

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MURRAY COUNTY
SLAYTON, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013



**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 SCHEDULE
2013**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	James Jens	January 2017
2nd District	Robert Moline	January 2017
3rd District	Gerald W. Magnus*	January 2015
4th District	John M. Giese**	January 2015
5th District	Dave Thiner	January 2017
Officers		
Elected		
Attorney	Paul M. Malone	January 2015
Auditor/Treasurer	Heidi E. Winter	January 2015
County Judge	David Christensen	January 2015
County Recorder	James V. Johnson	January 2015
Registrar of Titles	James V. Johnson	January 2015
Sheriff	Steven Telkamp	January 2015
Appointed		
Assessor	Marcy Barritt	Indefinite
Coordinator	Aurora Heard	Indefinite
Highway Engineer	Randy Groves	Indefinite
Court Administrator	Steven Schulze	Indefinite
Veterans Service Officer	James Reinert	Indefinite
Coroner	Dr. Carol Lang	November 2013
Coroner	Dr. Michael B. McGee	December 2014

*Chair for 2013

**Chair for 2014

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**ORGANIZATION SCHEDULE
SHETEK AREA WATER AND SEWER COMMISSION
2013**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Commissioners		
Ted Haugen	President	December 2013
Jamie Thomazin	Vice President	December 2015
Jon Hoyme	Secretary	December 2014
Donna Kor	Member	December 2013
Darwin Patzlaff	Member	December 2016
Advisory Commissioner		
Jon Harback	Member	December 2013

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Murray County

Report on the Financial Statements

We have audited the accompanying 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, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Medical Center, a major fund (Hospital Enterprise Fund) and 97 percent, 101 percent, and 99 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Murray County’s basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, 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* in considering Murray County’s internal control over financial reporting and compliance. It does not include the Murray County Medical Center which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 25, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Murray County's financial activities for the fiscal year ended December 31, 2013. 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 position is \$58,441,519, of which \$48,132,365 is the County's net investment in capital assets and \$3,074,161 is restricted for specific purposes. The unrestricted net position of \$7,234,993 may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's governmental activities' net position increased by \$2,014,977 for the year ended December 31, 2013. A large part of the increase is attributable to the County's investing in infrastructure assets without increasing long-term debt, an increase in receivables, as well as continued wind production tax revenues.
- The net cost of governmental activities for the current fiscal year was \$5,389,606. General revenues totaling \$7,405,830 funded the net cost.
- The General Fund's fund balance increased by \$72,866, the Road and Bridge Special Revenue Fund's fund balance increased by \$171,377, the Human Services Special Revenue Fund saw no change, the EDA Special Revenue Fund's fund balance increased by \$125,391, and the Ditch Special Revenue Fund's fund balance decreased by \$10,634.
- For the year ended December 31, 2013, the unassigned fund balance of the General Fund was \$2,554,977.

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 level 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 Position presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

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.

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 Medical Center and Congregate Housing.
- **Component units**--The County includes the Shetek Area Water and Sewer Commission, a legally separate entity, because the County appoints the Commission members and must approve any debt.

The government-wide statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

Fund financial statements provide detailed information about the major funds--not the County as a whole. Some funds are required to be established by state law or 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, EDA Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided as either required or other supplementary information for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

Proprietary funds are maintained by Murray County. Enterprise funds account for the Murray County Medical Center and Congregate Housing. The County uses an internal service fund to account for self-insurance activities. The financial statements for these funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements are 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 presented in a separate Statement of Fiduciary Net Position 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 37 through 104 of this report.

Other Information

Other information is provided as supplementary information regarding Murray County's intergovernmental revenue and federal awards programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$75,617,283 at the close of 2013. The largest portion of Murray County's net position (79.4 percent) reflects the net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2012 is presented.

	Net Position		(in thousands)	
	Governmental Activities	Business-Type Activities	Total	
			2013	2012 (Restated)
Assets				
Current and other assets	\$ 13,056	\$ 7,815	\$ 20,871	\$ 22,708
Capital assets	49,826	18,943	68,769	63,341
Total Assets	\$ 62,882	\$ 26,758	\$ 89,640	\$ 86,049
Deferred Outflows of Resources				
	\$ -	\$ 57	\$ 57	\$ -
Liabilities				
Long-term liabilities	\$ 3,610	\$ 7,406	\$ 11,016	\$ 7,515
Other liabilities	830	2,233	3,063	4,822
Total Liabilities	\$ 4,440	\$ 9,639	\$ 14,079	\$ 12,337
Net Position				
Net investment in capital assets	\$ 48,132	\$ 11,920	\$ 60,052	\$ 58,813
Restricted	3,074	-	3,074	1,527
Unrestricted	7,235	5,256	12,491	13,372
Total Net Position	\$ 58,442	\$ 17,176	\$ 75,618	\$ 73,712

Unrestricted net position in the amount of \$7,234,993--the part of net position 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--is 16.5 percent of net position.

Governmental Activities

The County's governmental activities' net position increased by 3.6 percent (\$58,441,519 for 2013 compared to \$56,426,542 for 2012). Key elements in this increase in net position are as follows for 2013, with comparative data for 2012.

Governmental Activities Changes in Net Position (in thousands)		
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Charges for services	\$ 1,313	\$ 1,574
Operating grants and contributions	4,648	4,593
Capital grants and contributions	1,456	1,159
General revenues		
Property taxes	5,651	5,414
Other	1,755	1,887
Total Revenues	<u>\$ 14,823</u>	<u>\$ 14,627</u>
Expenses		
General government	\$ 2,283	\$ 2,176
Public safety	2,390	2,819
Highways and streets	4,634	4,947
Sanitation	394	398
Human services	1,100	1,106
Health	52	52
Culture and recreation	796	749
Conservation of natural resources	816	818
Economic development	226	268
Interest	116	86
Total Expenses	<u>\$ 12,807</u>	<u>\$ 13,419</u>
Revenues Over Expenses	\$ 2,016	\$ 1,208
Transfers to business-type activities	<u>(1)</u>	<u>(2)</u>
Increase in Net Position	\$ 2,015	\$ 1,206
Net Position - January 1	<u>56,427</u>	<u>55,221</u>
Net Position - December 31	<u><u>\$ 58,442</u></u>	<u><u>\$ 56,427</u></u>

The cost of all governmental activities for 2013 was \$12,806,837 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 \$5,389,606. The amount paid by those who directly benefited from the programs was \$1,313,244, and the amount paid by other governments and organizations to subsidize certain programs with grants and contributions was \$4,648,010. Capital grants and contributions were \$1,455,977. The County paid for the remaining “public benefit” portion of governmental activities with \$313,537 in grants and contributions not restricted to specific programs, \$5,650,649 in property taxes, and \$1,024,434 in wind production tax.

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
2013
(in thousands)**

	Total Cost of Services	Net Cost of Services
General government	\$ 2,283	\$ 1,963
Public safety	2,390	1,928
Highways and streets	4,634	(750)
Human services	1,100	1,100
All others	2,400	1,149
Total	\$ 12,807	\$ 5,390

Business-Type Activities

The County’s business-type activities include Congregate Housing (Sunrise Terrace) and the Hospital (Murray County Medical Center). The business-type activities net position decreased by 0.63 percent (\$17,175,764 for 2013 compared to \$17,284,913 for 2012). Key elements in this decrease in net position are as follows, with comparative data for 2012.

**Business-Type Activities
Changes in Net Position
(in thousands)**

	2013	2012 (Restated)
Revenues		
Program revenues		
Charges for services	\$ 17,839	\$ 18,105
General revenues		
Other	110	(32)
Total Revenues	\$ 17,949	\$ 18,073
Expenses		
Hospital	\$ 17,799	\$ 16,786
Congregate Housing	260	271
Total Expenses	\$ 18,059	\$ 17,057
Revenues Over (Under) Expenses	\$ (110)	\$ 1,016
Transfers from governmental activities	1	2
Increase in Net Position	\$ (109)	\$ 1,018
Net Position - January 1, as restated	17,285	16,267
Net Position - December 31	\$ 17,176	\$ 17,285

The cost of all business-type activities for 2013 was \$18,058,742 and, as shown on the Statement of Activities on Exhibit 2, none of this was financed by the taxpayers through County taxes. The majority of costs for business-type activities were paid by those who directly benefited from the programs and services. In 2013, this amount was \$17,838,571.

The following table presents the cost of each of the County's business-type activities, as well as the loss made for each.

**Business-Type Activities
2013
(in thousands)**

	Total Cost of Services	Net Profit for Services
Hospital	\$ 17,799	\$ (161)
Congregate Housing	260	(59)
Total	\$ 18,059	\$ (220)

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 available for spending. Such information is useful in assessing the County's financing requirements. In particular, unrestricted 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 \$9,136,907, an increase of \$373,595 in comparison with the prior year. Of the combined ending fund balances, \$224,737 is nonspendable, \$2,360,914 is restricted, \$244,383 is committed, \$3,751,896 is assigned, and \$2,554,977 is unassigned and available for spending at the County's discretion.

The General Fund is the main operating fund for the County. Of the combined ending fund balances, \$7,842 is nonspendable, \$984,259 is restricted, \$244,383 is committed, \$884,786 is assigned, and \$2,554,977 is unassigned. Overall fund balance in the General Fund increased by \$72,866 during 2013.

The Road and Bridge Special Revenue Fund had \$216,895 in nonspendable funds and \$2,443,208 in assigned funds. Overall fund balance in the Road and Bridge Special Revenue Fund increased by \$171,377 during 2013.

The Human Services Special Revenue Fund has no fund balance, as Southwest Health and Human Services performs human services functions and public health delivery for Murray County through a joint powers arrangement.

The Ditch Special Revenue Fund had a restricted fund balance of \$788,508 and decrease of \$10,634 during 2013.

The EDA Special Revenue Fund had restricted funds of \$192,580 and assigned funds of \$423,902. The EDA Special Revenue Fund's fund balance increased by \$125,391 during 2013.

BUDGETARY HIGHLIGHTS

Over the course of the year, there were positive budget variances in the General Fund, Road and Bridge Special Revenue Fund, and EDA Special Revenue Fund. The actual revenues over expenditures in the General Fund were \$186,576 more than budgeted. The actual revenues over expenditures in the Road and Bridge Special Revenue Fund were \$268,240 more than budgeted. The actual revenues over expenditures in the EDA Special Revenue Fund were \$1,377 more than budgeted. Over the course of the year, the budget for the General Fund was changed. The expenditures budget in the General Fund increased \$5,362.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Government Activities

The County's capital assets for its governmental activities at December 31, 2013, totaled \$49,826,330 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$1,221,782, or 2.51 percent, from the previous year. The major capital asset events were: construction of highways and streets, continued construction of a new Sheriff's Office addition and renovation, and the purchase of highway and other miscellaneous equipment.

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

	2013	2012
Land, including right-of-way	\$ 754	\$ 754
Construction in progress	99	965
Infrastructure	41,554	39,152
Buildings	4,622	4,804
Improvements other than buildings	331	353
Machinery and equipment	2,466	2,577
Total	<u>\$ 49,826</u>	<u>\$ 48,605</u>

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

Business-Type Activities

The County's capital assets for its business-type activities at December 31, 2013, totaled \$18,942,896 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and land improvements. The investment in capital assets increased \$4,206,641, or 28.55 percent from the previous year. The major capital asset events were: renovation and construction of a new medical center facility, the purchase of new medical equipment, and other miscellaneous non-medical equipment.

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

	2013	2012
Land, including right-of-way	\$ 182	\$ 171
Construction in progress	-	6,650
Land improvements	483	207
Buildings	14,961	5,935
Fixed equipment	285	243
Major movable equipment	3,032	1,530
Total	\$ 18,943	\$ 14,736

Additional information about the County's capital assets for business-type activities 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 \$9,912,737, which was backed by the full faith and credit of the government.

**Outstanding Debt
(in thousands)**

	2013	2012
General obligation capital improvement plan bond	\$ 1,771	\$ 1,949
General obligation ditch bonds	802	986
General obligation refunding bonds	946	1,891
MRI capital lease	640	-
Hospital revenue note	5,495	1,710
General obligation promissory notes	46	97
Loans payable	213	332
Total	\$ 9,913	\$ 6,965

The County's overall debt increased by \$2,947,519 from 2012 to 2013 mainly due to additional debt being drawn on the 2012 Hospital Revenue Bonds.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2013, the County's outstanding debt was 0.29 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 2014 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Murray County at the end of 2013 was 4.3 percent. This is 0.4 percent lower than the state unemployment rate of 4.7 percent and 2.4 percent lower than the national unemployment rate of 6.7 percent. This is an increase of 0.2 percent from the County's 4.1 percent rate of one year ago.
- Mortgage interest rates have remained relatively consistent with those of 2012, but refinancing of mortgages and/or financing of new construction, particularly in the agricultural sector, continues to occur at an increased rate.
- The County's net property tax levy for 2013 increased from \$5,519,260 to \$5,786,582. This is a net increase of \$267,322, or 5.25 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 POSITION
DECEMBER 31, 2013**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Shetek Area Water and Sewer Commission</u>
	<u>Activities</u>	<u>Activities</u>		
<u>Assets</u>				
Cash and pooled investments	\$ 9,338,960	\$ 3,344,622	\$ 12,683,582	\$ 441,432
Petty cash and change funds	5,000	-	5,000	-
Cash with fiscal agent	-	-	-	2,537,960
Taxes receivable				
Delinquent	52,723	-	52,723	-
Special assessments receivable				
Current	316,978	-	316,978	407,280
Delinquent	10,904	-	10,904	9,340
Accounts receivable - net	46,061	42,061	88,122	29,923
Patient receivables - net	-	2,550,433	2,550,433	-
Estimated third-party settlements	-	830,069	830,069	-
Accrued interest receivable	28,994	-	28,994	6,481
Due from other governments	1,102,704	-	1,102,704	403
Due from component unit	941	-	941	-
Due from primary government	-	-	-	76
Loans receivable	217,948	-	217,948	-
Inventories	221,028	523,110	744,138	58,349
Prepaid items	41,709	228,035	269,744	-
Restricted assets				
Cash and pooled investments	-	6,000	6,000	360,608
Total current assets	\$ 11,383,950	\$ 7,524,330	\$ 18,908,280	\$ 3,851,852
Noncurrent assets				
Noncurrent cash and investments	\$ -	\$ 671	\$ 671	\$ -
Special assessments receivable	637,816	-	637,816	7,659,546
Loans receivable	778,900	-	778,900	-
Long-term receivable	255,000	-	255,000	-
Capital assets				
Non-depreciable	853,733	182,513	1,036,246	386,046
Depreciable - net of accumulated depreciation	48,972,597	18,760,383	67,732,980	13,348,362
Other assets	-	290,098	290,098	-
Total noncurrent assets	\$ 51,498,046	\$ 19,233,665	\$ 70,731,711	\$ 21,393,954
Total Assets	\$ 62,881,996	\$ 26,757,995	\$ 89,639,991	\$ 25,245,806
<u>Deferred Outflows of Resources</u>				
Deferred charge on bond refunding	\$ -	\$ 57,146	\$ 57,146	\$ -

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 162,369	\$ 594,540	\$ 756,909	\$ 3,459
Salaries payable	291,103	1,243,061	1,534,164	883
Contracts payable	263,928	-	263,928	-
Due to other governments	85,816	180	85,996	2,431
Due to primary government	-	-	-	941
Due to component unit	76	-	76	-
Accrued interest payable	27,636	9,090	36,726	84,412
Payable from restricted assets	-	6,000	6,000	-
Losses from joint ventures in excess of earnings	-	380,945	380,945	-
MRI capital lease - current	-	344,562	344,562	-
Compensated absences payable - current	68,190	460	68,650	-
Loans payable - current	57,241	-	57,241	-
General obligation bonds payable - current	185,000	100,000	285,000	160,000
General obligation special assessment debt payable - current	180,000	-	180,000	-
Revenue notes payable - current	-	450,763	450,763	524,000
Promissory notes payable - current	46,479	-	46,479	-
Customer deposits - current	-	-	-	4,291
Total current liabilities	\$ 1,367,838	\$ 3,129,601	\$ 4,497,439	\$ 780,417
Noncurrent liabilities				
Compensated absences payable	\$ 537,929	\$ 2,339	\$ 540,268	\$ -
Loans payable	156,168	-	156,168	-
MRI capital lease	-	295,102	295,102	-
General obligation bonds payable - net	1,585,572	845,678	2,431,250	5,550,508
General obligation special assessment debt payable	621,891	-	621,891	-
Revenue notes payable	-	5,044,281	5,044,281	10,180,680
Other postemployment benefits payable	171,079	322,376	493,455	-
Total noncurrent liabilities	\$ 3,072,639	\$ 6,509,776	\$ 9,582,415	\$ 15,731,188
Total Liabilities	\$ 4,440,477	\$ 9,639,377	\$ 14,079,854	\$ 16,511,605

**MURRAY COUNTY
SLAYTON, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Shetek Area Water and Sewer Commission</u>
<u>Net Position</u>				
Net investment in capital assets	\$ 48,132,365	\$ 11,919,656	\$ 60,052,021	\$ (2,670,273)
Restricted for				
General government	331,468	-	331,468	-
Public safety	287,208	-	287,208	-
Highways and streets	688,243	-	688,243	-
Sanitation	137,498	-	137,498	-
Conservation of natural resources	1,118,203	-	1,118,203	-
Economic development	192,580	-	192,580	-
Debt service	318,961	-	318,961	300,714
Wastewater system replacement	-	-	-	59,894
Unrestricted	<u>7,234,993</u>	<u>5,256,108</u>	<u>12,491,101</u>	<u>11,043,866</u>
Total Net Position	<u>\$ 58,441,519</u>	<u>\$ 17,175,764</u>	<u>\$ 75,617,283</u>	<u>\$ 8,734,201</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 2,283,348	\$ 295,877	\$ 24,340
Public safety	2,390,026	112,256	306,868
Highways and streets	4,634,248	71,663	3,963,903
Sanitation	393,536	317,053	55,950
Human services	1,099,715	-	-
Health	52,350	-	-
Culture and recreation	795,532	100,951	135,806
Conservation of natural resources	816,012	306,019	160,263
Economic development	225,758	109,425	880
Interest	116,312	-	-
Total governmental activities	\$ 12,806,837	\$ 1,313,244	\$ 4,648,010
Business-type activities			
Hospital	\$ 17,799,017	\$ 17,638,042	\$ -
Congregate Housing	259,725	200,529	-
Total business-type activities	\$ 18,058,742	\$ 17,838,571	\$ -
Total Primary Government	\$ 30,865,579	\$ 19,151,815	\$ 4,648,010
Component unit			
Shetek Area Water and Sewer Commission	\$ 992,881	\$ 355,936	\$ -

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

Transfers

Total general revenues and transfers

Change in net position

Net Position - Beginning, as restated (Note 1.D.15.)

Net Position - Ending

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit Shetek Area Water and Sewer Commission
\$ -	\$ (1,963,131)	\$ -	\$ (1,963,131)	
43,430	(1,927,472)	-	(1,927,472)	
1,348,586	749,904	-	749,904	
-	(20,533)	-	(20,533)	
-	(1,099,715)	-	(1,099,715)	
-	(52,350)	-	(52,350)	
63,961	(494,814)	-	(494,814)	
-	(349,730)	-	(349,730)	
-	(115,453)	-	(115,453)	
-	(116,312)	-	(116,312)	
\$ 1,455,977	\$ (5,389,606)	\$ -	\$ (5,389,606)	
\$ -	\$ -	\$ (160,975)	\$ (160,975)	
-	-	(59,196)	(59,196)	
\$ -	\$ -	\$ (220,171)	\$ (220,171)	
\$ 1,455,977	\$ (5,389,606)	\$ (220,171)	\$ (5,609,777)	
\$ 277,869				\$ (359,076)
	\$ 5,650,649	\$ -	\$ 5,650,649	\$ -
	7,950	-	7,950	-
	1,024,434	-	1,024,434	-
	211,906	-	211,906	-
	313,537	138,139	451,676	-
	52,950	(94,635)	(41,685)	(8,635)
	144,404	66,271	210,675	46,849
	(1,247)	1,247	-	-
	\$ 7,404,583	\$ 111,022	\$ 7,515,605	\$ 38,214
	\$ 2,014,977	\$ (109,149)	\$ 1,905,828	\$ (320,862)
	56,426,542	17,284,913	73,711,455	9,055,063
	\$ 58,441,519	\$ 17,175,764	\$ 75,617,283	\$ 8,734,201

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 5,065,084	\$ 2,367,666	\$ -
Undistributed cash in agency funds	58,415	14,256	14,292
Petty cash and change funds	5,000	-	-
Taxes receivable			
Delinquent	33,485	8,421	9,913
Special assessments receivable			
Delinquent	10,832	-	-
Noncurrent	595,047	-	-
Accounts receivable	44,010	2,051	-
Loans receivable	-	-	-
Accrued interest receivable	28,994	-	-
Due from other funds	-	759	-
Due from other governments	152,450	941,819	-
Due from component units	941	-	-
Inventories	5,573	215,455	-
Prepaid items	2,269	1,440	-
	\$ 6,002,100	\$ 3,551,867	\$ 24,205
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 129,909	\$ 9,796	\$ -
Salaries payable	220,379	66,532	-
Contracts payable	230,279	33,649	-
Due to other funds	759	-	-
Due to other governments	68,316	2,938	14,292
Due to component unit	76	-	-
	\$ 649,718	\$ 112,915	\$ 14,292
 Deferred Inflows of Resources			
Unavailable revenue	\$ 676,135	\$ 778,849	\$ 9,913

EXHIBIT 3

<u>Ditch</u>	<u>EDA</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 796,670	\$ 624,552	\$ 315,949	\$ 76,607	\$ 9,246,528
2,458	-	3,011	-	92,432
-	-	-	-	5,000
-	-	904	-	52,723
72	-	-	-	10,904
359,747	-	-	-	954,794
-	-	-	-	46,061
-	996,848	-	-	996,848
-	-	-	-	28,994
-	-	-	-	759
8,435	-	-	-	1,102,704
-	-	-	-	941
-	-	-	-	221,028
-	-	-	-	3,709
<u>\$ 1,167,382</u>	<u>\$ 1,621,400</u>	<u>\$ 319,864</u>	<u>\$ 76,607</u>	<u>\$ 12,763,425</u>
\$ 18,435	\$ 4,229	\$ -	\$ -	\$ 162,369
350	3,842	-	-	291,103
-	-	-	-	263,928
-	-	-	-	759
270	-	-	-	85,816
-	-	-	-	76
<u>\$ 19,055</u>	<u>\$ 8,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,051</u>
<u>\$ 359,819</u>	<u>\$ 996,847</u>	<u>\$ 904</u>	<u>\$ -</u>	<u>\$ 2,822,467</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
(Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ 5,573	\$ 215,455	\$ -
Prepaid items	2,269	1,440	-
Restricted for			
Septic/sewer loans	101,611	-	-
Debt service	-	-	-
EDA revolving loans	-	-	-
Recorder's compliance	107,948	-	-
Recorder's technology	203,892	-	-
Missing heirs	100	-	-
Supervision fees	16,407	-	-
Sheriff's contingency	3,058	-	-
Permits to carry	22,908	-	-
E-911	244,835	-	-
Election equipment	19,528	-	-
Capital projects	-	-	-
Ditch maintenance and conservation	-	-	-
Unspent grant monies	126,474	-	-
Solid waste assessments	137,498	-	-
Committed to			
General fund contracts	157,754	-	-
911 sign replacement	86,629	-	-
Assigned to			
Road and bridge	-	2,245,455	-
Economic development	-	-	-
Sanitation	258,233	-	-
Compensated absences	403,101	197,753	-
Parks	29,470	-	-
County septic system loans	91,592	-	-
Heartland bus replacement	5,000	-	-
Ambulance replacement	97,390	-	-
Unassigned	2,554,977	-	-
Total Fund Balances	\$ 4,676,247	\$ 2,660,103	\$ -
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,002,100	\$ 3,551,867	\$ 24,205

EXHIBIT 3
(Continued)

<u>Ditch</u>	<u>EDA</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 221,028
-	-	-	-	3,709
-	-	-	-	101,611
-	-	318,960	-	318,960
-	192,580	-	-	192,580
-	-	-	-	107,948
-	-	-	-	203,892
-	-	-	-	100
-	-	-	-	16,407
-	-	-	-	3,058
-	-	-	-	22,908
-	-	-	-	244,835
-	-	-	-	19,528
-	-	-	76,607	76,607
788,508	-	-	-	788,508
-	-	-	-	126,474
-	-	-	-	137,498
-	-	-	-	157,754
-	-	-	-	86,629
-	-	-	-	2,245,455
-	418,637	-	-	418,637
-	-	-	-	258,233
-	5,265	-	-	606,119
-	-	-	-	29,470
-	-	-	-	91,592
-	-	-	-	5,000
-	-	-	-	97,390
-	-	-	-	2,554,977
<u>\$ 788,508</u>	<u>\$ 616,482</u>	<u>\$ 318,960</u>	<u>\$ 76,607</u>	<u>\$ 9,136,907</u>
<u>\$ 1,167,382</u>	<u>\$ 1,621,400</u>	<u>\$ 319,864</u>	<u>\$ 76,607</u>	<u>\$ 12,763,425</u>

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Fund balance - total governmental funds (Exhibit 3)		\$	9,136,907
Amounts reported for governmental activities in the statement of net position 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.			49,826,330
An internal service fund is used by the County to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.			38,000
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.			2,822,467
A long-term receivable is not due in the current period and, therefore, is not reported in the governmental funds.			255,000
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	\$		(801,891)
General obligation bonds			(1,770,572)
Promissory notes payable			(46,479)
Loans payable			(213,409)
Compensated absences			(606,119)
Net OPEB obligation			(171,079)
Accrued interest payable			(27,636)
			(3,637,185)
Net Position of Governmental Activities (Exhibit 1)			\$ 58,441,519

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 4,370,933	\$ 1,044,998	\$ 1,043,945
Special assessments	300,629	-	-
Licenses and permits	44,880	6,195	-
Intergovernmental	1,133,683	5,074,071	55,770
Charges for services	441,801	18,013	-
Fines and forfeits	4,500	-	-
Gifts and contributions	16,320	-	-
Investment earnings	16,284	-	-
Miscellaneous	297,472	86,855	-
Total Revenues	\$ 6,626,502	\$ 6,230,132	\$ 1,099,715
Expenditures			
Current			
General government	\$ 2,148,470	\$ -	\$ -
Public safety	2,280,446	-	-
Highways and streets	-	5,612,925	-
Sanitation	369,865	-	-
Culture and recreation	768,504	-	-
Conservation of natural resources	656,921	-	-
Economic development	4,548	-	-
Intergovernmental	52,350	401,540	1,099,715
Debt service			
Principal	118,431	-	-
Interest	6,050	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 6,405,585	\$ 6,014,465	\$ 1,099,715
Excess of Revenues Over (Under) Expenditures	\$ 220,917	\$ 215,667	\$ -
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(170,946)	-	-
Proceeds from the sale of capital assets	4,830	-	-
Insurance recovery	20,258	-	-
Total Other Financing Sources (Uses)	\$ (145,858)	\$ -	\$ -
Net Change in Fund Balance	\$ 75,059	\$ 215,667	\$ -
Fund Balance - January 1	4,603,381	2,488,726	-
Increase (decrease) in inventories	(2,193)	(44,290)	-
Fund Balance - December 31	\$ 4,676,247	\$ 2,660,103	\$ -

EXHIBIT 5

Ditch	EDA	Debt Service	Capital Projects	Total
\$ -	\$ -	\$ 222,977	\$ -	\$ 6,682,853
277,397	-	-	-	578,026
-	-	-	-	51,075
20,892	-	6,575	-	6,290,991
-	-	-	-	459,814
-	-	-	-	4,500
-	-	-	-	16,320
-	30,521	91	-	46,896
51,916	237,912	-	-	674,155
\$ 350,205	\$ 268,433	\$ 229,643	\$ -	\$ 14,804,630
\$ -	\$ -	\$ 435	\$ -	\$ 2,148,905
-	-	-	-	2,280,446
-	-	-	-	5,612,925
-	-	-	-	369,865
-	-	-	-	768,504
142,788	-	-	-	799,709
-	220,174	-	-	224,722
-	-	-	-	1,553,605
185,000	50,742	180,000	-	534,173
36,450	-	34,118	-	76,618
426	-	495	-	921
\$ 364,664	\$ 270,916	\$ 215,048	\$ -	\$ 14,370,393
\$ (14,459)	\$ (2,483)	\$ 14,595	\$ -	\$ 434,237
\$ 3,825	\$ 127,874	\$ -	\$ -	\$ 131,699
-	-	-	-	(170,946)
-	-	-	-	4,830
-	-	-	-	20,258
\$ 3,825	\$ 127,874	\$ -	\$ -	\$ (14,159)
\$ (10,634)	\$ 125,391	\$ 14,595	\$ -	\$ 420,078
799,142	491,091	304,365	76,607	8,763,312
-	-	-	-	(46,483)
\$ 788,508	\$ 616,482	\$ 318,960	\$ 76,607	\$ 9,136,907

**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, 2013**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 420,078

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 revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred inflows of resources - December 31	\$ 2,822,467	
Deferred inflows of resources - January 1	<u>(2,808,867)</u>	13,600

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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 3,641,395	
Net book value of assets disposed of	(35,949)	
Current year depreciation	<u>(2,383,664)</u>	1,221,782

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:

Interest accrued on loans issued		(294)
----------------------------------	--	-------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments		
General obligation bonds	\$ 180,000	
Special assessment bonds	185,000	
Loans payable	118,431	
Promissory notes	<u>50,742</u>	534,173

**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, 2013**

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 the funds.

Change in accrued interest payable	\$	3,534	
Change in compensated absences		(82,626)	
Change in long-term receivable		(10,000)	
Discount and bond issuance costs amortization		(42,014)	
Change in OPEB obligation		(34,773)	
Change in inventories		<u>(46,483)</u>	(212,362)

An internal service fund is used by the County to charge the cost of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.			38,000
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Change in Net Position of Governmental Activities (Exhibit 2)			<u>\$ 2,014,977</u>
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PROPRIETARY FUNDS

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund Self-Insurance
	Hospital	Congregate Housing	Totals	
Assets				
Current assets				
Cash and pooled investments	\$ 3,192,401	\$ 152,221	\$ 3,344,622	\$ -
Accounts receivable - net	41,865	196	42,061	-
Patient receivables - net	2,550,433	-	2,550,433	-
Estimated third-party settlements	830,069	-	830,069	-
Inventories	523,110	-	523,110	-
Prepaid items	228,035	-	228,035	38,000
Total current assets, unrestricted	\$ 7,365,913	\$ 152,417	\$ 7,518,330	\$ 38,000
Restricted assets				
Cash and pooled investments	-	6,000	6,000	-
Total current assets	\$ 7,365,913	\$ 158,417	\$ 7,524,330	\$ 38,000
Noncurrent assets				
Noncurrent cash and investments	\$ 671	\$ -	\$ 671	\$ -
Capital assets				
Nondepreciable	182,513	-	182,513	-
Depreciable - net	18,095,810	664,573	18,760,383	-
Total noncurrent assets	\$ 18,278,994	\$ 664,573	\$ 18,943,567	\$ -
Other assets				
Investment in joint ventures	\$ 255,920	\$ -	\$ 255,920	\$ -
Investment in Minnesota Rural Health	8,750	-	8,750	-
Physician receivables	25,428	-	25,428	-
Total other assets	\$ 290,098	\$ -	\$ 290,098	\$ -
Total Assets	\$ 25,935,005	\$ 822,990	\$ 26,757,995	\$ 38,000
Deferred Outflows of Resources				
Deferred charge on bond refunding	\$ -	\$ 57,146	\$ 57,146	\$ -

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund Self-Insurance
	Hospital	Congregate Housing	Totals	
Liabilities				
Current liabilities payable from current assets				
Accounts payable	\$ 590,384	\$ 4,156	\$ 594,540	\$ -
Salaries payable	1,239,152	3,909	1,243,061	-
Compensated absences payable - current	-	460	460	-
Losses from joint ventures in excess of earnings	380,945	-	380,945	-
Due to other governments	-	180	180	-
Accrued interest payable	4,402	4,688	9,090	-
MRI capital lease - current	344,562	-	344,562	-
General obligation bonds payable - current	-	100,000	100,000	-
Revenue notes payable - current	450,763	-	450,763	-
Total current liabilities payable from current assets	\$ 3,010,208	\$ 113,393	\$ 3,123,601	\$ -
Current liabilities payable from restricted assets				
Accounts payable	-	6,000	6,000	-
Total current liabilities	\$ 3,010,208	\$ 119,393	\$ 3,129,601	\$ -
Noncurrent liabilities				
Compensated absences payable - long-term	\$ -	\$ 2,339	\$ 2,339	\$ -
MRI capital lease - long-term	295,102	-	295,102	-
General obligation bonds payable - long-term	-	845,678	845,678	-
Revenue notes payable - long-term	5,044,281	-	5,044,281	-
Other postemployment benefits payable	319,598	2,778	322,376	-
Total noncurrent liabilities	\$ 5,658,981	\$ 850,795	\$ 6,509,776	\$ -
Total Liabilities	\$ 8,669,189	\$ 970,188	\$ 9,639,377	\$ -
Net Position				
Net investment in capital assets	\$ 12,143,615	\$ (223,959)	\$ 11,919,656	\$ -
Unrestricted	5,122,201	133,907	5,256,108	38,000
Total Net Position	\$ 17,265,816	\$ (90,052)	\$ 17,175,764	\$ 38,000

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Congregate			Internal
	Hospital	Housing	Totals	Service Fund Self-Insurance
Operating Revenues				
Charges for services	\$ -	\$ 197,368	\$ 197,368	\$ -
Patient services revenues	17,320,478	-	17,320,478	-
Miscellaneous	317,564	3,161	320,725	-
Total Operating Revenues	\$ 17,638,042	\$ 200,529	\$ 17,838,571	\$ -
Operating Expenses				
Personal services	\$ -	\$ 77,824	\$ 77,824	\$ -
Professional services	4,107,408	1,591	4,108,999	-
Nursing services	3,156,955	-	3,156,955	-
Contracted services	-	24,325	24,325	-
Repairs and maintenance	1,315,273	12,487	1,327,760	-
Administration and fiscal services	4,835,764	495	4,836,259	-
Other services and charges	-	7,464	7,464	-
Supplies	-	4,683	4,683	-
Utilities	-	24,526	24,526	-
Insurance	-	4,290	4,290	-
Massage therapy	35,901	-	35,901	-
Wellness center	12,288	-	12,288	-
Professional building	3,309	-	3,309	-
Surgery clinic	970,390	-	970,390	-
Slayton clinic	1,322,615	-	1,322,615	-
Fulda clinic	235,259	-	235,259	-
Interest expense	80,691	-	80,691	-
Depreciation	1,723,164	51,121	1,774,285	-
Total Operating Expenses	\$ 17,799,017	\$ 208,806	\$ 18,007,823	\$ -
Operating Income (Loss)	\$ (160,975)	\$ (8,277)	\$ (169,252)	\$ -
Nonoperating Revenues (Expenses)				
Investment income	\$ 34,581	\$ -	\$ 34,581	\$ -
Grants	138,139	-	138,139	-
Gain on disposal of assets	66,271	-	66,271	-
Gain (loss) on investments	(129,216)	-	(129,216)	-
Interest expense	-	(23,070)	(23,070)	-
Amortization of deferred charge	-	(27,849)	(27,849)	-
Total Nonoperating Revenues (Expenses)	\$ 109,775	\$ (50,919)	\$ 58,856	\$ -
Income (Loss) Before Transfers	\$ (51,200)	\$ (59,196)	\$ (110,396)	\$ -
Transfers in	-	1,247	1,247	38,000
Change in net position	\$ (51,200)	\$ (57,949)	\$ (109,149)	\$ 38,000
Net Position - January 1, as restated (Note 1.D.15.)	17,317,016	(32,103)	17,284,913	-
Net Position - December 31	\$ 17,265,816	\$ (90,052)	\$ 17,175,764	\$ 38,000

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

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund Self-Insurance</u>
	<u>Hospital</u>	<u>Congregate Housing</u>	<u>Totals</u>	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 16,102,666	\$ 201,323	\$ 16,303,989	\$ -
Other receipts and payments, net	317,564	-	317,564	-
Payments to suppliers and contractors	(5,845,452)	(78,639)	(5,924,091)	(38,000)
Payments to employees	(9,994,701)	(78,366)	(10,073,067)	-
Net cash provided by (used in) operating activities	\$ 580,077	\$ 44,318	\$ 624,395	\$ (38,000)
Cash Flows from Noncapital Financing Activities				
Noncapital grants	\$ 138,139	\$ -	\$ 138,139	\$ -
Transfers in	-	1,247	1,247	38,000
Net cash provided by (used in) noncapital financing activities	\$ 138,139	\$ 1,247	\$ 139,386	\$ 38,000
Cash Flows from Capital and Related Financing Activities				
Principal paid on long-term debt	\$ (412,831)	\$ (1,010,000)	\$ (1,422,831)	\$ -
Interest paid on long-term debt	(77,328)	(31,570)	(108,898)	-
Proceeds from the issuance of long-term debt	3,971,956	-	3,971,956	-
Purchases of capital assets	(6,558,665)	-	(6,558,665)	-
Net cash provided by (used in) capital and related financing activities	\$ (3,076,868)	\$ (1,041,570)	\$ (4,118,438)	\$ -
Cash Flows from Investing Activities				
Investment earnings received	\$ 34,581	\$ -	\$ 34,581	\$ -
Loss on investments	(129,216)	-	(129,216)	-
Decrease in noncurrent cash and investments	559,846	-	559,846	-
Decrease in investment in joint ventures	129,216	-	129,216	-
Decrease in physician receivables	21,667	-	21,667	-
Net cash provided by (used in) investing activities	\$ 616,094	\$ -	\$ 616,094	\$ -
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,742,558)	\$ (996,005)	\$ (2,738,563)	\$ -
Cash and Cash Equivalents at January 1	4,934,959	1,154,226	6,089,185	-
Cash and Cash Equivalents at December 31	\$ 3,192,401	\$ 158,221	\$ 3,350,622	\$ -

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

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund Self-Insurance</u>
	<u>Hospital</u>	<u>Congregate Housing</u>	<u>Totals</u>	
Cash and Cash Equivalents - Exhibit 7				
Cash and pooled investments	\$ 3,192,401	\$ 152,221	\$ 3,344,622	\$ -
Restricted cash and pooled investments	-	6,000	6,000	-
Total Cash and Cash Equivalents	<u>\$ 3,192,401</u>	<u>\$ 158,221</u>	<u>\$ 3,350,622</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	<u>\$ (160,975)</u>	<u>\$ (8,277)</u>	<u>\$ (169,252)</u>	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ 1,723,164	\$ 51,121	\$ 1,774,285	\$ -
Interest expense	80,691	-	80,691	-
Provision for bad debt expense	168,572	-	168,572	-
(Increase) decrease in accounts receivable	(1,320,159)	(18)	(1,320,177)	-
(Increase) decrease in inventories	4,959	-	4,959	-
(Increase) decrease in prepaid items	75,728	-	75,728	(38,000)
Increase (decrease) in accounts payable	(79,541)	358	(79,183)	-
Increase (decrease) in salaries payable	25,039	(933)	24,106	-
Increase (decrease) in compensated absences payable	-	1,455	1,455	-
Increase (decrease) in due to other governments	-	82	82	-
Increase (decrease) in OPEB	62,599	530	63,129	-
Total adjustments	<u>\$ 741,052</u>	<u>\$ 52,595</u>	<u>\$ 793,647</u>	<u>\$ (38,000)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 580,077</u>	<u>\$ 44,318</u>	<u>\$ 624,395</u>	<u>\$ (38,000)</u>
Noncash Investing, Capital, and Financing Activities				
Cash paid for interest	\$ 97,062	\$ -	\$ 97,062	\$ -
Equipment acquired under capital lease obligation	865,874	-	865,874	-

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FIDUCIARY FUNDS

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013

<u>Assets</u>	
Cash and pooled investments	<u>\$ 184,044</u>
<u>Liabilities</u>	
Accounts payable	\$ 24
Customer deposits	14,964
Due to other governments	<u>169,056</u>
Total Liabilities	<u>\$ 184,044</u>

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.10. in the notes to the financial statements for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were not required as a result of adopting these changes in accounting principles.

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 for which the County is financially accountable. The County is financially accountable if it appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body, or if the organization could potentially provide specific financial benefits or impose specific burdens on the County.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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 Medical Center, hereafter the Hospital, provides acute inpatient and outpatient care to the County area.	County Commissioners are the members of the Murray County Medical Center Board, and a financial benefit/burden relationship exists.	Separate financial statements can be obtained at: 2042 Juniper Avenue Slayton, Minnesota 56172
Murray County Economic Development Authority	The Authority's governing body is substantively the same as the governing body of the County, and a financial benefit/burden relationship exists.	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:

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Unit (Continued)

<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 are not issued for the Shetek Area Water and Sewer Commission.

Joint Ventures

The County participates in joint ventures described in Note 6.C. and jointly-governed organizations described in Note 6.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, 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 position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities, 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 governmental and proprietary funds as major funds.

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 accounted for in another fund.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund accounts for assigned property tax revenues used for economic assistance and community social services programs.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.
- The EDA Special Revenue Fund accounts for restricted revenue resources from the state and an appropriation from the General Fund for the costs relating to activity of the Economic Development Authority.
- The Debt Service Fund is used to account for the accumulation of restricted resources used for and the payment of principal, interest, and related costs of general obligation bonds.
- The Capital Projects Fund is used to account for financial resources committed for acquisition, construction, or improvement of capital facilities.

The County reports the following major enterprise funds:

- The Hospital Fund is used to account for the operation of the Murray County Medical Center, 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

- The Internal Service Fund accounts for health insurance premiums and payments.
- Fiduciary Funds - 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.

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 taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. 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**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (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.

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, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

Murray County and its discretely presented component unit have 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 or the discretely presented component unit'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 Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, 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 2013 were \$25,422.

The Hospital's investment income for the year ended December 31, 2013, was \$34,581 and is included in nonoperating revenues.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

2. Deposits and Investments (Continued)

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). The investment in the pool is measured at the net asset value per share provided by the pool.

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 nonspendable fund balance 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 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

3. Receivables and Payables (Continued)

Patient receivables are uncollateralized patient and third-party payer obligations. Unpaid patient receivables, excluding amounts due from third-party payers, 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.

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 payers. Management reviews patient receivables by payer 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 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position 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, their use is limited by applicable laws and regulations.

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. Capital assets are defined by the County as assets with an estimated useful life in excess of two years and an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 capitalized interest expense in the amount of \$72,045; the Congregate Housing Enterprise Fund had no capitalized interest.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

6. Capital Assets (Continued)

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>
Improvements other than buildings	10 - 40
Buildings	7 - 40
Public domain infrastructure	20 - 50
Machinery and equipment	3 - 20

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 home healthcare services to the surrounding area. The Hospital's investment in the clinic is reported on the equity method of accounting. The net gain (loss) on the investment, (\$38,859) for the year ended December 31, 2013, is included in nonoperating income.

b. Investment in Southwest Minnesota Radiation, LLC

The Hospital is a 14-percent owner in Southwest Minnesota Radiation. This venture provides radiation therapy services to residents in southwest Minnesota. The Hospital's investment is reported on the equity method of accounting. The net gain (loss) on the investment, (\$90,357) for the year ended December 31, 2013, is included in nonoperating income. The loss for the year ended December 31, 2012, has been restated in Note 1.D.15.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and vested sick leave.

9. Long-Term Obligations

In the government-wide financial statements and 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 position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Congregate Housing Enterprise Fund in the business-type activities statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

11. Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

- Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

11. Classification of Net Position (Continued)

- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that do not meet the definition of restricted or net investment in capital assets.

12. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Murray County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions or enabling legislation.
- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

12. Classification of Fund Balances (Continued)

- Assigned - amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other funds balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

Murray County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

13. Minimum Fund Balance

Murray County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) within a range of 35 to 50 percent of the General Fund operating expenditures. At December 31, 2013, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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.

15. Restatement of Investment in Joint Ventures and Net Position for the Murray County Medical Center

During the year ended December 31, 2013, the Murray County Medical Center identified that a correction was required to accurately state the value of its investment in a joint venture at December 31, 2012. As a result, a prior period adjustment was recorded to reduce the Hospital's investment in joint ventures and net position.

	Balance at January 1, 2013	Adjustment	Balance at January 1, 2013, as restated
Investment in joint ventures	\$ 156,264	\$ (152,073)	\$ 4,191
Net position	17,469,089	(152,073)	17,317,016

E. Hospital Net Patient Service Revenue

The Hospital has agreements with third-party payers 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 payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Hospital Net Patient Service Revenue (Continued)

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 net patient service revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$169,080 in 2013 and \$115,213 in 2012.

Revenue from the Medicare and Medicaid programs accounted for approximately 39 and 6 percent and 35 and 11 percent of the Hospital's net patient revenue for the years ended December 31, 2013 and 2012, 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 and preferred provider organizations. The basis for payment to the Hospital under these agreements are discounts from established charges, fee schedules, and prospectively determined rates per discharge.

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

Medicare - The Hospital has elected Critical Access Hospital (CAH) designation for Medicare. As a CAH, the Hospital is reimbursed for inpatient, swing bed, and outpatient services to Medicare patients on a reasonable cost basis. Medicare reimburses the Hospital for these services using interim rates, with a final settlement determined based on the annual cost report that is filed by the Hospital. This cost report is subject to audits by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2010.

Medicaid - Inpatient acute care services provided to Medicaid 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. Outpatient services related to the Medicaid program beneficiaries are reimbursed on a cost basis under the CAH program.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance/Net Position

The Congregate Housing Enterprise Fund had a deficit fund net position for the year ended December 31, 2013, of \$90,052. The County expects an excess of revenues over expenses in the future will eliminate the deficit.

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2013.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 6,405,585	\$ 6,202,378	\$ 203,207
Road and Bridge Special Revenue Fund	6,014,465	4,634,193	1,380,272
Human Services Special Revenue Fund	1,099,715	1,098,448	1,267
EDA Special Revenue Fund	270,916	204,116	66,800
Debt Service Fund	215,048	214,118	930

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 position		
Governmental activities		
Cash and pooled investments	\$	9,338,960
Petty cash and change funds		5,000
Business-type activities		
Cash and pooled investments		3,344,622
Restricted assets - cash and pooled investments		6,000
Noncurrent cash and investments		671
Component unit - Shetek Area Water and Sewer Commission		
Cash and pooled investments		2,979,392
Restricted - cash and pooled investments		360,608
Statement of fiduciary net position		
Cash and pooled investments		184,044
		<hr/>
Total Cash and Investments	\$	<u>16,219,297</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	
Checking	\$ 1,798,612
Certificates of deposit	2,020,000
Invested in MAGIC Fund	5,608,420
Invested in Federal National Mortgage Association Bonds	2,523,836
Invested in U.S. Treasury Note	13,429
Invested in negotiable certificates of deposit	4,250,000
Petty cash and change funds	<u>5,000</u>
 Total Deposits, Cash on Hand, and Investments	 <u>\$ 16,219,297</u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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 or 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, 2013, the County's deposits were not exposed to custodial credit risk.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (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**

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's policy is to minimize 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, 2013, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Market Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association Bonds	N/A	N/A		06/27/2014	\$ 14,068
Federal National Mortgage Association Bonds	N/A	N/A		01/16/2015	10,008
Federal National Mortgage Association Bonds	N/A	N/A		07/28/2015	12,379
Federal National Mortgage Association Bonds	N/A	N/A		12/21/2015	11,982
Federal National Mortgage Association Bonds	N/A	N/A		07/15/2016	12,002
Federal National Mortgage Association Bonds	N/A	N/A		01/15/2017	164,065
Federal National Mortgage Association Bonds	N/A	N/A		01/30/2017	2,299,332
Total Federal National Mortgage Association Bonds			20.4%		\$ 2,523,836
U.S. Treasury Note	N/A	N/A	<5%	1/31/2014	\$ 13,429
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	45.2%	N/A	\$ 5,608,420
Negotiable certificates of deposit					
Affiliated Bank, TX	N/A	N/A		01/08/2014	\$ 248,000
Merchants Bank of Indiana, IN	N/A	N/A		06/02/2014	248,000
American Investor Bank & Mortg., MN	N/A	N/A		06/02/2014	248,000
Financial Federal Savings Bank, TN	N/A	N/A		06/02/2014	248,000
Bank Of Montgomery, LA	N/A	N/A		06/02/2014	248,000
Israel Discount Bank of New York, NY	N/A	N/A		12/02/2014	248,000
Onewest Bank, Fsb, CA	N/A	N/A		12/02/2014	248,000
Bank Of China, NY	N/A	N/A		12/02/2014	248,000
Boone Bank & Trust Co., IA	N/A	N/A		12/02/2014	248,000
Stearns Bank N.A., MN	N/A	N/A		12/03/2014	248,000
Privatebank & Trust Co., MI	N/A	N/A		12/03/2014	248,000
Landmark Community Bank, TN	N/A	N/A		12/03/2014	248,000
Pacific Enterprise Bank, CA	N/A	N/A		12/08/2014	248,000
Corner Stone Bank (The), MO	N/A	N/A		12/08/2014	248,000
Bank of East Asia Ltd. (The), NY	N/A	N/A		12/08/2014	248,000
Bank Leumi USA, NY	N/A	N/A		12/08/2014	248,000
Farmers & Merchants Union Bank, WI	N/A	N/A		02/23/2015	94,000
First Chatham Bank, GA	N/A	N/A		02/23/2015	94,000
Sonabank, VA	N/A	N/A		02/23/2015	94,000
Total negotiable certificates of deposit			34.3%		\$ 4,250,000

**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	Market Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Total investments					\$ 12,395,685
Checking					1,798,612
Certificates of deposit					2,020,000
Petty cash					5,000
Total Cash and Investments					\$ 16,219,297

N/A - Not Applicable

N/R - Not Rated

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

2. Receivables

Receivables as December 31, 2013, for the County's governmental activities, including amounts not scheduled for collection during the subsequent year are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities Receivables		
Taxes	\$ 52,723	\$ -
Special assessments	965,698	637,816
Accounts receivable	46,061	-
Loans receivable	996,848	778,900
Accrued interest receivable	28,994	-
Due from other governments	1,102,704	-
Due from component unit	941	-
Long-term receivable	255,000	255,000
Total Receivables	\$ 3,448,969	\$ 1,671,716

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Long-Term Receivable

On January 1, 2007, the County issued \$1,625,000 General Obligation (G.O.) Refunding Bonds, Series 2007A, which included refunding G.O. Water Revenue Bonds of 2009 in the amount of \$315,000. The portion of the bond for refunding of the Water Revenue Bonds is to be repaid from net revenues of the Red Rock Rural Water System as well as special assessments within Murray County against all benefitted property. The \$255,000 long-term receivable from the Red Rock Rural Water System is equal to the outstanding balance of the G.O. Water Refunding Bonds at December 31, 2013.

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 unavailable revenue. Changes in loans receivable are as follows:

Loan Agreements	
Beginning balance	\$ 1,125,298
Loans issued	135,000
Loan repayments	<u>(263,450)</u>
Ending Balance	<u>\$ 996,848</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, 2013, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 292,166	\$ -	\$ -	\$ 292,166
Right-of-way	462,053	194	-	462,247
Construction in progress	965,124	99,320	965,124	99,320
Total capital assets not depreciated	\$ 1,719,343	\$ 99,514	\$ 965,124	\$ 853,733
Capital assets depreciated				
Land improvements	\$ 513,205	\$ -	\$ -	\$ 513,205
Buildings	7,084,989	19,365	-	7,104,354
Machinery and equipment	5,978,621	397,861	161,262	6,215,220
Infrastructure	60,122,034	4,089,779	1,200	64,210,613
Total capital assets depreciated	\$ 73,698,849	\$ 4,507,005	\$ 162,462	\$ 78,043,392
Less: accumulated depreciation for				
Land improvements	\$ 159,992	\$ 22,009	\$ -	\$ 182,001
Buildings	2,281,355	201,681	-	2,483,036
Machinery and equipment	3,401,689	473,808	126,333	3,749,164
Infrastructure	20,970,608	1,686,166	180	22,656,594
Total accumulated depreciation	\$ 26,813,644	\$ 2,383,664	\$ 126,513	\$ 29,070,795
Total capital assets depreciated, net	\$ 46,885,205	\$ 2,123,341	\$ 35,949	\$ 48,972,597
Governmental Activities Capital Assets, Net	\$ 48,604,548	\$ 2,222,855	\$ 1,001,073	\$ 49,826,330

Construction in progress at December 31, 2013, consists of a building restoration project.

**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	\$ 171,247	\$ 11,266	\$ -	\$ 182,513
Construction in progress	6,651,143	3,322,672	9,973,815	-
 Total capital assets not depreciated	 \$ 6,822,390	 \$ 3,333,938	 \$ 9,973,815	 \$ 182,513
Land improvements	\$ 426,607	\$ 307,423	\$ -	\$ 734,030
Buildings	10,185,926	9,949,872	-	20,135,798
Fixed equipment	1,205,001	75,663	-	1,280,664
Major movable equipment	6,017,873	2,287,848	-	8,305,721
 Total capital assets depreciated	 \$ 17,835,407	 \$ 12,620,806	 \$ -	 \$ 30,456,213
Less: accumulated depreciation for				
Land improvements	\$ 220,006	\$ 30,804	\$ -	\$ 250,810
Buildings	4,251,326	924,131	-	5,175,457
Fixed equipment	961,916	33,942	-	995,858
Major movable equipment	4,488,294	785,411	-	5,273,705
 Total accumulated depreciation	 \$ 9,921,542	 \$ 1,774,288	 \$ -	 \$ 11,695,830
 Total capital assets depreciated, net	 \$ 7,913,865	 \$ 10,846,518	 \$ -	 \$ 18,760,383
 Business-Type Activities Capital Assets, Net	 \$ 14,736,255	 \$ 14,180,456	 \$ 9,973,815	 \$ 18,942,896

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	223,617
Public safety		156,062
Highways and streets, including depreciation of infrastructure assets		1,922,171
Sanitation		18,093
Culture and recreation, including depreciation of infrastructure assets		<u>63,721</u>
 Total Depreciation Expense - Governmental Activities	 \$	 <u>2,383,664</u>
Business-Type Activities		
Hospital	\$	1,723,167
Congregate Housing		<u>51,121</u>
 Total Depreciation Expense - Business-Type Activities	 \$	 <u>1,774,288</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due to/From Other Funds

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue	General	\$ 759

The outstanding balance between funds results from the time lag between the dates the interfund goods and services are provided and reimbursable expenditures occurred, when transactions are recorded in the accounting system, and when the funds are repaid. The balance is expected to be liquidated in the subsequent year.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfer to Ditch Special Revenue Fund from General Fund	\$ 3,825	Provide funding
Transfer to EDA Special Revenue Fund from General Fund	127,874	Provide funding
Transfer to Self-Insurance Internal Service Fund from General Fund	38,000	Provide funding
Transfer to Congregate Housing Enterprise Fund from General Fund	<u>1,247</u>	Provide funding
Total Interfund Transfers	<u>\$ 170,946</u>	

C. Liabilities

1. Construction Commitments

The County has no active construction projects as of December 31, 2013.

2. Leases

Operating Leases

Total equipment rental expense for the Hospital for the year ended December 31, 2013, was \$65,000.

3. Long-Term Debt

Governmental 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, 2013</u>
General obligation bonds					
2011A G.O. Capital Improvement Plan Bonds	2022	\$180,000 - \$220,000	0.60 - 2.75	<u>\$ 1,965,000</u>	\$ 1,785,000
Less: unamortized discount					<u>(14,428)</u>
Net G.O. Capital Improvement Plan Bonds					<u>\$ 1,770,572</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities - Bonds Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
Special assessment bonds with government commitment 2007A G.O. Refunding Bonds	2029	\$25,000 - \$195,000	4.00 - 4.25	\$ 1,625,000	\$ 810,000
Less: unamortized discount					(8,109)
Net G.O. Special Assessment Bonds					<u>\$ 801,891</u>

The Series 2007A General Obligation Refunding Bonds include an amount to refund the 1999A G.O. Water Revenue Bonds of the 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 governmental activities for the current principal amount, \$255,000, due from RRRWS, which will decrease as principal payments are made.

Murray County issued the Series 2011A General Obligation Capital Improvement Plan Bonds to provide funds for the construction of Law Enforcement Center Addition. The County has pledged its full faith and credit for the repayment of principal and interest on these bonds. Debt service on these bonds is reported in the General Fund as they are expected to be repaid from tax revenues. These bonds are issued as 10-year serial bonds.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Business-Type Activities - Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
G.O. 2012A Housing Development Refunding Bonds	2022	\$100,000 - \$110,000	1.00 - 1.60	<u>\$ 960,000</u>	\$ 960,000
Less: unamortized discount					<u>(14,322)</u>
Total General Obligation Refunding Bonds, Net					<u>\$ 945,678</u>
Health Care Facilities Gross Revenue Bonds, Series 2012A	2026		3.5	<u>\$ 8,100,000</u>	<u>\$ 5,945,044</u>

In 2012, the County issued \$960,000 Housing Development Refunding Bonds, Series 2012A. The refunded bonds were retired in 2013. The bonds are payable primarily from rental payments from the 20-unit Murray County Congregate Care Housing Project located adjacent to the Murray County Medical Center in the City of Slayton. The bonds are additionally secured by unlimited ad valorem taxes on all taxable property within Murray County. The facility is owned and operated by the Economic Development Authority of Murray County.

In 2012, the Hospital entered into an agreement with Minnwest Bank South for the issuance of Health Care Facilities Gross Revenue Bonds, Series 2012A, to a maximum of \$8,100,000. The final terms of the revenue bonds will be determined upon the completion of the project and closing of the bonds. The Hospital approved a bond resolution requiring that the interest rate will not exceed 3.5 percent, and repayment of the revenue bonds will include monthly principal and interest payments over a period not to exceed 15 years. The Hospital is required to maintain certain financial and operational covenants in relation to the Health Care Facilities Gross Revenue Bonds.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

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 two percent, with repayment terms from 5 to 20 years, and are secured by special assessments placed on the individual parcels requesting funding of a project. Loan payments are reported in the General Fund.

In 2004, the County Board authorized \$1,000,000 to be used for a County septic loan program. As of December 31, 2013, the County has issued \$908,408 to Murray County residents for the control and abatement of water pollution.

<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, 2013</u>
Cottonwood River CWP Project	2022	\$ 11,470	2.00	\$ 206,987	\$ 86,571
Beaver Creek CWP Project	2018	20,314	2.00	366,567	117,809
Rock River CWP Project	2023	524	2.00	9,459	9,029
Total Loans Payable				<u>\$ 583,013</u>	<u>\$ 213,409</u>

Governmental Activities - G.O. Promissory Note Payable

The County has a noninterest-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, 2013, the County had \$46,479 outstanding.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Business-Type Activities - Capital Lease

During the year ended December 31, 2013, the Hospital entered into a capital lease agreement for a magnetic resonance imaging (MRI) machine. The agreement requires monthly payments of principal and interest. The lease is to be paid at an interest rate of 2.99 percent, with payments through 2015.

5. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

Governmental Activities

Year Ending December 31	G.O. Capital Improvement Plan Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 185,000	\$ 32,884	\$ 180,000	\$ 29,150
2015	185,000	31,219	165,000	22,250
2016	190,000	28,917	165,000	15,650
2017	190,000	26,020	85,000	10,650
2018	195,000	22,551	15,000	8,650
2019 - 2023	840,000	44,258	85,000	32,422
2024 - 2028	-	-	95,000	14,758
2029	-	-	20,000	425
Total	<u>\$ 1,785,000</u>	<u>\$ 185,849</u>	<u>\$ 810,000</u>	<u>\$ 133,955</u>

Year Ending December 31	G.O. Promissory Notes		Loans Payable	
	Principal	Interest	Principal	Interest
2014	\$ 46,479	\$ -	\$ 57,241	\$ 3,984
2015	-	-	38,405	2,932
2016	-	-	39,176	2,160
2017	-	-	26,983	1,438
2018	-	-	27,526	895
2019 - 2023	-	-	24,078	996
Total	<u>\$ 46,479</u>	<u>\$ -</u>	<u>\$ 213,409</u>	<u>\$ 12,405</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 450,763	\$ 178,871	\$ 100,000	\$ 10,750
2015	381,154	170,846	105,000	9,725
2016	392,952	159,048	105,000	8,675
2017	406,040	145,960	105,000	7,625
2018	419,094	132,906	105,000	6,575
2019 - 2023	2,306,100	453,900	440,000	12,925
2024 - 2026	1,138,941	87,015	-	-
Total	<u>\$ 5,495,044</u>	<u>\$ 1,328,546</u>	<u>\$ 960,000</u>	<u>\$ 56,275</u>

Year Ending December 31	MRI Capital Lease	
	Principal	Interest
2014	\$ 344,562	\$ 14,430
2015	295,102	4,059
2016	-	-
2017	-	-
2018	-	-
2019 - 2023	-	-
Total	<u>\$ 639,664</u>	<u>\$ 18,489</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation capital improvement plan bonds	\$ 1,965,000	\$ -	\$ 180,000	\$ 1,785,000	\$ 185,000
Special assessment debt with government commitment	995,000	-	185,000	810,000	180,000
Less: deferred amounts for issuance discounts on refunding	(24,646)	-	(2,109)	(22,537)	-
Net bonds payable	\$ 2,935,354	\$ -	\$ 362,891	\$ 2,572,463	\$ 365,000
G.O. promissory notes payable	97,221	-	50,742	46,479	46,479
Loans payable	331,546	294	118,431	213,409	57,241
Compensated absences	523,493	431,645	349,019	606,119	68,190
Net OPEB obligation	136,306	45,760	10,987	171,079	-
Governmental Activities Long-Term Liabilities	<u>\$ 4,023,920</u>	<u>\$ 477,699</u>	<u>\$ 892,070</u>	<u>\$ 3,609,549</u>	<u>\$ 536,910</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Housing Development Refunding Bond	\$ 1,970,000	\$ -	\$ 1,010,000	\$ 960,000	\$ 100,000
Hospital Revenue Bond	1,709,709	3,971,956	186,621	5,495,044	450,763
MRI capital lease	-	865,874	226,210	639,664	344,562
Compensated absences	1,344	6,392	4,937	2,799	460
Net OPEB obligation	259,247	97,474	34,345	322,376	-
Total long-term liabilities	\$ 3,940,300	\$ 4,941,696	\$ 1,462,113	\$ 7,419,883	\$ 895,785
Less: deferred amounts	(78,612)	-	(64,290)	(14,322)	-
Business-Type Activities Long-Term Liabilities	<u>\$ 3,861,688</u>	<u>\$ 4,941,696</u>	<u>\$ 1,397,823</u>	<u>\$ 7,405,561</u>	<u>\$ 895,785</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. 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, 2013, the amount of defeased debt outstanding but removed from financial statements amounted to \$905,000.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

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 General 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.

General 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 and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. 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 General Employees Retirement Fund 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 remaining year. 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 remaining year. Under 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the internet at 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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

The County is required to contribute the following percentages of annual covered payroll in 2013:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Employees Retirement Fund	\$ 220,438	\$ 216,412	\$ 219,233
Public Employees Police and Fire Fund	85,362	82,518	78,696

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

B. Defined Contribution Plan

Nine employees of Murray County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. 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. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. 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**

4. Pension Plans and Other Postemployment Benefits

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, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,266	\$ 7,266
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities

Plan Description

Murray County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Murray County Board of Commissioners. Retirees are required to pay 100 percent of the premium costs.

The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2013, there were approximately 70 participants in the plan, including 2 retirees. The projected net benefit payment is based on the assumptions, plan provisions, and participant data as of January 1, 2012. The Projected Benefit Payments are prepared on a closed group basis (such as no new entrants). The implicit rate subsidy amount was determined by an actuarial study to be \$10,987 for 2013.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	47,583
Interest on net OPEB obligation		6,235
Adjustment to ARC		<u>(7,528)</u>
Annual OPEB cost (expense)	\$	46,290
Contributions made during the year		<u>(10,987)</u>
Increase in net OPEB obligation	\$	35,303
Net OPEB Obligation - Beginning of Year		<u>138,554</u>
Net OPEB Obligation - End of Year	\$	<u><u>173,857</u></u>

Of the \$35,303 increase in net OPEB obligation, \$34,773 represents governmental activities and \$530 represents business-type activities for the Congregate Housing Enterprise Fund. A portion of the year-end net OPEB obligation (\$2,778) is reported in the Congregate Housing Enterprise Fund business-type activity. The remaining \$171,079 year-end net OPEB obligation is reported in governmental

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities

Annual OPEB Cost and Net OPEB Obligation (Continued)

activities. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2013, and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2011	\$ 41,173	\$ 12,060	29.3%	\$ 97,464
December 31, 2012	46,011	4,921	10.7	138,554
December 31, 2013	46,290	10,987	23.7	173,857

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan had no assets to fund the plan. The actuarial accrued liability for benefits was \$314,837, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$314,837. The covered payroll (annual payroll of active employees covered by the plan) was \$3,270,214, and the ratio of the UAAL to the covered payroll was 9.6 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities

Actuarial Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Murray County's implicit rate of return on the General Fund.

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 25 years.

2. Business-Type Activities

Certain employees of the Murray County Medical Center are eligible to participate in a health insurance plan provided by Murray County. The Hospital provides health insurance benefits for certain retired employees under a single-employer, fully-insured plan. The plan provides health insurance and other benefits to participating retirees who have reached the age of 55 and have 15 years of service with the Hospital. The Hospital provides benefits for retirees as required by state statutes. Pursuant to the provisions of the plan, retirees are required to pay the total premium cost. As of January 1, 2013, there were no retirees receiving health benefits from the Hospital's health plan.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Business-Type Activities (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Hospital's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Hospital's annual OPEB cost of 2013, the amount actually contributed to the plan, and changes in the Hospital's net OPEB obligation:

ARC	\$	101,215
Interest on net OPEB obligation		11,565
Adjustment to ARC		(15,836)

Annual OPEB cost (expense)	\$	96,944
Contributions made during the year		(34,345)

Increase in net OPEB obligation	\$	62,599
Net OPEB Obligation - Beginning of Year		256,999

Net OPEB Obligation - End of Year	\$	319,598

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Business-Type Activities (Continued)

Funded Status and Funding Progress

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2013, and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2011	\$ 91,854	\$ 45,107	49.1%	\$ 181,250
December 31, 2012	98,275	22,526	22.9	256,999
December 31, 2013	96,944	34,345	35.4	319,598

As of January 1, 2012, the most recent actuarial valuation date, the Hospital's plan had no assets. The actuarial accrued liability for benefits was \$615,316, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$615,316. The cover payroll (annual payroll) of active employees covered by the plan in the actuarial valuation was \$5,989,798, for a ratio of the UAAL to covered payroll of 10.3 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Business-Type Activities

Actuarial Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date.

The initial health care trend rate was 9.0 percent, reduced by decrements to an ultimate rate of 5.0 percent after six years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2013, was 24 years.

5. Risk Management

Murray 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. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County retains risk for the deductible portions of the insurance. For group employee health benefits, the County has entered into a joint powers agreement with the

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Risk Management (Continued)

Southwest/West Central Service Cooperative. 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 \$470,000 per claim in 2013 and \$480,000 in 2014. 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 Southwest/West Central Service Cooperative (Service Cooperative) is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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.

Lincoln-Pipestone Rural Water System

At December 31, 2013, Lincoln-Pipestone Rural Water System had \$37,928,505 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted Board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the nine participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

In 2013, Lincoln County and Nobles County issued General Obligation Water System Refunding Bonds, Series 2013A, for \$3,055,000 and General Obligation Water Revenue Refunding Bonds, Series 2013A, for \$2,910,000, respectively, on behalf of the Lincoln-Pipestone Rural Water System to crossover advance refund the General Obligation Water System Refunding Bonds, Series 2005 and 2007.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

B. Subsequent Events

On September 24, 2013, the Murray County Board of Commissioners passed a motion to withdraw from the Southwest/West Central Service Cooperative for health insurance administration, effective January 1, 2014. In 2014, the County will be joining with Lyon County, Southwest Health and Human Services, Redwood County, and Swift County to form a separate self-funded group. Entities in the group will be rated and funded individually. A joint powers agreement is pending. Beginning in 2014, Murray County will use an internal service fund to account for premiums collected and claims paid out. Any premiums in excess of claims at year-end will be added to fund balance or used to offset rate increases in the subsequent year. Any deficit due to claims in excess of premium will be made up through rate increases or taken from fund balance. The direct impact on the financial statements is indeterminable at this time.

On January 21, 2014, the County Board approved a bid of \$249,380 for improvement of the main tile and branch one of County Ditch No. 82. In addition, the County has five other pending improvement projects. Murray County is consulting with the finance and bond council for a proposed sale of bonds with a reimbursement resolution as the County started incurring engineering expenses for the project in 2013.

On February 18, 2014, the County Board approved the issuance of General Obligation Capital Notes, Series 2014A, in the amount of \$346,000 with a three-year term to be awarded March 18, 2014. Proceeds will be used for the purchase of capital equipment for the Road and Bridge and the Sheriff's Departments.

C. Joint Ventures

Southwest Health and Human Services

Southwest Health and Human Services (SWHHS) was formed pursuant to Minn. Stat. ch. 145A and §§ 471.59 and 393.01, subd. 7, by Lincoln, Lyon, Murray, and Pipestone Counties. SWHHS began official operation on January 1, 2011, and performs human service and public health functions. Funding is provided by the member counties based upon consideration of: (1) population based on the most recent national census; (2) tax capacity; and (3) the most recent three-year average Social Services Expenditure and Grant Reconciliation Report (SEAGR), each factor to be weighted equally.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Health and Human Services (Continued)

In 2011, Rock County petitioned to join SWHHS. Rock County's health and human service functions were assumed by SWHHS as of January 1, 2012. In 2012, Redwood County and Pipestone County petitioned to join SWHHS. Redwood County's health and human service functions and Pipestone County's human service function joined SWHHS as of January 1, 2013.

SWHHS is governed by the:

- Joint Health and Human Services Board ("Joint Board") - responsible for financial, personnel, budget and general administration of the agency and is made up of one County Commissioner (or alternate) from each County serving on the Community Health Board; and one County Commissioner (or alternate) serving on the Human Services Board.
- Human Services Board - responsible for duties set forth in Minn. Stat. ch. 393 and made up of two County Commissioners appointed annually and one layperson to be appointed consistent with the requirement of the Commissioner of Human Services.
- Community Health Board - responsible for all duties as set forth in Minn. Stat. ch. 145A and made up of one County Commissioner and one alternate from each member county unless such county shall have a population in excess of twice that of any other member county, in which case it shall have two Commissioners and two alternates.

Financing is provided by state and federal grants and appropriations from member counties. Murray County's contribution in 2013 was \$1,108,716.

Complete financial statements of Southwest Health and Human Services can be obtained at 607 West Main, Marshall, Minnesota 56258.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

Murray County, along with Jackson, Lac qui Parle, Lincoln, Lyon, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to Minn. Stat. ch. 116A. The Rural Water System is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges.

The Lincoln-Pipestone Rural Water System is governed by a Board appointed by the District Court. The Rural Water System's Board is solely responsible for the budgeting and financing of the Rural Water System.

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2013, were \$37,928,505.

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.

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, Murray, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district. The cost of providing these services is recovered through user charges.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Red Rock Rural Water System (Continued)

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System.

Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Southwest Regional Solid Waste Commission

Murray County has entered into a joint powers agreement with 11 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.

The governing board is composed of one Board member from each of the participating counties. Financing 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 \$500.

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 N. Rebecca Street, P. O. Box 29, Ivanhoe, Minnesota 56142.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board shall take action and enter into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

Southwest Minnesota Regional Emergency Communications Board

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communications Board Joint Powers Board. The Southwest Minnesota Regional Radio Board was established April 22, 2008, between Murray County, the City of Marshall, the City of Worthington, and 12 other counties under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Minnesota Regional Emergency Communications Board (Continued)

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities are appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee

Financing is provided by the appropriations from member parties and by state and federal grants. During 2013, Murray County contributed \$1,783 to the Joint Powers Board.

Southern Prairie Health Purchasing Alliance

Murray County entered into a joint powers agreement on June 26, 2012, with Swift, Chippewa, Kandiyohi, Redwood, Lyon, Lincoln, Cottonwood, Jackson, Nobles, Rock, and Yellow Medicine Counties to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Alliance is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers Board is composed of one representative from each county.

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc. (SW MN PIC) is a private nonprofit corporation which was created through a Joint Powers Agreement on October 1, 1983, and began operations in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of Southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Minnesota Private Industry Council, Inc. (Continued)

SW MN PIC is governed by the Chief Elected Official Board which is composed of one representative from each member county. During 2013, Murray County contributed \$2,124 to this organization.

Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

Retired and Senior Volunteer Program of Southwest Minnesota (SW-RSVP)

Murray County, in conjunction with Cottonwood, Lincoln, Nobles, Redwood, and Rock Counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The Board comprises one voting member from each participating County and one voting member of the SW-RSVP Advisory Council. In 2013, Murray County contributed \$12,390 to the SW-RSVP.

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2013, Murray County did not make a contribution to the Partnership, as a contribution was made by Southwest Health and Human Services.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Supporting Hands Nurse Family Partnership (Continued)

McLeod County acts as fiscal agent for the Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from McLeod County at 830 - 11th Street East, Glencoe, Minnesota 55336.

Buffalo Ridge Drug Task Force

The Buffalo Ridge Drug Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Murray, Nobles, Pipestone, and Rock Counties and the Cities of Adrian, Fulda, Slayton, and Worthington. The Task Force provides drug enforcement services for member organizations.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of the Chiefs of Police and Sheriff from each party.

Fiscal agent responsibilities for the Task Force are with the City of Worthington. During the year, Murray County provided \$26,175 to the Task Force.

D. 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 cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$2,945 to the Project.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During 2013, Murray County paid \$2,000 to the Board.

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement between Murray County and 37 other counties. According to the latest information available, 38 other counties are members under this agreement. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Powers Board, consisting of one representative from one of the member County Board of Commissioners included in this agreement. During 2013, Murray County did not make any payments to the Project.

Complete financial statements for the Minnesota River Board can be obtained from its administrative office at Administrative Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Redwood-Cottonwood Rivers Control Area (RCRCA)

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During 2013, the County made payments of \$3,240 to the RCRCA.

Heron Lake Watershed District

The Heron Lake Watershed District was established to protect and improve water resources within the watershed border. The County Board is responsible for appointing two members of the Board of Managers for the Heron Lake Watershed District, but the County's responsibility does not extend beyond making the appointments.

Region Five - Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five - Southwest Minnesota Homeland Security Emergency Management Organization (SWRHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the SWRHSEM region. Control is vesting in the Board, which is composed of representatives appointed by each Board of County Commissioners. Murray County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communication Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the Joint Powers.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2013.

Sentence to Service

Murray County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Murray County has no operational or financial control over the STS program and does not budget for this program.

Southwest Minnesota Public Safety Board

The Southwest Minnesota Public Safety Board was established June 29, 2012, by a joint powers agreement between Lyon, Murray, Nobles, Pipestone, Redwood, and Yellow Medicine Counties, and the City of Marshall and City of Worthington under authority of Minn. Stat. § 471.59. The purpose of the agreement is to formulate regional and local emergency communications recording and logging services between the parties.

Control is vested in a Joint Powers Board consisting of one County Commissioner or one City Council member for each party to the agreement and the Sheriff or Chief of Police from each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In 2013, Murray County made payments of \$4,000 to the Southwest Minnesota Public Safety Board.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Buffalo Ridge Regional Transit

The Buffalo Ridge Regional Transit System (BRRT) was established between Pipestone, Murray, and Rock Counties, and City of Worthington-Nobles County Public Transportation Partnership - Joint Powers Agreement, a joint powers entity. The Buffalo Ridge Regional Transit Board was established in 2012 under the authority of Minn. Stat. §§ 471.59, 174.21, and 174.27.

The purpose of BRRT is to establish cross-country public transportation in the four-county area using existing public transit systems and to increase efficiency by having established scheduled route times. The Southwest Minnesota Opportunity Council is the fiscal agent.

Funding for operations shall be provided by grant funds and passenger revenues. In the event that grant funds and passenger revenues are insufficient to cover operation costs, each county shall agree to provide one-fourth of 15 percent of the operating budget for any calendar year provided, that in no event, shall any county pay more than \$5,451 for calendar year 2013 and \$5,118 for calendar year 2014. This funding cap is set for each year not later than September 1 of the preceding calendar year.

Plum Creek Library System

The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. During 2013, the County provided \$67,665 to the Plum Creek Library System.

E. 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

F. Functional Expenses - Hospital Enterprise Fund

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services for the year ended December 31, 2013, are:

Health care services	\$ 7,264,363
General and administrative	<u>10,534,654</u>
Total	<u>\$ 17,799,017</u>

G. 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, 2013, follows:

Medicare	39%
Medicaid	6
Other third-party payors	32
Private pay	<u>23</u>
Total	<u>100%</u>

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 (now see Minn. Stat. ch. 442A). 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity (Continued)

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 a separate column on the Statement of Net Position.

The Commission's statement of revenues, expenses, and changes in net position 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.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets and Liabilities (Continued)

Accounts Receivable

The amount reported is receivable from the sewer system users for utility charges unpaid at December 31, 2013.

Restricted Assets

Certain funds of the Commission are classified as restricted assets on the statement of net position 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.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets and Liabilities

Capital Assets (Continued)

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.

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 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 for which Murray County was in compliance at December 31, 2013. As of December 31, 2013, the Commission had \$802,040 on deposit with Murray County.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes (Continued)

2. Receivables

The Commission's special assessments receivable - noncurrent balance at December 31, 2013, of \$7,659,546 is not scheduled for collection during the subsequent year.

3. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2013, follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets not depreciated				
Land	\$ 386,046	\$ -	\$ -	\$ 386,046
Capital assets depreciated				
Land improvements	\$ 1,718,495	\$ -	\$ -	\$ 1,718,495
Buildings and structures	57,450	-	-	57,450
Machinery and equipment	491,400	-	-	491,400
Infrastructure	13,067,692	-	-	13,067,692
Total capital assets depreciated	\$ 15,335,037	\$ -	\$ -	\$ 15,335,037
Less: accumulated depreciation for				
Land improvements	\$ 127,930	\$ 22,913	\$ -	\$ 150,843
Building and structures	3,709	1,436	-	5,145
Machinery and equipment	133,770	32,760	-	166,530
Infrastructure	1,335,710	328,447	-	1,664,157
Total accumulated depreciation	\$ 1,601,119	\$ 385,556	\$ -	\$ 1,986,675
Total capital assets depreciated, net	\$ 13,733,918	\$ (385,556)	\$ -	\$ 13,348,362
Total Capital Assets, Net	\$ 14,119,964	\$ (385,556)	\$ -	\$ 13,734,408

Depreciation expense for 2013 was \$385,556.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes (Continued)

4. Long-Term Obligations

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
General obligation bonds					
2007 Water Revenue Bonds	2027	\$45,000 - \$130,000	4.00 - 4.40	\$ 1,715,000	\$ 1,350,000
2007B Sewer Revenue Bonds	2028	\$75,000 - \$155,000	4.00 - 4.40	2,080,000	1,760,000
2013A Sewer Revenue Crossover Refunding Bonds	2028	\$150,000 - \$265,000	2.00 - 2.35	<u>2,590,000</u>	<u>2,590,000</u>
Total General Obligation Bonds				<u>\$ 6,385,000</u>	<u>\$ 5,700,000</u>

The General Obligation Revenue Bonds 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 and 2007B		G.O. Sewer Revenue Crossover Refunding Bonds, Series 2013A	
	Principal	Interest	Principal	Interest
2014	\$ 160,000	\$ 127,525	\$ -	\$ 53,377
2015	165,000	121,025	-	53,378
2016	175,000	114,185	-	53,377
2017	180,000	55,323	-	53,378
2018	2,430,000	-	225,000	51,127
2019 - 2023	-	-	1,185,000	185,838
2024 - 2028	-	-	<u>1,180,000</u>	<u>60,856</u>
Total	<u>\$ 3,110,000</u>	<u>\$ 418,058</u>	<u>\$ 2,590,000</u>	<u>\$ 511,331</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

4. Long-Term Obligations (Continued)

Minnesota Public Facilities Authority General Obligation Notes

In 2006, Minnesota Public Facilities Authority General Obligation Notes were issued in the amount of \$15,144,000. Of this amount, \$11,554,549 was issued from the Water Pollution Control Revolving Fund, and \$3,589,451 was issued from the Wastewater Infrastructure Fund. Amounts drawn or receivable on this note as of December 31, 2013, were \$14,889,300, \$11,299,849 from the Water Pollution Control Revolving Fund; and \$3,589,451 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, 2013, are as follows:

Year Ended December 31	Minnesota Public Facilities Authority Loans		
	Water Pollution Control Revolving Fund		Wastewater Infrastructure Fund
	Principal	Interest	Principal
2014	\$ 524,000	\$ 71,864	\$ -
2015	529,000	66,571	-
2016	535,000	61,228	-
2017	540,000	55,825	-
2018	545,000	50,371	-
2019 - 2023	2,812,000	168,106	-
2024 - 2028	1,630,229	31,792	1,344,000
2029 - 2033	-	-	2,245,451
Total	\$ 7,115,229	\$ 505,757	\$ 3,589,451

The General Obligation Revenue Notes will be retired with income from operations, prepayments of special assessments, special assessments, and unused construction funding, and are exempt from the limitations on net debt imposed by Minnesota law. The above debt service requirements are subject to change due to early prepayments of special assessments and loans to be issued in the future.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes (Continued)

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	\$ 11,290,439	\$ -	\$ 585,759	\$ 10,704,680	\$ 524,000
General obligation bonds	3,265,000	2,590,000	155,000	5,700,000	160,000
Premium on general obligation bonds	11,221	-	713	10,508	-
Total Long-Term Liabilities	<u>\$ 14,566,660</u>	<u>\$ 2,590,000</u>	<u>\$ 741,472</u>	<u>\$ 16,415,188</u>	<u>\$ 684,000</u>

6. Crossover Refunding

In 2013, the County issued \$2,590,000 General Obligation Sewer Revenue Crossover Refunding Bonds, Series 2013A. Proceeds from the sale of the Bonds will be used to crossover refund \$1,045,000 of the \$1,715,000 General Obligation Sewer Revenue Bonds, Series 2007. Maturities 2018 through 2027, inclusive, will be called for redemption on February 1, 2017, at a price of par plus accrued interest. The Bonds will also crossover refund \$1,385,000 of the \$2,080,000 General Obligation Sewer Revenue Bonds, Series 2007B. Maturities 2018 through 2028, inclusive, will be called for redemption on February 2, 2017, at a price of par plus accrued interest.

The bonds are valid and binding general obligations of Murray County, payable from net revenue of the Shetek Area Water and Sewer District, and additionally secured by ad valorem taxes. The full faith and credit of the County is pledged to their payment, and the County has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

Principal due with respect to the \$2,590,000 General Obligation Sewer Revenue Crossover Refunding Bonds, Series 2013A, is payable annually on February 1 commencing on February 1, 2018, and interest due with respect to the bonds is payable semi-annually on February 1 and August 1 of each year commencing August 1, 2013.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures (Continued)

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 for which the Commission carries commercial insurance. 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 from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,591,700	\$ 4,591,700	\$ 4,370,933	\$ (220,767)
Special assessments	298,529	298,529	300,629	2,100
Licenses and permits	22,440	22,440	44,880	22,440
Intergovernmental	657,972	657,972	1,133,683	475,711
Charges for services	336,690	336,690	441,801	105,111
Fines and forfeits	-	-	4,500	4,500
Gifts and contributions	500	500	16,320	15,820
Investment earnings	80,000	80,000	16,284	(63,716)
Miscellaneous	248,888	248,888	297,472	48,584
Total Revenues	\$ 6,236,719	\$ 6,236,719	\$ 6,626,502	\$ 389,783
Expenditures				
Current				
General government				
Commissioners	\$ 234,630	\$ 234,630	\$ 222,014	\$ 12,616
Community relations/web page development	56,232	56,232	43,169	13,063
Courts	16,510	16,510	19,303	(2,793)
Law library	10,000	10,000	8,381	1,619
Auditor/Treasurer	351,250	351,250	348,165	3,085
Accounting and auditing	60,000	60,000	52,250	7,750
County assessor	197,340	197,340	198,153	(813)
Elections	8,056	8,056	2,808	5,248
Assistive voting grant	6,720	6,720	6,049	671
Data processing and computer networking	142,098	142,098	102,636	39,462
Machines room	67,200	67,200	38,058	29,142
Motor pool	21,650	21,650	7,409	14,241
Human resources	174,134	174,134	163,994	10,140
Attorney	173,880	173,880	170,479	3,401
Recorder	203,600	203,600	172,801	30,799
Planning and zoning	114,494	114,494	90,780	23,714
Buildings and plant	488,444	488,444	410,600	77,844
Veterans services officer	20,798	20,798	37,703	(16,905)
License center	86,222	86,222	87,209	(987)
Other general government	(24,183)	(24,183)	(33,491)	9,308
Total general government	\$ 2,409,075	\$ 2,409,075	\$ 2,148,470	\$ 260,605

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,511,152	\$ 1,511,152	\$ 1,729,139	\$ (217,987)
E-911 system	93,587	93,587	326,397	(232,810)
Probation	47,027	47,027	65,936	(18,909)
Civil defense	84,592	84,592	154,834	(70,242)
Other public safety	5,000	5,000	4,140	860
Emergency medical services	30,000	30,000	-	30,000
Total public safety	\$ 1,771,358	\$ 1,771,358	\$ 2,280,446	\$ (509,088)
Sanitation				
Solid waste	\$ 93,546	\$ 93,546	\$ 84,000	\$ 9,546
Recycling	267,129	267,129	285,275	(18,146)
Other	500	500	590	(90)
Total sanitation	\$ 361,175	\$ 361,175	\$ 369,865	\$ (8,690)
Culture and recreation				
Regional library	\$ 67,665	\$ 67,665	\$ 67,665	\$ -
Historical society	155,834	161,196	119,240	41,956
Senior citizens - RSVP	12,390	12,390	12,390	-
Transportation	226,056	226,056	214,966	11,090
Parks	268,750	268,750	256,725	12,025
Minnesota trains	29,610	29,610	91,018	(61,408)
Other	6,500	6,500	6,500	-
Total culture and recreation	\$ 766,805	\$ 772,167	\$ 768,504	\$ 3,663
Conservation of natural resources				
Extension	\$ 173,585	\$ 173,585	\$ 169,134	\$ 4,451
Soil and water conservation	186,460	186,460	184,716	1,744
Agricultural inspection	64,817	64,817	61,883	2,934
RCRCA	3,240	3,240	3,240	-
Environmental and land use advisory task force	50	50	-	50
Flood control	3,570	3,570	2,945	625
Agricultural society	32,500	32,500	32,538	(38)
Water planning	105,381	105,381	91,872	13,509
Water quality loan program	130,000	130,000	105,143	24,857
Other conservation	10,720	10,720	5,450	5,270
Total conservation of natural resources	\$ 710,323	\$ 710,323	\$ 656,921	\$ 53,402

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Community development	\$ 3,087	\$ 3,087	\$ 1,544	\$ 1,543
Other	2,124	2,124	3,004	(880)
Total economic development	\$ 5,211	\$ 5,211	\$ 4,548	\$ 663
Intergovernmental				
Health	\$ 52,584	\$ 52,584	\$ 52,350	\$ 234
Debt service				
Principal	\$ 115,061	\$ 115,061	\$ 118,431	\$ (3,370)
Interest	5,424	5,424	6,050	(626)
Total debt service	\$ 120,485	\$ 120,485	\$ 124,481	\$ (3,996)
Total Expenditures	\$ 6,197,016	\$ 6,202,378	\$ 6,405,585	\$ (203,207)
Excess of Revenues Over (Under)				
Expenditures	\$ 39,703	\$ 34,341	\$ 220,917	\$ 186,576
Other Financing Sources (Uses)				
Transfers out	\$ (202,506)	\$ (202,506)	\$ (170,946)	\$ 31,560
Proceeds from the sale of capital assets	-	-	4,830	4,830
Insurance recovery	-	-	20,258	20,258
Total Other Financing Sources (Uses)	\$ (202,506)	\$ (202,506)	\$ (145,858)	\$ 56,648
Net Change in Fund Balance	\$ (162,803)	\$ (168,165)	\$ 75,059	\$ 243,224
Fund Balance - January 1	4,603,381	4,603,381	4,603,381	-
Increase (decrease) in inventories	-	-	(2,193)	(2,193)
Fund Balance - December 31	\$ 4,440,578	\$ 4,435,216	\$ 4,676,247	\$ 241,031

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,080,650	\$ 1,080,650	\$ 1,044,998	\$ (35,652)
Licenses and permits	8,000	8,000	6,195	(1,805)
Intergovernmental	3,418,070	3,418,070	5,074,071	1,656,001
Charges for services	11,200	11,200	18,013	6,813
Miscellaneous	63,700	63,700	86,855	23,155
Total Revenues	\$ 4,581,620	\$ 4,581,620	\$ 6,230,132	\$ 1,648,512
Expenditures				
Current				
Highways and streets				
Administration	\$ 298,998	\$ 298,998	\$ 262,743	\$ 36,255
Maintenance	1,394,030	1,394,030	1,248,887	145,143
Engineering	262,698	262,698	273,361	(10,663)
Construction	1,700,000	1,700,000	3,178,011	(1,478,011)
Maintenance and shop	591,167	591,167	649,923	(58,756)
Total highways and streets	\$ 4,246,893	\$ 4,246,893	\$ 5,612,925	\$ (1,366,032)
Intergovernmental	387,300	387,300	401,540	(14,240)
Total Expenditures	\$ 4,634,193	\$ 4,634,193	\$ 6,014,465	\$ (1,380,272)
Net Change in Fund Balance	\$ (52,573)	\$ (52,573)	\$ 215,667	\$ 268,240
Fund Balance - January 1	2,488,726	2,488,726	2,488,726	-
Increase (decrease) in inventories	-	-	(44,290)	(44,290)
Fund Balance - December 31	\$ 2,436,153	\$ 2,436,153	\$ 2,660,103	\$ 223,950

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,068,056	\$ 1,068,056	\$ 1,043,945	\$ (24,111)
Intergovernmental	30,392	30,392	55,770	25,378
Total Revenues	\$ 1,098,448	\$ 1,098,448	\$ 1,099,715	\$ 1,267
Expenditures				
Intergovernmental				
Human services	<u>1,098,448</u>	<u>1,098,448</u>	<u>1,099,715</u>	<u>(1,267)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
EDA SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 28,200	\$ 28,200	\$ 30,521	\$ 2,321
Miscellaneous	172,056	172,056	237,912	65,856
Total Revenues	\$ 200,256	\$ 200,256	\$ 268,433	\$ 68,177
Expenditures				
Current				
Economic development				
Economic Development Commission	\$ 153,374	\$ 153,374	\$ 220,174	\$ (66,800)
Debt service				
Principal	50,742	50,742	50,742	-
Total Expenditures	\$ 204,116	\$ 204,116	\$ 270,916	\$ (66,800)
Excess of Revenues Over (Under) Expenditures	\$ (3,860)	\$ (3,860)	\$ (2,483)	\$ 1,377
Other Financing Sources (Uses)				
Transfers in	172,506	172,506	127,874	(44,632)
Net Change in Fund Balance	\$ 168,646	\$ 168,646	\$ 125,391	\$ (43,255)
Fund Balance - January 1	491,091	491,091	491,091	-
Fund Balance - December 31	\$ 659,737	\$ 659,737	\$ 616,482	\$ (43,255)

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013**

Governmental Activities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$257,659	\$257,659	0.0%	\$3,126,758	8.23%
January 1, 2012	-	314,837	314,837	0.0	3,270,214	9.63

Business-Type Activities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$558,803	\$558,803	0.0%	\$4,327,814	12.91%
January 1, 2012	-	615,316	615,316	0.0	5,989,798	10.27

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for all governmental funds, except the Ditch Special Revenue Fund and the Capital Projects Fund. 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 budgeted special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendments

Over the course of the year, the County Board may revise estimated revenue and expenditure budgets. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and new grant awards.

Expenditure budgets were amended in the following fund:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 6,197,016	\$ 5,362	\$ 6,202,378

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Final Budget	Excess
General	\$ 6,405,585	\$ 6,202,378	\$ 203,207
Road and Bridge Special Revenue	6,014,465	4,634,193	1,380,272
Human Services Special Revenue	1,099,715	1,098,448	1,267
EDA Special Revenue	270,916	204,116	66,800

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Expenditure Budget - General Fund

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Other general government	\$ (33,491)	\$ (24,183)	\$ 9,308

The County Board approved a negative expenditure budget for other general government expenditures in the General Fund. The County uses the other general government department to account for receipt and disbursement of health insurance premiums. Historically, health insurance premiums have been collected and paid one month in advance. As of January 1, 2014, the County is moving to a self-insured health insurance system. As a result of this change, the County is presenting negative expenditures for the year ended December 31, 2013, because premiums are not to be paid until the month they are due. In December, the County collected premiums for 2014 and did not make payment until January.

6. Other Postemployment Benefits

Funding Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the accrued liability for postemployment benefits is zero. Currently, two actuarial valuations are available. As the information becomes available, future reports will provide additional trend analysis to meet the three valuation funding status requirement.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Other Postemployment Benefits (Continued)

Significant Actuarial Assumption Changes

2012

The County obtained an actuarial evaluation as of January 1, 2012. Since the last actuarial valuation as of January 1, 2009, the following actuarial assumptions have changed:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The RP 2000 Combined Healthy mortality table was updated to reflect the projection of 2000 rates to 2012 based on Scale BB.

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 229,500	\$ 229,500	\$ 222,977	\$ (6,523)
Intergovernmental	-	-	6,575	6,575
Investment earnings	-	-	91	91
Total Revenues	\$ 229,500	\$ 229,500	\$ 229,643	\$ 52
Expenditures				
General Government				
Other general government	\$ -	\$ -	\$ 435	\$ (435)
Debt service				
Principal	180,000	180,000	180,000	-
Interest	34,118	34,118	34,118	-
Administrative (fiscal) charges	-	-	495	(495)
Total Expenditures	\$ 214,118	\$ 214,118	\$ 215,048	\$ (930)
Net Change in Fund Balance	\$ 15,382	\$ 15,382	\$ 14,595	\$ (878)
Fund Balance - January 1	304,365	304,365	304,365	-
Fund Balance - December 31	\$ 319,747	\$ 319,747	\$ 318,960	\$ (878)

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FIDUCIARY FUNDS

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

AGENCY FUNDS

Lime Creek Subordinate Service District - to account for the collection and disbursement of funds for the Lime Creek Subordinate Service District.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LIME CREEK SUBORDINATE SERVICE DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 15,957	\$ 330	\$ 1,299	\$ 14,988
Accounts receivable	330	-	330	-
Total Assets	\$ 16,287	\$ 330	\$ 1,629	\$ 14,988
<u>Liabilities</u>				
Accounts payable	\$ 335	\$ 24	\$ 335	\$ 24
Customer deposits	15,952	306	1,294	14,964
Total Liabilities	\$ 16,287	\$ 330	\$ 1,629	\$ 14,988
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Total Assets	\$ 187,814	\$ 15,918,743	\$ 15,937,501	\$ 169,056
<u>Liabilities</u>				
Total Assets	\$ 187,814	\$ 15,918,743	\$ 15,937,501	\$ 169,056
Due to other governments				

**MURRAY COUNTY
SLAYTON, MINNESOTA**

***EXHIBIT C-1
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 203,771	\$ 15,919,073	\$ 15,938,800	\$ 184,044
Accounts receivable	330	-	330	-
Due from other governments				
	\$ 204,101	\$ 15,919,073	\$ 15,939,130	\$ 184,044
Total Assets				
<u>Liabilities</u>				
Accounts payable	\$ 335	\$ 24	\$ 335	\$ 24
Customer deposits	15,952	306	1,294	14,964
Due to other governments	187,814	15,918,743	15,937,501	169,056
	\$ 204,101	\$ 15,919,073	\$ 15,939,130	\$ 184,044

SHETEK AREA WATER AND SEWER COMMISSION

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT D-1

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Assets

Current assets

Cash and pooled investments	\$ 441,432
Cash with fiscal agent	2,537,960
Special assessments receivable	
Current	407,280
Delinquent	9,340
Interest receivable - special assessment	6,481
Accounts receivable	29,923
Due from other governments	403
Due from primary government	76
Inventory	58,349

Total current assets, unrestricted **\$ 3,491,244**

Restricted assets

Cash and pooled investments	<u>360,608</u>
-----------------------------	----------------

Total current assets **\$ 3,851,852**

Noncurrent assets

Special assessments receivable	\$ 7,659,546
Capital assets	
Nondepreciable	386,046
Depreciable - net	13,348,362

Total noncurrent assets **\$ 21,393,954**

Total Assets **\$ 25,245,806**

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Liabilities

Current liabilities

Accounts payable	\$ 3,459
Salaries payable	883
Due to other governments	2,431
Due to primary government	941
Accrued interest payable	84,412
Customer deposits	4,291
General obligation bonds payable - current	160,000
Revenue notes payable - current	524,000

Total current liabilities **\$ 780,417**

Noncurrent liabilities

General obligation bonds payable - long-term	\$ 5,550,508
Revenue notes payable - long-term	10,180,680

Total noncurrent liabilities **\$ 15,731,188**

Total Liabilities **\$ 16,511,605**

Net Position

Net investment in capital assets	\$ (2,670,273)
Restricted for	
Debt service	300,714
Wastewater systems replacement	59,894
Unrestricted	11,043,866

Total Net Position **\$ 8,734,201**

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT D-2

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Operating Revenues	
Sewer utility charges	\$ 355,436
Charges for services	500
Miscellaneous	46,849
	<hr/>
Total Operating Revenues	\$ 402,785
	<hr/>
Operating Expenses	
Personal services	\$ 7,248
Professional services	211,674
Other services and charges	47,286
Supplies	24,100
Insurance	3,404
Depreciation	385,556
	<hr/>
Total Operating Expenses	\$ 679,268
	<hr/>
Operating Income (Loss)	\$ (276,483)
	<hr/>
Nonoperating Revenues (Expenses)	
Interest income	\$ (8,635)
Bonds issue expense	(84,264)
Administrative charges	(856)
Interest expense	(228,493)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (322,248)
	<hr/>
Income (Loss) Before Contributions	\$ (598,731)
	<hr/>
Capital contributions	277,869
	<hr/>
Change in net position	\$ (320,862)
	<hr/>
Net Position - January 1	9,055,063
	<hr/>
Net Position - December 31	\$ 8,734,201
	<hr/> <hr/>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT D-3

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash Flows from Operating Activities	
Cash received from customers	\$ 358,129
Cash received from vendor	46,850
Cash paid to employees	(6,700)
Cash paid for supplies and professional services	<u>(274,337)</u>
Net cash provided by (used in) operating activities	<u>\$ 123,942</u>
Cash Flows from Capital and Related Financing Activities	
Special assessments	\$ 735,613
Proceeds from refunding bonds	8,586
Principal paid on long-term debt	(740,759)
Interest paid on bonds	(77,475)
Interest paid on revenue notes	<u>(134,681)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (208,716)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 3,976</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (80,798)
Cash and Cash Equivalents at January 1	<u>882,838</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 802,040</u></u>
Cash and Cash Equivalents - Exhibit 1	
Cash and pooled investments	\$ 441,432
Restricted cash and pooled investments	<u>360,608</u>
Total Cash and Cash Equivalents	<u><u>\$ 802,040</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (276,483)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 385,556
(Increase) decrease in accounts receivable	896
(Increase) decrease in due from other government	(403)
(Increase) decrease in due from primary government	76
(Increase) decrease in inventories	21,105
Increase (decrease) in accounts payable	(7,818)
Increase (decrease) in due to other governments	2,431
Increase (decrease) in due to primary government	(1,830)
Increase (decrease) in salaries payable	<u>412</u>
Total adjustments	<u>\$ 400,425</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 123,942</u></u>

OTHER SCHEDULES

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Funds
Shared Revenue	
State	
Highway users tax	\$ 3,684,057
Market value credit	141,671
PERA rate reimbursement	11,609
Disparity reduction aid	25,685
County program aid	127,122
Police aid	72,384
Local performance aid	1,200
E-911	79,559
	<u>4,143,287</u>
Total shared revenue	\$ 4,143,287
Reimbursement for Services	
Local	
Red Rock Rural Water System	\$ 20,892
	<u>20,892</u>
Payments	
Local	
Local contributions	\$ 54,250
Payments in lieu of taxes	211,906
	<u>266,156</u>
Total payments	\$ 266,156
Grants	
State	
Minnesota Department/Board/Office of	
Corrections	\$ 10,528
Public Safety	10,561
Natural Resources	39,616
Transportation	174,925
Water and Soil Resources	139,371
Veterans Affairs	7,500
Peace Officer Standards and Training Board	4,101
Pollution Control Agency	55,950
	<u>442,552</u>
Total state	\$ 442,552
Federal	
Department of	
Housing and Urban Development	\$ 880
Transportation	1,293,212
Homeland Security	124,012
	<u>1,418,104</u>
Total federal	\$ 1,418,104
Total state and federal grants	\$ 1,860,656
Total Intergovernmental Revenue	\$ 6,290,991

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ <u>880</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	\$ 1,207,351
Formula Grants for Rural Areas	20.509	21,900
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	<u>63,961</u>
Total U.S. Department of Transportation		\$ <u>1,293,212</u>
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	\$ <u>13,032</u>
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 15,347
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	15,558
Emergency Management Performance Grants	97.042	17,334
Homeland Security Grant Program	97.067	69,029
Passed Through Southwest Minnesota Regional Emergency Communications Board Interoperable Emergency Communications	97.055	1,948
Homeland Security Grant Program	97.067	<u>22,130</u>
Total U.S. Department of Homeland Security		\$ <u>141,346</u>
Total Federal Awards		\$ <u>1,448,470</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Murray County and its discretely presented component unit, the Shetek Area Water and Sewer Commission, but not the blended component unit, the Murray County Medical Center, which was audited by other auditors. The County's reporting entity is defined in Note 1 to the basic financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Murray County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Murray County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Murray County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,418,104
Help America Vote Act Requirements Payments grant monies unspent in 2006 and expended in 2013 (CFDA #90.401)	13,032
Grants received more than 60 days after year-end, considered unavailable revenue in 2013	
Emergency Management Performance Grants (CFDA #97.042)	<u>17,334</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 1,448,470</u></u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Planning and Construction Cluster	\$ 1,271,312
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6. Subrecipients

Of the expenditures presented in the schedule, Murray County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
20.219	Recreational Trails Program	<u>\$ 63,961</u>

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The majors program are:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Recreational Trails Program	CFDA #20.219

The threshold for distinguishing between Types A and B programs was \$300,000.

Murray County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1999-001

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions 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 accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that it is in the process of reviewing internal controls within departments to identify areas where additional controls could be implemented to further segregate duties.

Recommendation: We recommend that the County's elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible.

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. Murray County is also aware that it is necessary to set time aside to allow for proper cross-training within the office. The County continues to find ways to implement internal controls and oversight with procedures and will continue to cross-train within the Auditor-Treasurer's Office and other fee offices as necessary.

Finding 2006-001

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements.

Context: The inability to make all necessary accrual adjustments or to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following adjustments were necessary:

Road and Bridge Special Revenue Fund

- Decreased contracts payable and construction expenditures by \$298,494 as no work had been completed on an infrastructure contract that was accrued as a liability.

Congregate Housing Enterprise Fund

- Decreased deferred bond issuance charges and increased amortization of deferred charges by \$26,591 to eliminate deferred bond issuance charges in accordance with Governmental Accounting Standards Board Statement 65.

The adjustments were reviewed and approved by the appropriate County staff and are reflected in the financial statements.

Cause: County employees did not detect the errors in the normal course of performing their assigned functions.

Recommendation: We recommend County staff review the trial balances and journal entries in detail to ensure they have an understanding of all audit adjustments made. We also recommend that the County modify internal controls over financial reporting to detect misstatements in the financial statements.

Client's Response:

Murray County staff will review the detail behind the trial balances and journal entries to achieve an understanding of all audit adjustments made. 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.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

Finding 2013-001

Publication of Summary Budget

Criteria: According to Minn. Stat. § 375.169, a summary budget statement is to be published annually upon adoption of the County budget in a form prescribed by the State Auditor in the County's official newspaper or qualified newspaper of general circulation.

Condition: The County did not publish a summary budget statement for 2013 or 2014.

Context: The publishing of the summary budget statement is handled administratively by the County Auditor-Treasurer's Office.

Effect: The County is not in compliance with Minn. Stat. § 375.169.

Cause: The County informed us that the summary budget statement was not published due to oversight of the employee responsible for submitting the information to the newspaper.

Recommendation: We recommend that the County publish a summary budget statement annually as required by Minn. Stat. § 375.169.

Client's Response:

Murray County will publish a summary budget statement annually as required by Minn. Stat. § 375.169.

Finding 2013-002

Publication of Financial Statements

Criteria: The County is required by Minn. Stat. § 375.17 to annually publish its financial statements.

Condition: The County did not publish the financial statements for 2012.

Context: The County typically defers publishing its financial statements until the audit of its financial statements is complete.

Effect: The County is not in compliance with Minn. Stat. § 375.17.

Cause: In lieu of publishing the financial statements, the County posted the audited financial statements for the year ended December 31, 2012, on the County's website for a short time and did not publish the financial statements in the newspaper.

Recommendation: We recommend the County publish the County's financial statements annually as required by Minn. Stat. § 375.17.

Client's Response:

Murray County will publish the County's financial statements annually as required by Minn. Stat. § 375.17.

Finding 2013-003

Publication of Board Minutes

Criteria: County Board minutes are required by Minn. Stat. § 375.12 to be published within 30 days of the meeting.

Condition: We reviewed the affidavits of publication related to publishing summaries of the County Board minutes for 2013 and found that some of the summaries were not published in the County's official newspaper within the 30-day requirement.

Context: Of the 20 published summaries reviewed, 8 were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: During 2013, the County submitted summarized Board minutes to the official newspaper on a monthly basis after the final meeting minutes of the month had been approved by the County Board.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

Client's Response:

The County Coordinator's Office will ensure that summaries of Board minutes are published as required by Minn. Stat. § 375.12.

PREVIOUSLY REPORTED ITEM RESOLVED

Insufficient Collateral (2011-001)

During the prior audit, the amount of collateral required to secure deposits at Currie State Bank for December 31, 2012, was more than the actual amount of collateral pledged by \$25,000.

Resolution

During our testing of collateral, we noted for 2013 the County obtained additional collateral at Currie State Bank to meet amounts required by Minn. Stat. § 118A.03.



REBECCA OTTO
STATE AUDITOR

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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*

Independent Auditor's Report

Board of County Commissioners
Murray County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Murray County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 25, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Murray County Medical Center, 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 of the financial statements, we considered Murray County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were

not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2006-001 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 1999-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Murray County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Murray County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Murray County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 2013-001 through 2013-003. However, our audit was not directed primarily toward

obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Murray County's Response to Findings

Murray County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 25, 2014

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Murray County

Report on Compliance for Each Major Federal Program

We have audited Murray County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. Murray County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Murray County's basic financial statements include the operations of the Murray County Medical Center component unit, whose federal awards, if any, are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Murray County Medical Center because the Medical Center was audited by other auditors.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Murray County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Murray County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Murray County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Murray County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 25, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR