b>	<b>\$ 1,246,657</b>	<b>\$ 1,329,789</b>	<b>\$ (83,132)</b>
<b>Sanitation</b>				
Solid waste	\$ 97,030	\$ 97,030	\$ 94,934	\$ 2,096
Recycling	312,698	312,698	265,716	46,982
Shetek Area Water and Sewer Commission	-	-	390	(390)
<b>Total sanitation</b>	<b>\$ 409,728</b>	<b>\$ 409,728</b>	<b>\$ 361,040</b>	<b>\$ 48,688</b>
<b>Health</b>				
Nursing service	\$ 8,550	\$ 8,550	\$ 8,153	\$ 397
Health alliance foundation	-	-	66	(66)
DAC	-	-	13	(13)
<b>Total health</b>	<b>\$ 8,550</b>	<b>\$ 8,550</b>	<b>\$ 8,232</b>	<b>\$ 318</b>
<b>Culture and recreation</b>				
Regional library	\$ 91,985	\$ 91,985	\$ 91,666	\$ 319
Historical society	64,073	64,073	55,379	8,694
Senior citizens	13,035	13,035	12,440	595
Transportation	194,397	194,397	169,652	24,745
Parks	289,379	484,114	557,042	(72,928)
Minnesota trails	-	-	34,789	(34,789)
Other	4,350	7,350	7,350	-
<b>Total culture and recreation</b>	<b>\$ 657,219</b>	<b>\$ 854,954</b>	<b>\$ 928,318</b>	<b>\$ (73,364)</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
County extension	\$ 154,566	\$ 154,566	\$ 150,295	\$ 4,271
Soil and water conservation	146,220	146,220	144,493	1,727
Agricultural inspection	40,597	40,597	46,154	(5,557)
RCRCA	4,478	4,478	3,382	1,096
Environment and land use advance task force	-	-	184	(184)
Flood control	3,675	3,675	4,117	(442)
Agricultural society	27,000	27,000	27,176	(176)
Water planning	102,303	102,303	85,588	16,715
Water quality loan program	130,000	130,000	134,874	(4,874)
Other conservation	1,487	1,487	5,220	(3,733)
<b>Total conservation of natural resources</b>	<b>\$ 610,326</b>	<b>\$ 610,326</b>	<b>\$ 601,483</b>	<b>\$ 8,843</b>
<b>Economic development</b>				
Other	\$ 2,740	\$ 2,740	\$ 2,576	\$ 164
<b>Intergovernmental</b>				
Health	\$ 52,584	\$ 52,584	\$ 52,584	\$ -
<b>Debt service</b>				
Principal	\$ 375,980	\$ 375,980	\$ 376,025	\$ (45)
Interest	18,838	18,838	17,005	1,833
Administrative (fiscal) charges	-	-	431	(431)
<b>Total debt service</b>	<b>\$ 394,818</b>	<b>\$ 394,818</b>	<b>\$ 393,461</b>	<b>\$ 1,357</b>
<b>Total Expenditures</b>	<b>\$ 5,511,728</b>	<b>\$ 6,670,933</b>	<b>\$ 6,449,338</b>	<b>\$ 221,595</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 125,162</b>	<b>\$ (1,047,885)</b>	<b>\$ (354,531)</b>	<b>\$ 693,354</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 80,000	\$ 80,000	\$ -	\$ (80,000)
Transfers out	-	-	(84,120)	(84,120)
Loans issued	-	-	76,286	76,286
Proceeds from the sale of capital assets	-	-	500	500
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 80,000</b>	<b>\$ 80,000</b>	<b>\$ (7,334)</b>	<b>\$ (87,334)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 205,162</b>	<b>\$ (967,885)</b>	<b>\$ (361,865)</b>	<b>\$ 606,020</b>
Fund Balance - January 1	\$ 5,205,143	\$ 5,205,143	\$ 5,205,143	\$ -
Prior period adjustment	(262,862)	(262,862)	(262,862)	-
<b>Fund Balance - January 1, as restated</b>	<b>\$ 4,942,281</b>	<b>\$ 4,942,281</b>	<b>\$ 4,942,281</b>	<b>\$ -</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,383</b>	<b>\$ 1,383</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,147,443</b>	<b>\$ 3,974,396</b>	<b>\$ 4,581,799</b>	<b>\$ 607,403</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 855,000	\$ 820,481	\$ 813,689	\$ (6,792)
Intergovernmental	2,944,351	2,973,870	2,276,724	(697,146)
Charges for services	13,100	13,100	33,496	20,396
Miscellaneous	49,450	49,450	93,246	43,796
<b>Total Revenues</b>	<b>\$ 3,861,901</b>	<b>\$ 3,856,901</b>	<b>\$ 3,217,155</b>	<b>\$ (639,746)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 295,275	\$ 295,275	\$ 256,933	\$ 38,342
Maintenance	1,118,330	1,118,330	1,060,429	57,901
Engineering	207,590	207,590	176,403	31,187
Construction	1,500,000	1,500,000	553,023	946,977
Equipment, maintenance, and shop	454,491	454,491	510,811	(56,320)
<b>Total highways and streets</b>	<b>\$ 3,575,686</b>	<b>\$ 3,575,686</b>	<b>\$ 2,557,599</b>	<b>\$ 1,018,087</b>
<b>Intergovernmental</b>	300,000	300,000	284,985	15,015
<b>Total Expenditures</b>	<b>\$ 3,875,686</b>	<b>\$ 3,875,686</b>	<b>\$ 2,842,584</b>	<b>\$ 1,033,102</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (13,785)</b>	<b>\$ (18,785)</b>	<b>\$ 374,571</b>	<b>\$ 393,356</b>
<b>Fund Balance - January 1</b>	<b>2,563,410</b>	<b>2,563,410</b>	<b>2,563,410</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>76,256</b>	<b>76,256</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,549,625</b>	<b>\$ 2,544,625</b>	<b>\$ 3,014,237</b>	<b>\$ 469,612</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**Schedule 3**

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 944,785	\$ 956,501	\$ 955,502	\$ (999)
Intergovernmental	122,554	110,838	110,960	122
<b>Total Revenues</b>	<b>\$ 1,067,339</b>	<b>\$ 1,067,339</b>	<b>\$ 1,066,462</b>	<b>\$ (877)</b>
<b>Expenditures</b>				
<b>Intergovernmental</b>				
Human services	1,067,339	1,067,339	1,066,462	877
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 330,947	\$ 330,947	\$ 331,522	\$ 575
Investment earnings	-	-	31,485	31,485
<b>Total Revenues</b>	<b><u>\$ 330,947</u></b>	<b><u>\$ 330,947</u></b>	<b><u>\$ 363,007</u></b>	<b><u>\$ 32,060</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	<b><u>\$ 30,865</u></b>	<b><u>\$ 30,865</u></b>	<b><u>\$ 138,415</u></b>	<b><u>\$ (107,550)</u></b>
<b>Debt service</b>				
Principal	\$ 225,001	\$ 225,001	\$ 360,000	\$ (134,999)
Interest	87,529	87,529	121,568	(34,039)
Administrative (fiscal) charges	1,250	1,250	16,795	(15,545)
<b>Total debt service</b>	<b><u>\$ 313,780</u></b>	<b><u>\$ 313,780</u></b>	<b><u>\$ 498,363</u></b>	<b><u>\$ (184,583)</u></b>
<b>Total Expenditures</b>	<b><u>\$ 344,645</u></b>	<b><u>\$ 344,645</u></b>	<b><u>\$ 636,778</u></b>	<b><u>\$ (292,133)</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ (13,698)</u></b>	<b><u>\$ (13,698)</u></b>	<b><u>\$ (273,771)</u></b>	<b><u>\$ (260,073)</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 57,144	\$ 57,144
Refunding bonds sold	-	-	1,625,000	1,625,000
Discount on refunding bonds	-	-	(11,145)	(11,145)
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,670,999</u></b>	<b><u>\$ 1,670,999</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (13,698)</u></b>	<b><u>\$ (13,698)</u></b>	<b><u>\$ 1,397,228</u></b>	<b><u>\$ 1,410,926</u></b>
<b>Fund Balance - January 1</b>	<b><u>1,203,489</u></b>	<b><u>1,203,489</u></b>	<b><u>1,203,489</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 1,189,791</u></u></b>	<b><u><u>\$ 1,189,791</u></u></b>	<b><u><u>\$ 2,600,717</u></u></b>	<b><u><u>\$ 1,410,926</u></u></b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
EDA SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 40,097	\$ 40,097
Investment earnings	10,000	10,000	19,432	9,432
Miscellaneous	-	-	61,649	61,649
<b>Total Revenues</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 121,178</b>	<b>\$ 111,178</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Economic Development Commission	\$ 179,501	\$ 679,501	\$ 687,766	\$ (8,265)
<b>Debt service</b>				
Principal	-	-	8,937	(8,937)
<b>Total Expenditures</b>	<b>\$ 179,501</b>	<b>\$ 679,501</b>	<b>\$ 696,703</b>	<b>\$ (17,202)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (169,501)</b>	<b>\$ (669,501)</b>	<b>\$ (575,525)</b>	<b>\$ 93,976</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 16,557	\$ 16,557
Loans issued	-	400,000	359,903	(40,097)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 400,000</b>	<b>\$ 376,460</b>	<b>\$ (23,540)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (169,501)</b>	<b>\$ (269,501)</b>	<b>\$ (199,065)</b>	<b>\$ 70,436</b>
Fund Balance - January 1	\$ -	\$ -	\$ -	\$ -
Prior period adjustment	111,001	111,001	111,001	-
<b>Fund Balance - January 1, as restated</b>	<b>\$ 111,001</b>	<b>\$ 111,001</b>	<b>\$ 111,001</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ (58,500)</b>	<b>\$ (158,500)</b>	<b>\$ (88,064)</b>	<b>\$ 70,436</b>



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and all special revenue funds. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

Expenditure budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 5,511,728	\$ 1,159,205	\$ 6,670,933
EDA Special Revenue Fund	179,501	500,000	679,501

Over the course of the year, the County Board revised the County's General Fund budget several times. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and new grant awards.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budget	Excess
Ditch Special Revenue Fund	\$ 636,778	\$ 344,645	\$ 292,133
EDA Special Revenue Fund	696,703	679,501	17,202

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**SUPPLEMENTARY INFORMATION**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

Statement 1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 119,102	\$ 10,784,385	\$ 10,791,242	\$ 112,245
<b><u>Liabilities</u></b>				
Due to other governments	\$ 119,102	\$ 10,784,385	\$ 10,791,242	\$ 112,245
 <b><u>SOUTHWEST MINNESOTA OPPORTUNITY COUNCIL</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 31,705	\$ 14,836	\$ 41,813	\$ 4,728
<b><u>Liabilities</u></b>				
Due to other governments	\$ 31,705	\$ 14,836	\$ 41,813	\$ 4,728
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 150,807	\$ 10,799,221	\$ 10,833,055	\$ 116,973
<b><u>Liabilities</u></b>				
Due to other governments	\$ 150,807	\$ 10,799,221	\$ 10,833,055	\$ 116,973

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**OTHER SCHEDULE**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*Schedule 6*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Primary Government</b>
<b>Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 2,177,203
Market value credit	466,828
PERA rate reimbursement	11,609
Disparity reduction aid	25,731
County program aid	664,310
Police aid	39,422
E-911	81,048
	<b>\$ 3,466,151</b>
<b>Total Shared Revenue</b>	
<b>Payments</b>	
<b>Local</b>	
Local contributions	\$ 545
Payments in lieu of taxes	99,564
	<b>\$ 100,109</b>
<b>Total Payments</b>	
<b>Grants</b>	
<b>State</b>	
Minnesota Department of Corrections	\$ 9,456
Public Safety	6,708
Transportation	39,396
Natural Resources	49,570
Water and Soil Resources Board	85,935
Peace Officer Standards and Training Board	3,618
Pollution Control Agency	73,782
	<b>\$ 268,465</b>
<b>Total State</b>	
<b>Federal</b>	
Department of Housing and Urban Development	\$ 40,097
Transportation	28,956
Homeland Security	9,243
	<b>\$ 78,296</b>
<b>Total Federal</b>	
<b>Total State and Federal Grants</b>	
	<b>\$ 346,761</b>
<b>Total Intergovernmental Revenue</b>	
	<b>\$ 3,913,021</b>

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*Schedule 7*

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

99-1 Internal Accounting Controls

Due to the limited number of personnel within some County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Murray County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend that County management be aware of the lack of segregation of duties within the accounting functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

Client's Response:

*Murray County is aware that because of the size of the accounting staff it is impossible to achieve proper segregation of duties. The County continues to find ways to implement internal controls and oversight procedures.*

05-1 Financial Reporting

The County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal control over recording, processing, and summarizing accounting data (maintaining internal books and records) and preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the County's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the County lacks internal control over the preparation of financial statements in accordance with GAAP.

The County's accounting system has been upgraded to accommodate the modified accrual and full accrual bases of accounting in separate general ledger systems to allow for the preparation of the annual financial statements in accordance with generally accepted accounting principles for governments. During our audit, we noted several deficiencies that prevented the accounting system from providing accurate modified and full accrual financial statements. These deficiencies resulted in additional audit time because significant audit adjustments were required.

Murray County has identified and has been training individuals to obtain the expertise to improve its preparation of financial statements. We recommend the County continue to obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP, including preparing and reporting appropriate government-wide and fund financial statements and the related notes to the financial statements. Also, this process should be monitored by a knowledgeable person to ensure that the accounts are correctly summarized for financial statement purposes. As part of the financial statement preparation, summary schedules and worksheets should be prepared by County staff to document the various accrual adjusting journal entries and to demonstrate how the accounts in the financial records are classified or summarized for the annual financial statements. When the financial statements are completed, County staff should review the statements to ensure that reported amounts can be traced back to the prepared supporting schedules and worksheets.

Client's Response:

*Murray County will continue to obtain training and expertise in financial reporting.*

06-1 Audit Adjustments

A control deficiency 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 misstatements of the financial statements on a timely basis. A control deficiency that typically is considered significant is the identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls.

During our audit, we proposed material adjustments that resulted in significant changes to the County's financial statements. The adjustments included moving Economic Development Authority (EDA) activity from the General Fund to the EDA Special Revenue Fund; recognizing activity in an account with a fiscal agent resulting from a crossover refunding; recording the discount on sale of refunding bonds, a long-term receivable for debt payments due from another government, accrued interest payable on 2004 refunding bonds, and receivables and deferred revenue resulting from state highway allotments; and adjustments to convert from the modified to full accrual basis.

We recommend that the County review internal controls currently in place, then design and implement procedures to improve internal controls over financial reporting to detect misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by an individual qualified to identify potential misstatements.

Client's Response:

*Murray County will continue to review and implement internal controls to detect misstatements in the financial statements, including a review of the balances and supporting documentation by the County Auditor and Audit Committee.*

06-3 Computer Risk Management

The County has internal controls in place for its computer system. However, the County has not developed a formal plan to identify and manage risks associated with its computer system, required strong passwords, or limited access to options for individuals on the computer system.

Risk management begins with a risk assessment of the County's computer system to identify those risks that could negatively influence computer operations. Internal controls should be implemented to reduce the identified risks. Internal controls implemented should be documented in a well-maintained policies and procedures manual, which should be communicated to the County's staff. Staff adherence to these policies and procedures should be monitored. Because computer systems are ever-changing, the County should include in its plan periodic reassessment of risk to ensure existing internal controls and policies are still effective.

We recommend the County Board direct management to develop a plan to ensure that internal controls are in place to reduce the risk associated with the County's computer systems. These controls over the computer system are necessary to maintain proper controls over financial reporting. The controls implemented should include working with the software vendor in requiring strong passwords and limit access to options for individuals on the computer system.

Client's Response:

*Murray County has implemented a stronger policy on management of internal controls over passwords, users and has begun working on a Continuity of Operations Plan.*

06-4 Accounting Policies and Procedures Manual

The County does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods might suffice, this documentation is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures that make up the County's internal control system. The manual should include policies and procedures for receipting, disbursing, payroll processing, valuation of infrastructure, and budget policies. These policies should be designed to help detect and deter fraud and include procedures for monitoring the internal controls.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and can help to avoid circumvention of County policies.



We recommend the County establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

Client's Response:

*Murray County is working on a comprehensive Accounting Policies and Procedures Manual as well as working on training with departments on the need for internal control procedures.*

06-6 Annual Adopted Budget

The County Board adopts a summarized budget at the fund level. A budget document that the summary is based on provides the detail of estimated revenue by source and the budgeted expenditures by fund, function, and departments, but is not adopted as part of the budget resolution.

We recommend the County Board adopt and make reference in its minutes to the budget document that details the fund budgets by major revenue source and estimated expenditures by function and department for each of the operational funds.

Client's Response:

*Murray County will adopt a new budget policy that implements the recommendations of the Office of the State Auditor. Murray County will reference the budget document on which the budget is based, as part of the adopting resolution.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Payroll-Related Matters (06-7)**

Access to the County's payroll system was not sufficiently restricted. Also, no controls existed to verify the correct pay rates were in the system for all employees, that pay rates were updated for authorized reasons, or that any payroll information changes were reviewed by other County personnel.

**Resolution**

The Auditor/Treasurer staff now review various reports from the payroll system for changes and additions. Personnel actions forms are now filled out by the Human Resources Department and sent to the payroll representative. Rate increases can only occur based on these forms (except across-the-board pay increases).

**II. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

**Depository Pledge Agreement (06-8)**

The depository pledge agreement between the County and Minnwest Bank South stated that the County was required to give notice of a failure, insolvency, or breach to the bank and wait at least three business days after the notice before the County can collect the collateral from the custodian so the bank has time to cure the default.

**Resolution**

The depository pledge agreement between the County and Minnwest Bank South has been changed to require the bank to pay on demand.

**Broker's Statement (06-9)**

The County did not obtain a broker's statement from Multi-Bank Securities; the Minnesota Association of Governments Investing for Counties (MAGIC) Fund; or United Securities Alliance, Inc., before transacting business with those organizations during 2006.

**Resolution**

The County has obtained a broker's statement from the MAGIC Fund. The County has closed its accounts with Multi-Bank Securities and United Securities Alliance, Inc.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

**Compliance with Agreement with Minnesota Public Facilities  
Authority (06-10)**

The County received \$507,723 of prepaid special assessments in 2006 but had not informed the Minnesota Public Facilities Authority.

**Resolution**

The County will inform the Minnesota Public Facilities Authority after the final assessments are made.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

In 2008, the legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both revocable and irrevocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both revocable and irrevocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Some of the issues that the County Board will need to address in order to comply with GASB Statement 45 are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, the County Board will have to decide whether to establish a revocable or an irrevocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

GASB Statement 45 will be applicable to Murray County for the year ended December 31, 2008.



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

Board of County Commissioners  
Murray County

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Murray County as of and for the year ended December 31, 2007, and have issued our report thereon dated January 29, 2009. Our report was modified to include a reference to other auditors. We conducted our audit 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. Other auditors audited the financial statements of Murray County Memorial Hospital, a blended component unit of Murray County as described in our report on Murray County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Murray County's internal control over financial reporting as a basis for designing our auditing procedures 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 99-1, 05-1, 06-1, 06-3, 06-4, and 06-6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Murray County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-1 to be a material weakness.

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Murray County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Recommendations is an other item for consideration. We believe this information to be of benefit to Murray County and reporting it for that purpose.

Murray County's written responses to the significant deficiencies and material weaknesses identified in our audit have been included in the Schedule of Findings and Recommendations. We did not audit the County's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, and others within Murray County and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

January 29, 2009