

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MURRAY COUNTY
(Including the Shetek Area Water
and Sewer Commission)
SLAYTON, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

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 150 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 700 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
**(Including the Shetek Area Water
and Sewer Commission)**
SLAYTON, MINNESOTA

Year Ended December 31, 2015



Audit Practice Division
Office of the State Auditor
State of Minnesota

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

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SLAYTON, MINNESOTA**

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SLAYTON, MINNESOTA**

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**ORGANIZATION SCHEDULE
2015**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	James Jens ²	January 2017
2nd District	Robert Moline	January 2017
3rd District	Gerald W. Magnus	January 2019
4th District	Glenn Kluis	January 2019
5th District	Dave Thiner ¹	January 2017
Officers		
Elected		
Attorney	Travis J. Smith	January 2019
Auditor/Treasurer	Heidi E. Winter	January 2019
County Judge	Christina Wietzema	January 2021
County Recorder	Evelyn C. Larson	January 2019
Registrar of Titles	Evelyn C. Larson	January 2019
Sheriff	Steven Telkamp	January 2019
Appointed		
Assessor	Marcy Barritt	Indefinite
Coordinator	Aurora Heard	Indefinite
Highway Engineer	Randy Groves	Indefinite
Court Administrator	Denise Brandel	December 2015
Veterans Service Officer	James Reinert	Indefinite
Coroner	Dr. Michael B. McGee	December 2016

¹ Chair for 2016

² Chair for 2015

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**ORGANIZATION SCHEDULE
SHETEK AREA WATER AND SEWER COMMISSION
2015**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Commissioners		
Jamie Thomazin	President	December 2019
Donna Kor	Vice President	December 2017
Jon Hoyme	Secretary	December 2018
Darwin Patzlaff	Member	December 2016
Trevor Humphrey*	Member	December 2017

*Replaced Steve Zens who resigned as of September 14, 2015.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Murray County
Slayton, Minnesota

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, 2015, 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 98 percent, 103 percent, and 99 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, 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 from 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, 2015, 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 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change 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 reports dated October 27, 2016, on our consideration of Murray County's and the Shetek Area Water and Sewer Commission component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Murray County's and the Shetek Area Water and Sewer Commission component unit's internal control over financial reporting and compliance. They do not include the Murray County Medical Center, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

October 27, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(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, 2015. 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 \$56,169,429, of which \$49,318,939 is the County's net investment in capital assets and \$2,780,572 is restricted for specific purposes. The unrestricted net position of \$4,069,918 may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's governmental activities' net position increased by \$57,018 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statements 68, 71, and 82. Additional information about the restatement can be found in Note 1.F.
- The net cost of governmental activities for the current fiscal year was \$8,010,766. General revenues totaling \$8,067,784 funded the net cost.
- The General Fund's fund balance decreased by \$709,163, the Road and Bridge Special Revenue Fund's fund balance increased by \$542,780, the Human Services Special Revenue Fund saw no change, the EDA Special Revenue Fund's fund balance increased by \$302,424, and the Ditch Special Revenue Fund's fund balance decreased by \$415,797.
- For the year ended December 31, 2015, the unassigned fund balance of the General Fund was \$2,173,347.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 significant 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 39 through 115 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows exceeded liabilities and deferred inflows by \$64,538,883 at the close of 2015. The largest portion of Murray County's net position (91.3 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 2014 is presented.

	Net Position (in thousands)			2014
	Governmental Activities	Business-Type Activities	Total	
2015				
Assets				
Current and other assets	\$ 12,852	\$ 7,779	\$ 20,631	\$ 20,334
Capital assets	51,069	15,499	66,568	67,752
Total Assets	\$ 63,921	\$ 23,278	\$ 87,199	\$ 88,086
Deferred Outflows of Resources				
Deferred pension outflows	\$ 556	\$ 729	\$ 1,285	\$ 50
Deferred charges on bond refunding	-	43	43	-
Total Deferred Outflows of Resources	\$ 556	\$ 772	\$ 1,328	\$ 50
Liabilities				
Long-term liabilities	\$ 6,625	\$ 12,006	\$ 18,631	\$ 10,601
Other liabilities	1,169	1,880	3,049	2,631
Total Liabilities	\$ 7,794	\$ 13,886	\$ 21,680	\$ 13,232
Deferred Inflows of Resources				
Deferred pension inflows	\$ 514	\$ 1,795	\$ 2,309	\$ -
Net Position				
Net investment in capital assets	\$ 49,319	\$ 9,624	\$ 58,943	\$ 59,176
Restricted	2,780	-	2,780	2,959
Unrestricted	4,070	(1,255)	2,815	12,769
Total Net Position, as reported	\$ 56,169	\$ 8,369	\$ 64,538	\$ 74,904
Change in Accounting Principle*				(10,134)
Total Net Position, as restated				\$ 64,770

*This is the first year the County implemented the new pension accounting and financial reporting standards, GASB Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

Unrestricted net position in the amount of \$4,069,918--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 7.2 percent of net position.

Governmental Activities

The County's governmental activities' net position increased by 0.1 percent, after the restatement for GASB Statements 68, 71, and 82 (\$56,169,429 for 2015 compared to \$56,112,411 for 2014). Key elements in this increase in net position are as follows for 2015, with comparative data for 2014.

Governmental Activities Changes in Net Position (in thousands)		
	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 1,771	\$ 1,240
Operating grants and contributions	5,044	4,741
Capital grants and contributions	242	203
General revenues		
Property taxes	6,052	5,873
Other	2,016	1,783
	<u>\$ 15,125</u>	<u>\$ 13,840</u>
Expenses		
General government	\$ 2,360	\$ 2,421
Public safety	2,255	2,326
Highways and streets	5,078	4,506
Sanitation	353	369
Human services	1,108	1,094
Health	63	52
Culture and recreation	917	766
Conservation of natural resources	2,399	1,173
Economic development	475	105
Interest	60	73
	<u>\$ 15,068</u>	<u>\$ 12,885</u>
Change in Net Position	\$ 57	\$ 955
Net Position - January 1, as restated	<u>56,112*</u>	<u>58,442</u>
Net Position - December 31, as reported	<u>\$ 56,169</u>	<u>\$ 59,397</u>

*Amount includes change in accounting principles.

The cost of all governmental activities for 2015 was \$15,068,233 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 \$8,010,766. The amount paid by those who directly benefited from the programs was \$1,771,065, and the amount paid by other governments and organizations to subsidize certain programs with operating grants and contributions was \$5,044,354. Capital grants and contributions were \$242,048. The County paid for the remaining “public benefit” portion of governmental activities with \$470,158 in grants and contributions not restricted to specific programs, \$6,051,946 in property taxes, and \$1,081,667 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
2015
(in thousands)**

	Total Cost of Services	Net Cost of Services
General government	\$ 2,360	\$ 2,059
Public safety	2,255	1,783
Highways and streets	5,078	627
Conservation of natural resources	2,399	1,635
All others	2,976	1,907
Total	\$ 15,068	\$ 8,011

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 3.33 percent after the restatement for GASB Statements 68, 71, and 82 (\$8,658,001 for the beginning of 2015 compared to \$8,369,454 for the ending of 2015). Key elements in this decrease in net position are as follows, with comparative data for 2014.

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

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Fees, charges, and other	\$ 16,094	\$ 16,466
Capital grants and contributions	158	1
General revenues		
Other	<u>143</u>	<u>9</u>
Total Revenues	<u>\$ 16,395</u>	<u>\$ 16,476</u>
Expenses		
Hospital	\$ 16,469	\$ 17,928
Congregate Housing	<u>215</u>	<u>217</u>
Total Expenses	<u>\$ 16,684</u>	<u>\$ 18,145</u>
Change in Net Position	\$ (289)	\$ (1,669)
Net Position - January 1, as restated	<u>8,658*</u>	<u>17,176</u>
Net Position - December 31, as reported	<u>\$ 8,369</u>	<u>\$ 15,507</u>

*Amount includes change in accounting principles.

The cost of all business-type activities for 2015 was \$16,683,690 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 2015, this amount was \$16,093,841.

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
2015
(in thousands)**

	<u>Total Cost of Services</u>	<u>Net Revenue (Cost) for Services</u>
Hospital	\$ 16,469	\$ (393)
Congregate Housing	<u>215</u>	<u>(39)</u>
Total	<u>\$ 16,684</u>	<u>\$ (432)</u>

(Unaudited)

Page 12

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 \$8,497,219, a decrease of \$609,708 in comparison with the prior year. Of the combined ending fund balances, \$285,255 is nonspendable, \$1,905,178 is restricted, \$285,667 is committed, \$3,953,279 is assigned, and \$2,067,840 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 \$8,482 is nonspendable, \$869,755 is restricted, \$285,667 is committed, \$858,090 is assigned, and \$2,173,347 is unassigned. Overall fund balance in the General Fund decreased by \$709,163 during 2015. This is due to the General Fund transferring funds to cover fund balance for several ditch projects. The funds for the ditch projects were reimbursed in early 2016 with bond proceeds.

The Road and Bridge Special Revenue Fund had \$276,773 in nonspendable funds, \$242,929 in restricted, and \$2,456,052 in assigned funds. Overall fund balance in the Road and Bridge Special Revenue Fund increased by \$542,780 during 2015.

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 \$10,496 in restricted fund balance and an unassigned deficit of \$105,207. Overall fund balance in the Ditch Special Revenue Fund decreased by \$415,797 during 2015. This is due to several ditch improvement projects. Bonds were issued in early 2016 to cover the deficit fund balance.

The EDA Special Revenue Fund had restricted funds of \$442,510 and assigned funds of \$639,137. The EDA Special Revenue Fund's fund balance increased by \$302,424 during 2015.

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 \$581,901 more than budgeted. The actual revenues over expenditures in the Road and Bridge Special Revenue Fund were \$750,398 more than budgeted.

The actual revenues over expenditures in the EDA Special Revenue Fund were \$461,134 more than budgeted. Over the course of the year, the budget for the General Fund was changed. The revenues budget in the General Fund increased \$185,528. The expenditures budget in the General Fund increased \$399,810.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Governmental Activities

The County's capital assets for its governmental activities at December 31, 2015, totaled \$51,068,717 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$426,010, or 0.84 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)

	2015	2014
Land, including right-of-way	\$ 746	\$ 720
Works of art and historical treasures	34	-
Construction in progress	7	75
Infrastructure	42,319	42,129
Buildings	4,873	4,790
Improvements other than buildings	314	328
Machinery and equipment	2,776	2,601
Total	\$ 51,069	\$ 50,643

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, 2015, totaled \$15,499,361 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and land improvements. The investment in capital assets decreased \$1,610,063, or 9.41 percent, from the previous year. The decrease was due to the depreciation recorded in 2016.

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

	2015	2014
Land, including right-of-way	\$ 182	\$ 182
Land improvements	489	532
Buildings	12,693	13,820
Fixed equipment	226	258
Major movable equipment	1,909	2,317
Total	\$ 15,499	\$ 17,109

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 \$8,238,099, which was backed by the full faith and credit of the government.

**Outstanding Debt
(in thousands)**

	2015	2014
General obligation capital improvement plan bond	\$ 1,404	\$ 1,587
General obligation ditch bonds	458	622
General obligation refunding bonds	744	847
MRI capital lease	-	295
Hospital revenue note	5,169	5,551
Loans payable	117	157
Capital improvement note	346	346
Total	\$ 8,238	\$ 9,405

The County's overall debt decreased by \$1,166,450 from 2014 to 2015 mainly due to scheduled principal payments.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2015, the County's outstanding debt was 0.21 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 2016 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Murray County at the end of 2015 was 3.3 percent. This is 0.6 of a percentage point lower than the state unemployment rate of 3.9 percent and 2.3 percentage points lower than the national unemployment rate of 5.6 percent. This is an increase of 6.5 percent from the County's 3.1 percent rate of one year ago.
- Mortgage interest rates have remained relatively consistent with those of 2014, 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 2015 increased from \$6,014,632 to \$6,332,235. This is a net increase of \$317,603, or 5.02 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, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
Assets				
Current assets				
Cash and pooled investments	\$ 9,474,493	\$ 2,833,570	\$ 12,308,063	\$ 106,250
Petty cash and change funds	5,000	-	5,000	-
Cash with fiscal agent	-	-	-	2,474,124
Taxes receivable				
Delinquent	53,650	-	53,650	-
Special assessments receivable				
Current	956,826	-	956,826	427,395
Delinquent	12,518	-	12,518	7,080
Accounts receivable	49,111	101,200	150,311	23,858
Patient receivables - net	-	2,930,755	2,930,755	-
Accrued interest receivable	28,529	-	28,529	-
Due from other governments	1,218,610	-	1,218,610	416
Due from component unit	956	-	956	-
Loans receivable	93,984	-	93,984	-
Inventories	281,774	518,353	800,127	80,664
Prepaid items	5,634	219,505	225,139	-
Restricted assets				
Cash and pooled investments	-	6,000	6,000	405,444
Total current assets	\$ 12,181,085	\$ 6,609,383	\$ 18,790,468	\$ 3,525,231
Noncurrent assets				
Noncurrent cash and investments	\$ -	\$ 1,104,886	\$ 1,104,886	\$ -
Special assessments receivable	-	-	-	6,719,290
Loans receivable	436,450	-	436,450	-
Long-term receivable	235,000	-	235,000	-
Capital assets				
Non-depreciable	787,358	182,513	969,871	386,046
Depreciable - net of accumulated depreciation	50,281,359	15,316,848	65,598,207	12,617,052
Other assets	-	64,296	64,296	-
Total noncurrent assets	\$ 51,740,167	\$ 16,668,543	\$ 68,408,710	\$ 19,722,388
Total Assets	\$ 63,921,252	\$ 23,277,926	\$ 87,199,178	\$ 23,247,619

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Component Unit Shetek Area Water and Sewer Commission
	Governmental Activities	Business-Type Activities	Total	
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 556,171	\$ 728,942	\$ 1,285,113	\$ -
Deferred charges on bond refunding	-	42,858	42,858	-
Total Deferred Outflows of Resources	\$ 556,171	\$ 771,800	\$ 1,327,971	\$ -
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 224,557	\$ 678,545	\$ 903,102	\$ 1,262
Salaries payable	151,196	1,121,498	1,272,694	181
Contracts payable	212,620	-	212,620	-
Due to other governments	108,671	99	108,770	-
Due to primary government	-	-	-	956
Unearned revenue	89,742	-	89,742	-
Internal balances	360,649	(360,649)	-	-
Accrued interest payable	21,944	7,422	29,366	96,414
Third-party payor settlements payable	-	170,937	170,937	-
Payable from restricted assets	-	6,000	6,000	-
Losses from joint ventures in excess of earnings payable	-	255,525	255,525	-
Compensated absences payable - current	67,288	1,326	68,614	-
Special assessments payable - current	-	5,005	5,005	-
Loans payable - current	39,177	-	39,177	-
General obligation bonds payable - current	190,000	105,000	295,000	175,000
General obligation special assessment debt payable - current	165,000	-	165,000	-
Revenue notes payable - current	-	393,476	393,476	535,000
General obligation notes payable - current	114,000	-	114,000	-
Customer deposits	-	-	-	4,679
Total current liabilities	\$ 1,744,844	\$ 2,384,184	\$ 4,129,028	\$ 813,492

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
<u>Liabilities (Continued)</u>				
Noncurrent liabilities				
Compensated absences payable	\$ 583,206	\$ 5,666	\$ 588,872	\$ -
Special assessments payable	-	46,669	46,669	-
Loans payable	78,585	-	78,585	-
General obligation bonds payable - net	1,213,778	638,860	1,852,638	5,209,084
General obligation special assessment debt payable	292,903	-	292,903	-
Revenue notes payable	-	4,775,320	4,775,320	5,434,335
General obligation notes payable	232,000	-	232,000	-
Other postemployment benefits	253,765	414,560	668,325	-
Net pension liability	3,394,800	5,620,234	9,015,034	-
Total noncurrent liabilities	\$ 6,049,037	\$ 11,501,309	\$ 17,550,346	\$ 10,643,419
Total Liabilities	\$ 7,793,881	\$ 13,885,493	\$ 21,679,374	\$ 11,456,911
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 514,113	\$ 1,794,779	\$ 2,308,892	\$ -
<u>Net Position</u>				
Net investment in capital assets	\$ 49,318,939	\$ 9,624,558	\$ 58,943,497	\$ 1,658,763
Restricted for				
General government	342,128	-	342,128	-
Public safety	190,165	-	190,165	-
Highways and streets	1,137,948	-	1,137,948	-
Sanitation	170,681	-	170,681	-
Conservation of natural resources	170,253	-	170,253	-
Economic development	442,510	-	442,510	-
Debt service	326,887	-	326,887	310,893
Wastewater system replacement	-	-	-	94,551
Unrestricted	4,069,918	(1,255,104)	2,814,814	9,726,501
Total Net Position	\$ 56,169,429	\$ 8,369,454	\$ 64,538,883	\$ 11,790,708

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	\$ 2,360,308	\$ 287,419	\$ 13,450
Public safety	2,254,770	94,215	377,380
Highways and streets	5,077,784	119,247	4,089,617
Sanitation	352,915	243,286	69,692
Human services	1,107,690	-	-
Health	63,256	-	-
Culture and recreation	916,939	120,024	249,285
Conservation of natural resources	2,398,926	519,300	244,930
Economic development	475,128	387,574	-
Interest	60,517	-	-
Total governmental activities	<u>\$ 15,068,233</u>	<u>\$ 1,771,065</u>	<u>\$ 5,044,354</u>
Business-type activities			
Hospital	\$ 16,468,552	\$ 15,917,539	\$ -
Congregate housing	215,138	176,302	-
Total business-type activities	<u>\$ 16,683,690</u>	<u>\$ 16,093,841</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 31,751,923</u>	<u>\$ 17,864,906</u>	<u>\$ 5,044,354</u>
Component unit			
Shetek Area Water and Sewer Commission	<u>\$ 880,434</u>	<u>\$ 366,546</u>	<u>\$ -</u>

General Revenues

Property taxes
Mortgage registry and deed tax
Wind production tax
Payments in lieu of tax
Wheelage 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.F.)

Net Position - Ending

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
\$ -	\$ (2,059,439)	\$ -	\$ (2,059,439)	
-	(1,783,175)	-	(1,783,175)	
242,048	(626,872)	-	(626,872)	
-	(39,937)	-	(39,937)	
-	(1,107,690)	-	(1,107,690)	
-	(63,256)	-	(63,256)	
-	(547,630)	-	(547,630)	
-	(1,634,696)	-	(1,634,696)	
-	(87,554)	-	(87,554)	
-	(60,517)	-	(60,517)	
\$ 242,048	\$ (8,010,766)	\$ -	\$ (8,010,766)	
\$ 157,982	\$ -	\$ (393,031)	\$ (393,031)	
-	-	(38,836)	(38,836)	
\$ 157,982	\$ -	\$ (431,867)	\$ (431,867)	
\$ 400,030	\$ (8,010,766)	\$ (431,867)	\$ (8,442,633)	
\$ 239,978				\$ (273,910)
	\$ 6,051,946	\$ -	\$ 6,051,946	\$ -
	9,556	-	9,556	-
	1,081,667	-	1,081,667	-
	302,587	-	302,587	-
	7,363	-	7,363	-
	470,158	109,417	579,575	-
	40,051	26,012	66,063	20,567
	104,450	7,897	112,347	762
	6	(6)	-	-
	\$ 8,067,784	\$ 143,320	\$ 8,211,104	\$ 21,329
	\$ 57,018	\$ (288,547)	\$ (231,529)	\$ (252,581)
	56,112,411	8,658,001	64,770,412	12,043,289
	\$ 56,169,429	\$ 8,369,454	\$ 64,538,883	\$ 11,790,708

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 4,430,399	\$ 2,760,136
Undistributed cash in agency funds	82,094	21,405
Petty cash and change funds	5,000	-
Taxes receivable		
Delinquent	34,440	8,566
Special assessments receivable		
Delinquent	11,561	-
Noncurrent	545,780	-
Accounts receivable	28,486	1,635
Loans receivable	-	-
Accrued interest receivable	28,529	-
Due from other funds	-	555
Due from other governments	153,511	1,063,141
Due from component units	956	-
Inventories	5,521	276,253
Prepaid items	2,861	520
	\$ 5,329,138	\$ 4,132,211
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 84,356	\$ 8,452
Salaries payable	111,154	37,570
Contracts payable	65,533	43,559
Due to other funds	555	-
Due to other governments	70,524	1,910
Unearned revenue	89,742	-
	\$ 421,864	\$ 91,491
Deferred Inflows of Resources		
Unavailable revenue	\$ 711,933	\$ 1,064,966

EXHIBIT 3

Human Services	Ditch	EDA	Debt Service	Total
\$ -	\$ 41,838	\$ 1,068,890	\$ 335,665	\$ 8,636,928
19,767	2,104	-	4,258	129,628
-	-	-	-	5,000
9,599	-	-	1,045	53,650
-	957	-	-	12,518
-	411,046	-	-	956,826
-	-	-	-	30,121
-	-	530,434	-	530,434
-	-	-	-	28,529
-	-	-	-	555
-	1,958	-	-	1,218,610
-	-	-	-	956
-	-	-	-	281,774
-	-	2,253	-	5,634
\$ 29,366	\$ 457,903	\$ 1,601,577	\$ 340,968	\$ 11,891,163
\$ -	\$ 33,352	\$ 76	\$ 435	\$ 126,671
-	321	2,151	-	151,196
-	103,528	-	-	212,620
-	-	-	-	555
19,767	3,710	-	-	95,911
-	-	-	-	89,742
\$ 19,767	\$ 140,911	\$ 2,227	\$ 435	\$ 676,695
\$ 9,599	\$ 412,003	\$ 517,703	\$ 1,045	\$ 2,717,249

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ 5,521	\$ 276,253
Prepaid items	2,861	520
Missing heirs	100	-
Restricted for		
Septic/sewer loans	60,931	-
Debt service	-	-
EDA revolving loans	-	-
Recorder's compliance	117,068	-
Recorder's technology	225,061	-
Supervision fees	19,482	-
Sheriff's contingency	3,640	-
Permits to carry	31,938	-
E-911	135,106	-
Ditch maintenance and conservation	-	-
Unspent grant monies	105,099	-
Highway allotment	-	242,929
County match	749	-
Solid waste assessments	170,681	-
Committed to		
General Fund contracts	164,628	-
Flexible spending	68	-
911 sign replacement	120,110	-
Retiree health insurance	861	-
Assigned to		
County septic system loans	105,766	-
Parks	30,370	-
Sanitation	215,391	-
Road and bridge	-	2,269,389
Economic development	-	-
Compensated absences	460,384	186,663
Ambulance replacement	6,179	-
Government center roof	40,000	-
Unassigned	2,173,347	-
	\$ 4,195,341	\$ 2,975,754
Total Fund Balances	\$ 4,195,341	\$ 2,975,754
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,329,138	\$ 4,132,211

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Ditch</u>	<u>EDA</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 281,774
-	-	-	-	3,381
-	-	-	-	100
-	-	-	-	60,931
-	-	-	339,488	339,488
-	-	442,510	-	442,510
-	-	-	-	117,068
-	-	-	-	225,061
-	-	-	-	19,482
-	-	-	-	3,640
-	-	-	-	31,938
-	-	-	-	135,106
-	10,496	-	-	10,496
-	-	-	-	105,099
-	-	-	-	242,929
-	-	-	-	749
-	-	-	-	170,681
-	-	-	-	164,628
-	-	-	-	68
-	-	-	-	120,110
-	-	-	-	861
-	-	-	-	105,766
-	-	-	-	30,370
-	-	-	-	215,391
-	-	-	-	2,269,389
-	-	635,689	-	635,689
-	-	3,448	-	650,495
-	-	-	-	6,179
-	-	-	-	40,000
-	(105,507)	-	-	2,067,840
<u>\$ -</u>	<u>\$ (95,011)</u>	<u>\$ 1,081,647</u>	<u>\$ 339,488</u>	<u>\$ 8,497,219</u>
<u>\$ 29,366</u>	<u>\$ 457,903</u>	<u>\$ 1,601,577</u>	<u>\$ 340,968</u>	<u>\$ 11,891,163</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, 2015**

Fund balance - total governmental funds (Exhibit 3)	\$	8,497,219
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.		51,068,717
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		556,171
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.		255,632
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.		2,717,249
A long-term receivable is not due in the current period and, therefore, is not reported in the governmental funds.		235,000
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	\$ (457,903)	
General obligation bonds	(1,403,778)	
Capital notes payable	(346,000)	
Loans payable	(117,762)	
Compensated absences	(650,494)	
Other postemployment benefits	(253,765)	
Net pension liability	(3,394,800)	
Accrued interest payable	(21,944)	(6,646,446)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.		<u>(514,113)</u>
Net Position of Governmental Activities (Exhibit 1)	\$	<u><u>56,169,429</u></u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Road and Bridge
Revenues		
Taxes	\$ 4,778,584	\$ 1,122,060
Special assessments	280,473	-
Licenses and permits	35,985	21,350
Intergovernmental	1,417,303	4,429,189
Charges for services	438,473	17,323
Fines and forfeits	75	-
Gifts and contributions	9,344	-
Investment earnings	32,518	-
Miscellaneous	204,669	75,181
	\$ 7,197,424	\$ 5,665,103
Expenditures		
Current		
General government	\$ 2,382,916	\$ -
Public safety	2,200,257	-
Highways and streets	-	4,952,411
Sanitation	338,170	-
Culture and recreation	1,010,942	-
Conservation of natural resources	719,474	-
Economic development	2,140	-
Intergovernmental	63,256	437,696
Debt service		
Principal	38,406	-
Interest	2,932	-
Administrative charges	-	-
	\$ 6,758,493	\$ 5,390,107
Excess of Revenues Over (Under) Expenditures	\$ 438,931	\$ 274,996
Other Financing Sources (Uses)		
Transfers in	\$ 94,070	\$ 271,240
Transfers out	(1,240,978)	-
Proceeds from the sale of capital assets	-	30,000
	\$ (1,146,908)	\$ 301,240
Net Change in Fund Balance	\$ (707,977)	\$ 576,236
Fund Balance - January 1	4,904,504	2,432,974
Increase (decrease) in inventories	(1,186)	(33,456)
Fund Balance - December 31	\$ 4,195,341	\$ 2,975,754

EXHIBIT 5

Human Services	Ditch	EDA	Debt Service	Total
\$ 1,028,755	\$ -	\$ -	\$ 222,202	\$ 7,151,601
-	295,336	-	-	575,809
-	-	-	-	57,335
78,935	57,283	-	11,156	5,993,866
-	-	-	-	455,796
-	-	-	-	75
-	-	-	-	9,344
-	-	13,970	137	46,625
-	13,915	623,764	-	917,529
\$ 1,107,690	\$ 366,534	\$ 637,734	\$ 233,495	\$ 15,207,980
\$ -	\$ -	\$ -	\$ 870	\$ 2,383,786
-	-	-	-	2,200,257
-	-	-	-	4,952,411
-	-	-	-	338,170
-	-	-	-	1,010,942
-	1,672,183	-	-	2,391,657
-	-	474,626	-	476,766
1,107,690	-	-	-	1,608,642
-	165,000	-	185,000	388,406
-	22,250	-	35,842	61,024
-	496	-	495	991
\$ 1,107,690	\$ 1,859,929	\$ 474,626	\$ 222,207	\$ 15,813,052
\$ -	\$ (1,493,395)	\$ 163,108	\$ 11,288	\$ (605,072)
\$ -	\$ 1,078,571	\$ 139,316	\$ -	\$ 1,583,197
-	(973)	-	(341,240)	(1,583,191)
-	-	-	-	30,000
\$ -	\$ 1,077,598	\$ 139,316	\$ (341,240)	\$ 30,006
\$ -	\$ (415,797)	\$ 302,424	\$ (329,952)	\$ (575,066)
-	320,786	779,223	669,440	9,106,927
-	-	-	-	(34,642)
\$ -	\$ (95,011)	\$ 1,081,647	\$ 339,488	\$ 8,497,219

**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, 2015**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (575,066)

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.

Unavailable revenue - December 31	\$ 2,717,249	
Unavailable revenue - January 1	<u>(2,825,884)</u>	(108,635)

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	\$ 2,966,987	
Current year depreciation	<u>(2,540,977)</u>	426,010

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

Principal payments		
General obligation bonds	\$ 185,000	
Special assessment bonds	165,000	
Loans payable	38,406	
Amortization of discount	<u>(2,109)</u>	386,297

**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, 2015**

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

Change in accrued interest payable	\$	4,522	
Change in compensated absences		(32,764)	
Change in long-term receivable		(10,000)	
Change in other postemployment benefits		(52,806)	
Change in net pension liability, as restated		57,314	
Change in deferred pension outflows, as restated		389,042	
Change in deferred pension inflows		(514,113)	
Change in inventories		<u>(34,642)</u>	(193,447)

An internal service fund is used by the County to charge the cost of the self-funded insurance programs to functions. A portion of the increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.

121,859

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 57,018

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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, 2015**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund Self-Insurance
	Hospital	Congregate Housing	Totals	
<u>Assets</u>				
Current assets				
Cash and pooled investments	\$ 2,833,817	\$ (247)	\$ 2,833,570	\$ 707,937
Accounts receivable	101,098	102	101,200	18,990
Patient receivables - net	2,930,755	-	2,930,755	-
Inventories	518,353	-	518,353	-
Prepaid items	219,505	-	219,505	-
Total current assets, unrestricted	\$ 6,603,528	\$ (145)	\$ 6,603,383	\$ 726,927
Restricted assets				
Cash and pooled investments	-	6,000	6,000	-
Total current assets	\$ 6,603,528	\$ 5,855	\$ 6,609,383	\$ 726,927
Noncurrent assets				
Noncurrent cash and investments	\$ 1,104,886	\$ -	\$ 1,104,886	\$ -
Capital assets				
Nondepreciable	182,513	-	182,513	-
Depreciable - net	14,754,517	562,331	15,316,848	-
Total noncurrent assets	\$ 16,041,916	\$ 562,331	\$ 16,604,247	\$ -
Other assets				
Investment in Minnesota Rural Health	\$ 8,750	\$ -	\$ 8,750	\$ -
Physician receivables	55,546	-	55,546	-
Total other assets	\$ 64,296	\$ -	\$ 64,296	\$ -
Total Assets	\$ 22,709,740	\$ 568,186	\$ 23,277,926	\$ 726,927
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 721,369	\$ 7,573	\$ 728,942	\$ -
Deferred charges on bond refunding	-	42,858	42,858	-
Total Deferred Outflows of Resources	\$ 721,369	\$ 50,431	\$ 771,800	\$ -

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities Internal Service Fund Self-Insurance
	<u>Hospital</u>	<u>Congregate Housing</u>	<u>Totals</u>	
<u>Liabilities</u>				
Current liabilities payable from current assets				
Accounts payable	\$ 675,593	\$ 2,952	\$ 678,545	\$ 97,886
Salaries payable	1,119,448	2,050	1,121,498	-
Compensated absences payable - current	-	1,326	1,326	-
Losses from joint ventures in excess of earnings payable	255,525	-	255,525	-
Due to other governments	-	99	99	12,760
Accrued interest payable	3,589	3,833	7,422	-
Third-party payor settlements payable	170,937	-	170,937	-
Special assessments payable - current	5,005	-	5,005	-
General obligation bonds payable - current	-	105,000	105,000	-
Revenue notes payable - current	393,476	-	393,476	-
Total current liabilities payable from current assets	\$ 2,623,573	\$ 115,260	\$ 2,738,833	\$ 110,646
Current liabilities payable from restricted assets				
Accounts payable	-	6,000	6,000	-
Total current liabilities	\$ 2,623,573	\$ 121,260	\$ 2,744,833	\$ 110,646
Noncurrent liabilities				
Compensated absences payable - long-term	\$ -	\$ 5,666	\$ 5,666	\$ -
Special assessments payable - long-term	46,669	-	46,669	-
General obligation bonds payable - long-term	-	638,860	638,860	-
Revenue notes payable - long-term	4,775,320	-	4,775,320	-
Other postemployment benefits	410,812	3,748	414,560	-
Net pension liability	5,566,025	54,209	5,620,234	-
Total noncurrent liabilities	\$ 10,798,826	\$ 702,483	\$ 11,501,309	\$ -
Total Liabilities	\$ 13,422,399	\$ 823,743	\$ 14,246,142	\$ 110,646
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 1,787,466	\$ 7,313	\$ 1,794,779	\$ -

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund Self-Insurance
	Hospital	Congregate Housing	Totals	Self-Insurance
<u>Net Position</u>				
Net investment in capital assets	\$ 9,763,229	\$ (138,671)	\$ 9,624,558	\$ -
Unrestricted	(1,541,985)	(73,768)	(1,615,753)	616,281
Total Net Position	\$ 8,221,244	\$ (212,439)	\$ 8,008,805	\$ 616,281

Some amounts reported for business-type activities in the Statement of Net Position (Exhibit 1) are different because certain assets and liabilities of the Self-Insurance Internal Service Fund are included with business-type activities.

	360,649
Net Position of Business-Type Activities	\$ 8,369,454

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities Internal Service Fund
	<u>Hospital</u>	<u>Congregate Housing</u>	<u>Totals</u>	<u>Self-Insurance</u>
Operating Revenues				
Charges for services	\$ -	\$ 171,568	\$ 171,568	\$ 2,010,141
Patient services revenues	15,702,200	-	15,702,200	-
Miscellaneous	215,339	5,351	220,690	-
	<u>15,917,539</u>	<u>176,919</u>	<u>16,094,458</u>	<u>2,010,141</u>
Total Operating Revenues	\$ 15,917,539	\$ 176,919	\$ 16,094,458	\$ 2,010,141
Operating Expenses				
Personal services	\$ -	\$ 74,239	\$ 74,239	\$ -
Professional services	4,220,167	2,017	4,222,184	-
Nursing services	2,931,365	-	2,931,365	-
Contracted services	-	32,045	32,045	-
Repairs and maintenance	1,044,026	898	1,044,924	-
Administration and fiscal services	4,377,499	495	4,377,994	-
Other services and charges	-	7,169	7,169	-
Supplies	-	7,487	7,487	-
Utilities	-	20,895	20,895	-
Insurance	-	2,542	2,542	-
Wellness center	15,417	-	15,417	-
Professional building	3,084	-	3,084	-
Surgery clinic	638,320	-	638,320	-
Slayton clinic	1,231,135	-	1,231,135	-
Fulda clinic	78,788	-	78,788	-
Interest expense	174,133	-	174,133	-
Depreciation	1,923,067	51,121	1,974,188	-
Cost of service	-	-	-	1,718,041
	<u>16,637,001</u>	<u>198,908</u>	<u>16,835,909</u>	<u>1,718,041</u>
Total Operating Expenses	\$ 16,637,001	\$ 198,908	\$ 16,835,909	\$ 1,718,041
Operating Income (Loss)	\$ (719,462)	\$ (21,989)	\$ (741,451)	\$ 292,100

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 8
(Continued)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities Internal Service Fund Self-Insurance
	<u>Hospital</u>	<u>Congregate Housing</u>	<u>Totals</u>	
Nonoperating Revenues (Expenses)				
Investment income	\$ 26,012	\$ -	\$ 26,012	\$ -
Grants	109,417	-	109,417	-
Gain on disposal of assets	7,280	-	7,280	-
Interest expense	-	(16,431)	(16,431)	-
Amortization of bond discount	-	(1,591)	(1,591)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Nonoperating Revenues (Expenses)	\$ 142,709	\$ (18,022)	\$ 124,687	\$ -
Income (Loss) Before Contributions and Transfers	\$ (576,753)	\$ (40,011)	\$ (616,764)	\$ 292,100
Capital grants and contributions	157,982	-	157,982	-
Transfers in	-	23,091	23,091	-
Transfers out	-	(23,097)	(23,097)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in net position	\$ (418,771)	\$ (40,017)	\$ (458,788)	\$ 292,100
Net Position - January 1, as restated (Note 1.F.)	8,640,015	(172,422)		324,181
	<u> </u>	<u> </u>		<u> </u>
Net Position - December 31	\$ 8,221,244	\$ (212,439)		\$ 616,281
	<u> </u>	<u> </u>		<u> </u>

Some amounts for business-type activities in the Statement of Activities (Exhibit 2) are different because the net revenue (expense) of the Self-Insurance Internal Service Fund is reported with business-type activities.

170,241

Total Change in Net Position of Business-Type Activities

\$ (288,547)

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities Internal Service Fund Self-Insurance
	<u>Hospital</u>	<u>Congregate Housing</u>	<u>Totals</u>	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 15,615,428	\$ 177,649	\$ 15,793,077	\$ 2,010,141
Other receipts and payments, net	215,339	-	215,339	-
Payments to suppliers and contractors	(5,478,774)	(75,707)	(5,554,481)	(1,705,893)
Payments to employees	(9,026,146)	(70,080)	(9,096,226)	-
Net cash provided by (used in) operating activities	<u>\$ 1,325,847</u>	<u>\$ 31,862</u>	<u>\$ 1,357,709</u>	<u>\$ 304,248</u>
Cash Flows from Noncapital Financing Activities				
Noncapital grants	\$ 109,417	\$ -	\$ 109,417	\$ -
Transfers in	-	23,091	23,091	-
Transfers out	-	(23,097)	(23,097)	-
Net cash provided by (used in) noncapital financing activities	<u>\$ 109,417</u>	<u>\$ (6)</u>	<u>\$ 109,411</u>	<u>\$ -</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on long-term debt	\$ (676,746)	\$ (105,000)	\$ (781,746)	\$ -
Interest paid on long-term debt	(174,339)	(9,725)	(184,064)	-
Capital grants and contributions	157,982	-	157,982	-
Purchases of capital assets	(312,643)	-	(312,643)	-
Gain on disposal of capital assets	7,280	-	7,280	-
Net cash provided by (used in) capital and related financing activities	<u>\$ (998,466)</u>	<u>\$ (114,725)</u>	<u>\$ (1,113,191)</u>	<u>\$ -</u>
Cash Flows from Investing Activities				
Investment earnings received	\$ 26,012	\$ -	\$ 26,012	\$ -
Increase in noncurrent cash and investments	(1,104,211)	-	(1,104,211)	-
Decrease in investment in joint ventures	(216,214)	-	(216,214)	-
Decrease in physician receivables	(15,193)	-	(15,193)	-
Net cash provided by (used in) investing activities	<u>\$ (1,309,606)</u>	<u>\$ -</u>	<u>\$ (1,309,606)</u>	<u>\$ -</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (872,808)</u>	<u>\$ (82,869)</u>	<u>\$ (955,677)</u>	<u>\$ 304,248</u>
Cash and Cash Equivalents at January 1	<u>3,706,625</u>	<u>88,622</u>	<u>3,795,247</u>	<u>403,689</u>
Cash and Cash Equivalents at December 31	<u>\$ 2,833,817</u>	<u>\$ 5,753</u>	<u>\$ 2,839,570</u>	<u>\$ 707,937</u>

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, 2015
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities Internal Service Fund Self-Insurance
	<u>Hospital</u>	<u>Congregate Housing</u>	<u>Totals</u>	
Cash and Cash Equivalents - Exhibit 7				
Cash and pooled investments	\$ 2,833,817	\$ (247)	\$ 2,833,570	\$ 707,937
Restricted cash and pooled investments	-	6,000	6,000	-
Total Cash and Cash Equivalents	<u>\$ 2,833,817</u>	<u>\$ 5,753</u>	<u>\$ 2,839,570</u>	<u>\$ 707,937</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	<u>\$ (719,462)</u>	<u>\$ (21,989)</u>	<u>\$ (741,451)</u>	<u>\$ 292,100</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ 1,923,067	\$ 51,121	\$ 1,974,188	\$ -
Interest expense	174,339	-	174,339	-
Provision for bad debt expense	151,214	-	151,214	-
(Increase) decrease in accounts receivable	(490,954)	17	(490,937)	(18,990)
(Increase) decrease in inventories	15,562	-	15,562	-
(Increase) decrease in prepaid items	(4,446)	-	(4,446)	-
(Increase) decrease in deferred pension outflows	238,841	(5,147)	233,694	-
Increase (decrease) in accounts payable	161,796	(1,450)	160,346	18,378
Increase (decrease) in salaries payable	67,173	280	67,453	-
Increase (decrease) in third-party payor settlements	170,937	-	170,937	-
Increase (decrease) in compensated absences payable	-	2,108	2,108	-
Increase (decrease) in due to other governments	-	5	5	12,760
Increase (decrease) in other postemployment benefits	41,075	638	41,713	-
Increase (decrease) in net pension liability	(540,724)	(1,034)	(541,758)	-
Increase (decrease) in deferred pension inflows	137,429	7,313	144,742	-
Total adjustments	<u>\$ 2,045,309</u>	<u>\$ 53,851</u>	<u>\$ 2,099,160</u>	<u>\$ 12,148</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,325,847</u>	<u>\$ 31,862</u>	<u>\$ 1,357,709</u>	<u>\$ 304,248</u>
Noncash Investing, Capital, and Financing Activities				
County assessments for road improvements	\$ 51,674	\$ -	\$ 51,674	\$ -

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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, 2015

<u>Assets</u>	
Cash and pooled investments	<u>\$ 169,525</u>
<u>Liabilities</u>	
Accounts payable	\$ 35
Customer deposits	9,904
Due to other governments	<u>159,586</u>
Total Liabilities	<u>\$ 169,525</u>

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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. 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:

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
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
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Units (Continued)

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Murray County Economic Development Authority	The Authority's governing body is substantively the same as the governing body of the County, 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:

<u>Component Unit</u>	<u>Component Unit 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 and Jointly-Governed Organizations

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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.

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 enterprise funds as major funds.

The Hospital Enterprise Fund accounts for unrestricted donations received by the Hospital as nonoperating revenue in the period received. Donations restricted by donors or grantors for specific operating purposes are reported as nonoperating 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.
- 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- 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 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.

Additionally, the County reports the following fund types:

- The Internal Service Fund accounts for health insurance premiums and payments.
- Agency funds - are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets 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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary funds and the discretely presented component unit. 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 deposit or effectively withdraw cash at any time without prior notice or penalty.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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, 2015, 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 2015 were \$20,314.

The Hospital's investment income for the year ended December 31, 2015, was \$26,012 and is included in nonoperating revenues.

Murray County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The 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.

**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)

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.

Special assessments receivable consist of delinquent special assessments payable in the year 2015 and deferred special assessments payable in 2016 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material. All enterprise fund receivables are shown net of an allowance of uncollectibles.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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.

**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)

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 and the Congregate Housing Enterprise Fund had no capitalized interest.

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

<u>Assets</u>	<u>Years</u>
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

Investment in Southwest Minnesota Radiation, LLC

The Hospital was a 14 percent owner in Southwest Minnesota Radiation, LLC. This venture provided radiation therapy services to residents in southwest Minnesota and was dissolved during the 2014 fiscal year. The Hospital's interest at the time it was dissolved was (\$471,985). The Hospital paid back \$216,214 in 2015, with the remaining balance scheduled to be paid in 2017.

8. Compensated Absences

The liability for compensated absences reported in the 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 for compensated absences is

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Compensated Absences (Continued)

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, proprietary, and fiduciary 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 straight-line 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 other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Pension Plan (Continued)

benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. For governmental activities, the pension liability is liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, the pension liability is liquidated by the Congregate Housing and Hospital Enterprise Funds.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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 two items, deferred pension outflows and deferred charges on bond refunding, which qualify for reporting in this category. These outflows arise only under the full accrual basis of accounting. The deferred charges on bond refunding are being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, the differences between projected and actual earnings on pension plan investments, the difference between expected and actual pension plan economic experience, and also pension plan changes in actuarial assumptions. These outflows are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports 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 two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and deferred special assessments receivable, interest receivable, EDA revolving loans receivable, and grant monies receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Deferred Outflows/Inflows of Resources (Continued)

The unavailable revenue is deferred and recognized as an inflow of resources in the period in which it becomes available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, pension plan changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

12. Unearned/Unavailable Revenue

Proprietary funds, governmental funds, and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned. Governmental funds report unavailable revenue in connection with the receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

13. 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.
- 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.

**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. 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 are 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 in 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 imposed 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.
- Assigned - amounts the County intends to use for specific purposes that 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 fund 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
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

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 balance, 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.

15. 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, 2015, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

16. 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.

E. Hospital Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide payments to the Hospital at amounts different from 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,

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Hospital Net Patient Service Revenue (Continued)

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.

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 forgone for services and supplies furnished under the Hospital's charity care policy aggregated \$139,108 in 2015 and \$100,409 in 2014.

Revenue from the Medicare and Medicaid programs accounted for approximately 45 and 12 percent and 42 and 10 percent of the Hospital's net patient revenue for the years ended December 31, 2015 and 2014, 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, 2012.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Hospital Net Patient Service Revenue (Continued)

- 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.

F. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows and inflows of resources.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

F. Change in Accounting Principles (Continued)

The above restatement had the following impact on previously reported balances:

Statement of Activities	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Net Position, January 1, 2015, as previously reported	\$ 59,397,396	\$ 15,507,393	\$ 74,904,789
Change in accounting principles			
Net pension liability	(3,452,114)	(6,161,992)	(9,614,106)
Deferred pension inflows	-	(1,650,037)	(1,650,037)
Deferred pension outflows	167,129	962,637	1,129,766
Net Position, January 1, 2015, as restated	<u>\$ 56,112,411</u>	<u>\$ 8,658,001</u>	<u>\$ 64,770,412</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	Hospital	Congregate Housing
Net Position, January 1, 2015, as previously reported	\$ 15,436,591	\$ (119,606)
Change in accounting principles		
Net pension liability	(6,106,749)	(55,243)
Deferred pension inflows	(1,650,037)	-
Deferred pension outflows	960,210	2,427
Net Position, January 1, 2015, as restated	<u>\$ 8,640,015</u>	<u>\$ (172,422)</u>

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance/Net Position

The Ditch Fund Special Revenue Fund reports a deficit fund balance for the year ended December 31, 2015, of \$95,011. The issuance of General Obligation Bonds, Series 2016A, will eliminate the deficit.

The Congregate Housing Enterprise Fund had a deficit fund net position for the year ended December 31, 2015, of \$212,439. The County expects future excess of revenues over expenses will eliminate the deficit.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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	\$ 9,474,493
Petty cash and change funds	5,000
Business-type activities	
Cash and pooled investments	2,833,570
Restricted assets - cash and pooled investments	6,000
Noncurrent cash and investments	1,104,886
Component unit - Shetek Area Water and Sewer Commission	
Cash and pooled investments	106,250
Cash with fiscal agent	2,474,124
Restricted assets - cash and pooled investments	405,444
Statement of fiduciary net position	
Cash and pooled investments	169,525
Total Cash and Investments	\$ 16,579,292
Deposits	
Checking	\$ 1,218,546
Certificates of deposit	2,020,000
Invested in MAGIC Fund	3,449,622
Invested in Federal National Mortgage Association Bonds	2,461,303
Invested in negotiable certificates of deposit	7,412,000
Invested in Treasury Notes	12,821
Petty cash and change funds	5,000
Total Deposits, Cash on Hand, and Investments	\$ 16,579,292

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better and 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, 2015, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by 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;

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

- (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 that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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.

The following table presents the County's deposit and investment balances at December 31, 2015, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal National Mortgage Association Bonds	N/A	N/A		07/15/2016	\$ 12,303
Federal National Mortgage Association Bonds	N/A	N/A		01/15/2017	168,480
Federal National Mortgage Association Bonds	N/A	N/A		01/30/2017	<u>2,280,520</u>
Total Federal National Mortgage Association Bonds			>5%		<u>\$ 2,461,303</u>
U.S. Treasury Note	N/A	N/A	<5%	12/18/2031	<u>\$ 12,821</u>
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	>5%	N/A	<u>\$ 3,449,622</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration	Interest Rate	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Risk Maturity Date	
Negotiable certificates of deposit					
First Freedom Bank, TN	N/A	N/A	<5%	01/08/2016	\$ 248,000
Valley National Bank, OK	N/A	N/A	<5%	01/08/2016	248,000
First Advantage Bank, TN	N/A	N/A	<5%	01/08/2016	248,000
United Texas Bank, TX	N/A	N/A	<5%	01/08/2016	248,000
Middlefield Banking Company, OH	N/A	N/A	<5%	02/24/2016	248,000
CFG Community Bank, MD	N/A	N/A	<5%	02/24/2016	248,000
Pacific Western Bank, Los Angeles, CA	N/A	N/A	<5%	06/02/2016	248,000
East West Bank, CA	N/A	N/A	<5%	06/02/2016	248,000
Post Oak Bank, N.A., TX	N/A	N/A	<5%	06/02/2016	248,000
Western Alliance Bank, AZ	N/A	N/A	<5%	06/02/2016	248,000
Bank of The Ozarks, AR	N/A	N/A	<5%	06/02/2016	248,000
Financial Federal Savings Bank, TN	N/A	N/A	<5%	06/02/2016	248,000
Sonabank, VA	N/A	N/A	<5%	06/02/2016	248,000
Bank Leumi USA, NY	N/A	N/A	<5%	06/02/2016	247,000
Hometown Bank, VA	N/A	N/A	<5%	12/08/2016	245,000
Texas Republic Bank, N.A., TX	N/A	N/A	<5%	12/08/2016	244,000
Stearns Bank, N.A., MN	N/A	N/A	<5%	12/08/2016	244,000
EnerBank USA, UT	N/A	N/A	<5%	12/08/2016	244,000
Crestmark Bank, MI	N/A	N/A	<5%	12/09/2016	247,000
First Capital Bank, TN	N/A	N/A	<5%	12/09/2016	247,000
Kansas State Bank of Manhattan, KS	N/A	N/A	<5%	12/09/2016	247,000
Affiliated Bank, TX	N/A	N/A	<5%	12/09/2016	247,000
Wolverine Bank, FSB, MI	N/A	N/A	<5%	12/09/2016	247,000
CIT Bank, N.A., CA	N/A	N/A	<5%	12/09/2016	247,000
US Metro Bank, CA	N/A	N/A	<5%	12/09/2016	247,000
Modern Bank, N.A., NY	N/A	N/A	<5%	12/09/2016	247,000
American National Bank of MN, MN	N/A	N/A	<5%	12/09/2016	247,000
Pacific Enterprise Bank, CA	N/A	N/A	<5%	12/09/2016	247,000
Industrial & Commercial Bank of China	N/A	N/A	<5%	12/09/2016	247,000
Patriot Bank, OK	N/A	N/A	<5%	12/09/2016	247,000
Total negotiable certificates of deposit					\$ 7,412,000
Total investments					\$ 13,335,746
Checking					1,218,546
Certificates of deposit					2,020,000
Petty cash and change funds					5,000
Total Cash and Investments					\$ 16,579,292

N/A - Not Applicable
N/R - Not Rated
<5% - Concentration is less than 5% of investments
>5% - Concentration is more than 5% of investments

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities and business-type activities, including amounts not scheduled for collection during the subsequent year, follow. Receivables for business-type activities include the applicable allowances for uncollectible accounts.

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Receivables		
Taxes	\$ 53,650	\$ -
Special assessments	969,344	-
Accounts receivable	49,111	-
Loans receivable	530,434	436,450
Accrued interest receivable	28,529	-
Due from other governments	1,218,610	-
Due from component unit	956	-
Long-term receivable	235,000	235,000
	<u>\$ 3,085,634</u>	<u>\$ 671,450</u>
Total Receivables		

	Total Receivables	Less: Allowance for Uncollectibles	Total Receivables - Net	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities				
Receivables				
Accounts receivable	\$ 101,200	\$ -	\$ 101,200	\$ -
Patient receivables	3,545,255	(614,500)	2,930,755	-
	<u>\$ 3,646,455</u>	<u>\$ (614,500)</u>	<u>\$ 3,031,955</u>	<u>\$ -</u>
Total Receivables				

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

Due From Component Unit

The Shetek Area Water and Sewer Commission has a balance due to Murray County's General Fund at December 31, 2015, of \$956 for postage and billing. The balance is expected to be repaid in 2016.

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 1999 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 \$235,000 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, 2015.

Loans Receivable

In 2001, the Murray County Board transferred responsibility for managing and operating the Murray County Economic Development Revolving Loan Fund to the 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	\$ 779,126
Loans issued	387,000
Loan repayments	<u>(635,692)</u>
Ending Balance	<u>\$ 530,434</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 292,166	\$ 26,129	\$ -	\$ 318,295
Works of art and historical treasures	-	34,376	-	34,376
Right-of-way	427,690	-	-	427,690
Construction in progress	74,869	5,832	73,704	6,997
Total capital assets not depreciated	<u>\$ 794,725</u>	<u>\$ 66,337</u>	<u>\$ 73,704</u>	<u>\$ 787,358</u>
Capital assets depreciated				
Land improvements	\$ 532,226	\$ 9,435	\$ -	\$ 541,661
Buildings	7,474,288	286,885	8,866	7,752,307
Machinery and equipment	6,553,419	690,581	196,940	7,047,060
Infrastructure	66,525,955	1,987,453	-	68,513,408
Total capital assets depreciated	<u>\$ 81,085,888</u>	<u>\$ 2,974,354</u>	<u>\$ 205,806</u>	<u>\$ 83,854,436</u>
Less: accumulated depreciation for				
Land improvements	\$ 204,485	\$ 23,143	\$ -	\$ 227,628
Buildings	2,684,209	204,256	8,866	2,879,599
Machinery and equipment	3,952,424	515,923	196,940	4,271,407
Infrastructure	24,396,788	1,797,655	-	26,194,443
Total accumulated depreciation	<u>\$ 31,237,906</u>	<u>\$ 2,540,977</u>	<u>\$ 205,806</u>	<u>\$ 33,573,077</u>
Total capital assets depreciated, net	<u>\$ 49,847,982</u>	<u>\$ 433,377</u>	<u>\$ -</u>	<u>\$ 50,281,359</u>
Governmental Activities Capital Assets, Net	<u>\$ 50,642,707</u>	<u>\$ 499,714</u>	<u>\$ 73,704</u>	<u>\$ 51,068,717</u>

Construction in progress at December 31, 2015, consists of amounts completed on open road projects.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 182,513	\$ -	\$ -	\$ 182,513
Capital assets depreciated				
Land improvements	\$ 824,126	\$ -	\$ -	\$ 824,126
Buildings	20,135,798	-	-	20,135,798
Fixed equipment	1,292,386	7,615	-	1,300,001
Major movable equipment	8,490,814	356,510	-	8,847,324
Total capital assets depreciated	\$ 30,743,124	\$ 364,125	\$ -	\$ 31,107,249
Less: accumulated depreciation for				
Land improvements	\$ 292,253	\$ 42,875	\$ -	\$ 335,128
Buildings	6,315,786	1,127,404	-	7,443,190
Fixed equipment	1,034,161	39,951	-	1,074,112
Major movable equipment	6,174,013	763,958	-	6,937,971
Total accumulated depreciation	\$ 13,816,213	\$ 1,974,188	\$ -	\$ 15,790,401
Total capital assets depreciated, net	\$ 16,926,911	\$ (1,610,063)	\$ -	\$ 15,316,848
Business-Type Activities				
Capital Assets, Net	\$ 17,109,424	\$ (1,610,063)	\$ -	\$ 15,499,361

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

Governmental Activities	
General government	\$ 222,292
Public safety	180,869
Highways and streets, including depreciation of infrastructure assets	2,059,172
Sanitation	13,683
Culture and recreation, including depreciation of infrastructure assets	64,961
	<u>2,540,977</u>
Total Depreciation Expense - Governmental Activities	\$ 2,540,977
Business-Type Activities	
Hospital	\$ 1,923,067
Congregate Housing	51,121
	<u>1,974,188</u>
Total Depreciation Expense - Business-Type Activities	\$ 1,974,188

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue Fund	General Fund	\$ 555

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.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfer to Ditch Special Revenue Fund from General Fund	\$ 1,078,571	For ditch projects and interest
Transfer to EDA Special Revenue Fund from General Fund	139,316	Appropriation
Transfer to General Fund from Debt Service Fund	70,000	For purchase of two patrol cars
Transfer to Road and Bridge Special Revenue Fund from Debt Service Fund	271,240	For purchase of motor grader and truck
Transfer to General Fund from Congregate Housing Enterprise Fund	23,097	Temporary transfer and interest
Transfer to General Fund from Ditch Special Revenue Fund	973	Interest
Transfer to Congregate Housing Enterprise Fund from General Fund	23,091	Temporary transfer and interest
Total Interfund Transfers	\$ 1,606,288	

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 224,557	\$ 678,545
Salaries payable	151,196	1,121,498
Losses from joint ventures payable	-	255,525
Contracts payable	212,620	-
Due to other governments	108,671	99
Third-party payer settlements payable	-	170,937
Payable from restricted assets	-	6,000
	<u> </u>	<u> </u>
Total Payables	<u>\$ 697,044</u>	<u>\$ 2,232,604</u>

Construction Commitments

The County has active construction projects and other commitments as of December 31, 2015. The projects and commitments include the following:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Current Lake Park Bathroom - General Fund	\$ 105,117	\$ 300
Heartland Bus - General Fund	-	65,238
Pictometry - General Fund	6,800	164,628
Bridge Project - Road and Bridge Special Revenue Fund	210,569	264,803
Improvement Projects - Ditch Special Revenue Fund	881,354	103,528
	<u> </u>	<u> </u>
Total Construction Commitments	<u>\$ 1,203,840</u>	<u>\$ 598,497</u>

Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2015.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Unearned Revenues/Deferred Inflows of Resources

Deferred inflows of resources consist of special assessments, taxes, state grants, loans receivable, and accrued interest receivable not collected soon enough after year-end to pay liabilities of the current period. Unearned revenues and deferred inflows of resources at December 31, 2015, are summarized below by fund:

	Special Assessments	Taxes	Grants	Loans Receivable	Interest	Total
Governmental funds						
General Fund	\$ 557,341	\$ 34,440	\$ 190,922	\$ -	\$ 18,972	\$ 801,675
Special Revenue Funds						
Road and Bridge	-	8,566	1,056,400	-	-	1,064,966
Human Services	-	9,599	-	-	-	9,599
EDA	-	-	-	517,703	-	517,703
Ditch	412,003	-	-	-	-	412,003
Debt Service Fund	-	1,045	-	-	-	1,045
Total	<u>\$ 969,344</u>	<u>\$ 53,650</u>	<u>\$ 1,247,322</u>	<u>\$ 517,703</u>	<u>\$ 18,972</u>	<u>\$ 2,806,991</u>
Liability						
Unearned revenue	\$ -	\$ -	\$ 89,742	\$ -	\$ -	\$ 89,742
Deferred inflows of resources						
Unavailable revenue	969,344	53,650	1,157,580	517,703	18,972	2,717,249
Total	<u>\$ 969,344</u>	<u>\$ 53,650</u>	<u>\$ 1,247,322</u>	<u>\$ 517,703</u>	<u>\$ 18,972</u>	<u>\$ 2,806,991</u>

3. Long-Term Debt

Governmental Activities - Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2011A G.O. Capital Improvement Plan Bonds	2022	\$180,000 - \$220,000	0.60 - 2.75	<u>\$ 1,965,000</u>	\$ 1,415,000
Less: unamortized discount					<u>(11,222)</u>
Net G.O. Capital Improvement Plan Bonds					<u>\$ 1,403,778</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt

Governmental Activities - Bonds Payable (Continued)

<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, 2015</u>
Special assessment bonds with government commitment					
2007A G.O. Refunding Bonds	2029	\$25,000 - \$195,000	4.00 - 4.25	<u>\$ 1,625,000</u>	\$ 465,000
Less: unamortized discount					<u>(7,097)</u>
Net G.O. Special Assessment Bonds					<u>\$ 457,903</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, \$235,000, due from RRRWS, which will decrease as principal payments are made. Payments are reported in the Ditch Special Revenue Fund.

Murray County issued the Series 2011A General Obligation Capital Improvement Plan Bonds to provide funds for the construction of the 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 Debt Service 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 and Deferred Inflows of Resources

3. Long-Term Debt (Continued)

Business-Type Activities - Bonds Payable

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Average Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2015</u>
G.O. 2012A Housing Development Refunding Bonds	2022	\$100,000 - \$110,000	1.00 - 1.60	<u>\$ 960,000</u>	\$ 755,000
Less: unamortized discount					<u>(11,140)</u>
Total General Obligation Refunding Bonds, Net					<u>\$ 743,860</u>
Health Care Facilities Gross Revenue Bonds, Series 2012A	2028		3.0 - 3.125	<u>\$ 8,100,000</u>	<u>\$ 5,168,796</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 Hospital approved a bond resolution that includes an annual rate of 3.125 percent through the first 60 payments. On the 60th and the 120th payment dates, the interest rate will be adjusted to a rate per annum equal to 3.000 percent plus the Federal Home Loan Bank Advance Rate provided, however, in no event shall the interest rate on the bond be less than 2.625 percent, nor shall an increase in the annual rate exceed 1.5 percent. 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 and Deferred Inflows of Resources

3. Long-Term Debt (Continued)

Governmental Activities - Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
Cottonwood River CWP Project	2022	\$ 11,470	2.00	\$ 206,987	\$ 50,397
Beaver Creek CWP Project	2018	20,314	2.00	366,567	60,098
Rock River CWP Project	2023	524	2.00	9,459	7,267
Total Loans Payable				<u>\$ 583,013</u>	<u>\$ 117,762</u>

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 2.00 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 \$1,200,000 to be used for a County septic loan program. As of December 31, 2015, the County has issued \$1,094,234 to Murray County residents for the control and abatement of water pollution.

Governmental Activities - G.O. Capital Notes Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
G.O. 2014 Capital Notes	2018	\$114,000 - \$117,000	0.75 - 1.25	<u>\$ 346,000</u>	<u>\$ 346,000</u>

In 2014, the County issued \$346,000 General Obligation Capital Notes, Series 2014A. The County has pledged its full faith and credit for the repayment of principal and interest on these notes. Debt service on these notes is reported in the Debt Service Fund as they are expected to be repaid from tax revenues.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (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 required monthly payments of principal and interest, with an interest rate of 2.99 percent. The lease was paid in full at December 31, 2015.

5. Business-Type Activities - Special Assessments

The Hospital was assessed for road improvements to Juniper Avenue in the amount of \$51,674 by the City of Slayton for the year ended December 31, 2014. Annual installments of \$5,167 are scheduled to begin in 2016 and are expected to continue until 2026.

6. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Governmental Activities

Year Ending December 31	G.O. Capital Improvement Plan Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
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	200,000	18,500	20,000	7,940
2020	205,000	13,941	20,000	7,120
2021 - 2025	435,000	11,817	80,000	25,745
2026 - 2029	-	-	80,000	6,800
Total	<u>\$ 1,415,000</u>	<u>\$ 121,746</u>	<u>\$ 465,000</u>	<u>\$ 82,555</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Debt Service Requirements

Governmental Activities (Continued)

Year Ending December 31	G.O. Capital Notes		Loans Payable	
	Principal	Interest	Principal	Interest
2016	\$ 114,000	\$ 3,040	\$ 39,177	\$ 2,160
2017	115,000	2,038	26,983	1,438
2018	117,000	731	27,526	895
2019	-	-	7,236	446
2020	-	-	7,381	300
2021 - 2022	-	-	9,459	250
Total	<u>\$ 346,000</u>	<u>\$ 5,809</u>	<u>\$ 117,762</u>	<u>\$ 5,489</u>

Business-Type Activities

Year Ending December 31	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 393,476	\$ 155,590	\$ 105,000	\$ 8,675
2017	405,742	143,792	105,000	7,625
2018	419,134	130,902	105,000	6,575
2019	432,790	117,592	110,000	5,418
2020	446,579	104,155	110,000	4,070
2021 - 2025	2,462,077	297,098	220,000	3,437
2026 - 2027	608,998	11,725	-	-
Total	<u>\$ 5,168,796</u>	<u>\$ 960,854</u>	<u>\$ 755,000</u>	<u>\$ 35,800</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Changes in Long-Term Obligations

Long-term liability activity for the year ended December 31, 2015, 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	\$ 1,600,000	\$ -	\$ 185,000	\$ 1,415,000	\$ 190,000
Special assessment debt with government commitment	630,000	-	165,000	465,000	165,000
Less: unamortized discounts	<u>(20,428)</u>	<u>-</u>	<u>(2,109)</u>	<u>(18,319)</u>	<u>-</u>
Net bonds payable	\$ 2,209,572	\$ -	\$ 347,891	\$ 1,861,681	\$ 355,000
G.O. capital notes payable	346,000	-	-	346,000	114,000
Loans payable	156,168	-	38,406	117,762	39,177
Compensated absences	<u>617,730</u>	<u>339,595</u>	<u>306,831</u>	<u>650,494</u>	<u>67,288</u>
Governmental Activities Long-Term Liabilities	<u>\$ 3,329,470</u>	<u>\$ 339,595</u>	<u>\$ 693,128</u>	<u>\$ 2,975,937</u>	<u>\$ 575,465</u>

For the governmental activities, compensated absences are liquidated by the General Fund, the Road and Bridge Special Revenue Fund, and the EDA Special Revenue Fund.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Changes in Long-Term Obligations (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Housing Development Refunding Bond	\$ 860,000	\$ -	\$ 105,000	\$ 755,000	\$ 105,000
Hospital Revenue Bond	5,550,440	-	381,644	5,168,796	393,476
Hospital special assessment	-	51,674	-	51,674	5,005
MRI capital lease	295,102	-	295,102	-	-
Compensated absences	4,884	5,446	3,338	6,992	1,326
 Total long-term liabilities	 \$ 6,710,426	 \$ 57,120	 \$ 785,084	 \$ 5,982,462	 \$ 504,807
Less: unamortized discounts	(12,731)	-	(1,591)	(11,140)	-
 Business-Type Activities Long-Term Liabilities	 \$ 6,697,695	 \$ 57,120	 \$ 783,493	 \$ 5,971,322	 \$ 504,807

For the business-type activities, compensated absences are liquidated by the Congregate Housing Enterprise Fund.

8. 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, 2015, the amount of defeased debt outstanding but removed from financial statements amounted to \$750,000.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Murray County and the Murray County Medical Center (the Hospital) 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. PERA's defined benefit plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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 hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

The benefit provisions stated in the following paragraph 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 their public service.

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. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service 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 for each year of service.

For General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

3. Contributions

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$ 706,218
Public Employees Police and Fire Fund	102,429

The contributions are equal to the contractually required contributions as set by state statute.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County and the Hospital reported liabilities totaling \$8,276,482 for their proportionate shares of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's and the Hospital's proportions of the net pension liability were based on the County's and the Hospital's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's and the Hospital's total proportion was 0.1597 percent. It was 0.1888 percent measured as of June 30, 2014. The County and the Hospital recognized pension expense totaling \$598,434 for their proportionate shares of the General Employees Retirement Fund's pension expense.

The County and the Hospital reported their proportionate shares of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 62,480	\$ 417,276
Pension plan changes in actuarial assumptions	419,575	-
Difference between projected and actual investment earnings	256,586	710,617
Changes in proportion	-	1,025,229
Contributions paid to PERA subsequent to the measurement date	361,350	-
	<u>361,350</u>	<u>-</u>
Total	<u>\$ 1,099,991</u>	<u>\$ 2,153,122</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

The \$361,350 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ (456,444)
2017	(456,444)
2018	(697,471)
2019	195,878

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$738,552 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.065 percent. It was 0.069 percent measured as of June 30, 2014. The County recognized pension expense of \$119,642 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The County also recognized \$5,850 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 119,769
Difference between projected and actual investment earnings	128,681	-
Changes in proportion	-	36,001
Contributions paid to PERA subsequent to the measurement date	56,441	-
Total	\$ 185,122	\$ 155,770

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The \$56,441 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 1,016
2017	1,016
2018	1,016
2019	1,016
2020	(31,153)

Total Pension Expense

The total pension expense for all plans recognized by the County and the Hospital for the year ended December 31, 2015, was \$718,076.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the County's and the Hospital's total proportionate shares of the net pension liabilities calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's and the Hospital's total proportionate shares of the net pension liabilities would be if they were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Total proportionate shares of the General Employees Retirement Fund net pension liability	\$ 13,013,573	\$ 8,276,482	\$ 4,364,374
Public Employees Police and Fire Fund net pension liability	1,439,446	738,552	159,492

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

Five Commissioners from Murray County and one Supervisor from the Murray County Soil and Water Conservation District 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. 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.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2015, were:

	Employee	Employer
Contribution amount	\$ 7,386	\$ 7,386
Percentage of covered payroll	5%	5%

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities (Continued)

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 2015, there were approximately 78 participants in the plan, including no retirees. The projected net benefit payment is based on the assumptions, plan provisions, and participant data as of January 1, 2015. 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 \$9,518 for 2015.

The annual OPEB cost (expense) is allocated based on the County's health, dental, and life insurance costs through the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Ditch Special Revenue Fund, and the Economic Development Authority Special Revenue Fund.

The governmental activities OPEB liability is liquidated through the General Fund, other governmental funds that have personal services, and the Congregate Housing Enterprise Fund.

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 accrued liabilities (or funding excess) over a period not to exceed 30 years.

**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)

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	\$	67,354
Interest on net OPEB obligation		8,123
Adjustment to ARC		<u>(11,515)</u>
Annual OPEB cost (expense)	\$	63,962
Contributions made during the year		<u>(10,518)</u>
Increase in net OPEB obligation	\$	53,444
Net OPEB Obligation - Beginning of Year		<u>204,069</u>
Net OPEB Obligation - End of Year	\$	<u><u>257,513</u></u>

Of the \$53,444 increase in net OPEB obligation, \$52,806 represents governmental activities and \$638 represents business-type activities for the Congregate Housing Enterprise Fund. A portion of the year-end net OPEB obligation (\$3,748) is reported in the Congregate Housing Enterprise Fund business-type activity. The remaining \$253,765 year-end net OPEB obligation is reported in governmental 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, 2015, and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 46,290	\$ 10,987	23.7%	\$ 173,857
December 31, 2014	44,625	14,413	32.3	204,069
December 31, 2015	63,962	10,518	16.4	257,513

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities (Continued)

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$455,512, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$455,512. The covered payroll (annual payroll of active employees covered by the plan) was \$3,435,123, and the ratio of the UAAL to the covered payroll was 13.3 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.

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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Murray County's implicit rate of return on the General Fund.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities

Actuarial Methods and Assumptions (Continued)

The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 23 years.

2. Business-Type Activities

Certain employees of the Murray County Medical Center (the Hospital) 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, 2015, there were no retirees receiving health benefits from the Hospital's health plan.

Annual OPEB Cost and Net OPEB Obligation

The Hospital's annual OPEB cost (expense) 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Business-Type Activities

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

ARC	\$	63,039
Interest on net OPEB obligation		14,789
Adjustment to ARC		<u>(22,030)</u>
Annual OPEB cost (expense)	\$	55,798
Contributions made during the year		<u>(14,723)</u>
Increase in net OPEB obligation	\$	41,075
Net OPEB Obligation - Beginning of Year		<u>369,737</u>
Net OPEB Obligation - End of Year	\$	<u><u>410,812</u></u>

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, 2015, and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 96,944	\$ 34,345	35.4%	\$ 319,598
December 31, 2014	95,723	45,584	47.6	369,737
December 31, 2015	55,798	14,723	26.4	410,812

**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

As of January 1, 2015, the most recent actuarial valuation date, the Hospital had no assets to fund the plan. The actuarial accrued liability for benefits was \$367,842, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$367,842. The covered payroll (annual payroll of active employees covered by the plan) was \$5,940,926, and the ratio of the UAAL to the covered payroll was 6.2 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.

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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 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.

**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)

The initial health care trend rate was 7.25 percent, reduced by decrements to an ultimate rate of 5.0 percent after 9 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2015, was 23 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 and 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. 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 \$490,000 per claim in 2015 and \$500,000 in 2016. 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Risk Management (Continued)

The Murray County Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous three years in any of the policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

On October 25, 2013, Murray County entered into a joint powers agreement with three local counties (Lyon, Redwood, and Swift) and Southwest Health and Human Services to form the Minnesota Public Sector Collaborative to self-insure health insurance as of January 1, 2014. Premiums are withheld from employees and transferred into an internal service fund. Claims are managed and paid by a third party, and the County is billed weekly, in aggregate, for claims incurred.

The County established a limited risk management program for health coverage in 2014. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$50,000 stop-loss per person insured (employee and eligible dependent) per year (\$1,000,000 aggregate), for the health plan. Liabilities of the Self-Insurance Internal Service Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The December 31, 2015, liability is determined based on detailed reports received by the County from the third party administrator for claims incurred, adjusted, and paid through February 29, 2016. Changes in the balances of claims liabilities during the year are as follows:

Unpaid claims, January 1, 2015	\$ 79,508
Incurred claims	1,225,549
Claims payments	<u>(1,207,171)</u>
Unpaid claims, December 31, 2015	<u>\$ 97,886</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

Lincoln-Pipestone Rural Water System

At December 31, 2015, the Lincoln-Pipestone Rural Water System had \$32,402,123 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 (Jackson, 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 be required to 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 ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

B. Joint Ventures

Murray County has an ongoing financial interest or responsibility in the following 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 on 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.

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 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Health and Human Services (Continued)

Financing is provided by state and federal grants and appropriations from member counties. Murray County's contribution in 2015 for the human services function was \$1,099,081, and its contribution to the health services function was \$63,256.

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

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, 2015, were \$32,402,123.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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.

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 of the Commission's solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties in equal shares. The current assessment is \$1,500.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Regional Solid Waste Commission (Continued)

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

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 Des Moines Valley Health and Human Services (DVHHS) acts as fiscal host.

The Board shall take actions 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 by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56101.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Joint Powers Board

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communications Joint Powers Board. The Southwest Minnesota Regional Emergency Communications Joint Powers Board was established April 22, 2008, between Murray County, the Cities of Marshall and 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).

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 2015, Murray County did not contribute to the Joint Powers Board.

Southern Prairie Community Care

As of February 4, 2014, the Southern Prairie Health Purchasing Alliance changed its name to Southern Prairie Community Care. Chippewa, Cottonwood, Jackson, Kandiyohi, Lincoln, Lyon, Murray, Nobles, Redwood, Rock, Swift, and Yellow Medicine Counties entered into a joint powers agreement on June 26, 2012, to establish the Southern Prairie Health Purchasing Alliance, pursuant to the provisions of Minn. Stat. § 471.59. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Redwood, and Rock Counties in this agreement. The purpose of Southern Prairie Community Care 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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.

SW MN PIC is governed by the Chief Elected Official Board, which is composed of one representative from each member county. During 2015, Murray County provided \$2,140 in support to this organization.

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

Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota

Murray County, in conjunction with Cottonwood, Lincoln, Lyon, Nobles, Redwood, and Rock Counties, and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, has formed an agreement to coordinate the delivery of volunteer services to nonprofit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. The Board comprises one voting member from each participating county and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2015, Murray County made contributions of \$13,524 to the A.C.E. of Southwest Minnesota.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Supporting Hands Nurse Family Partnership Board

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, Kandiyohi, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Rock, Stevens, Swift, Traverse, and Yellow Medicine. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties in this agreement. Horizon Public Health represents Douglas, Grant, Pope, Stevens, and Traverse Counties in this agreement. Countryside Public Health represents Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties in this agreement. 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 2015, Murray County did not make a contribution to the Partnership, as a contribution was made by Southwest Health and Human Services.

McLeod County acts as fiscal agent for the Supporting Hands Nurse Family Partnership Board. A complete financial report of the Supporting Hands Nurse Family Partnership Board can be obtained from McLeod County at Supporting Hands Nurse Family Partnership Board, McLeod County, 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 Drug 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 Chief of Police and the Sheriff from each party.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Buffalo Ridge Drug Task Force (Continued)

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.

Plum Creek Library System

Murray County, along with 19 cities and 8 other counties participates in the 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. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of participating libraries. During 2015, Murray County provided \$67,665 to the Plum Creek Library System.

Complete financial statements of the Plum Creek Library System can be obtained at 290 South Lake Street, P. O. Box 697, Worthington, Minnesota 56187.

Buffalo Ridge Regional Transit

Buffalo Ridge Regional Transit (BRRT) was established between Murray, Pipestone, and Rock Counties, and the 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 and 174.21 through 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, Inc., is the fiscal agent. BRRT no longer provides transportation routes between the counties, but the Transit Board meets quarterly to discuss issues and efficiencies among the transportation departments.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Buffalo Ridge Regional Transit (Continued)

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 \$5,118 for calendar year 2015. This funding cap is set for each year not later than September 1 of the preceding calendar year.

C. Jointly-Governed Organizations

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

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides 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, Murray County contributed \$2,945 to the Project.

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 2015, Murray County paid \$1,000 to the Board.

Redwood-Cottonwood Rivers Control Area

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 2015, Murray County paid \$4,050 to the RCRCA.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Heron Lake Watershed District

The Heron Lake Watershed District was established to protect and improve water resources within the watershed border. The Murray 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 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 region. Control is vested 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 Communications 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, Murray County made no payments to the Joint Powers.

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. Murray County did not contribute to the SW-MIIC during 2015.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Sentencing to Service

Murray County, in conjunction with other local governments, participates in the State of Minnesota's Sentencing to Service (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 Cities of Marshall and 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 the 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. During the year, Murray County made payments of \$4,000 to the Southwest Minnesota Public Safety Board.

D. Agricultural Best Management Loan Program

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

E. 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, 2015, are:

Health care services	\$ 7,151,532
General and administrative	<u>9,485,469</u>
Total	<u>\$ 16,637,001</u>

F. Concentrations of Credit Risk - Hospital Enterprise Fund

The Hospital grants credit, without collateral, to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers and patients at December 31, 2015, follows:

Medicare	45%
Medicaid	12
Other third-party payers	32
Private pay	<u>11</u>
Total	<u>100%</u>

G. Subsequent Event

On December 1, 2015, the Board of Commissioners authorized the issuance of bonds to finance improvements to County Ditch Nos. 35, 73, and 82. On January 26, 2016, the Board finalized the sale of General Obligation Ditch Bonds, Series 2016A, for a total principal amount of \$1,695,000. The term of the bonds is 16 years, with principal payments starting on February 1, 2018. Murray County will levy special assessments from benefitting landowners to make debt service payments on the bonds.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

The accounting policies of the Shetek Area Water and Sewer Commission conform with 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 public health and welfare by providing an adequate and efficient means of collecting, conveying, pumping, treating, and disposing of domestic sewage and industrial waste within the Shetek Area. The Commission is governed by a five-member Board appointed by the Murray County Board of Commissioners. Each member of the Board must be a voter residing in the area.

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

2. Basis of Presentation

The accounts of the Shetek Area Water and Sewer Commission are presented as 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.

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

4. Assets and Liabilities

Deposits and Investments

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

Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows. 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.

Accounts and Special Assessments Receivable

The amount reported is receivable from the sewer system users for utility charges unpaid at December 31, 2015.

Special assessments receivable consist of delinquent special assessments payable in the year 2015 and deferred special assessments payable in 2016 and after. Unpaid special assessments at December 31, 2015, are classified in the financial statements as delinquent special assessments.

No allowances for uncollectible accounts receivable or special assessments receivable have been provided because such amounts are not expected to be material.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets and Liabilities (Continued)

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.

Special Assessments 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 recorded at historical cost. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets and Liabilities (Continued)

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

5. 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 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, 2015. As of December 31, 2015, the Commission had \$511,694 on deposit with Murray County.

2. Receivables

The Commission's special assessments receivable - noncurrent balance at December 31, 2015, of \$6,719,290 is not scheduled for collection during the subsequent year.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes (Continued)

3. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2015, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
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	497,215	-	-	497,215
Infrastructure	13,104,082	-	-	13,104,082
Total capital assets depreciated	\$ 15,377,242	\$ -	\$ -	\$ 15,377,242
Less: accumulated depreciation for				
Land improvements	\$ 173,756	\$ 22,913	\$ -	\$ 196,669
Building and structures	6,581	1,436	-	8,017
Machinery and equipment	199,497	33,591	-	233,088
Infrastructure	1,993,059	329,357	-	2,322,416
Total accumulated depreciation	\$ 2,372,893	\$ 387,297	\$ -	\$ 2,760,190
Total capital assets depreciated, net	\$ 13,004,349	\$ (387,297)	\$ -	\$ 12,617,052
Total Capital Assets, Net	\$ 13,390,395	\$ (387,297)	\$ -	\$ 13,003,098

Depreciation expense for 2015 was \$387,297.

4. Due to Primary Government

The Shetek Area Water and Sewer Commission has a balance due to Murray County's General Fund at December 31, 2015, of \$956 for postage and billing. The balance is expected to be repaid in 2016.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes (Continued)

5. Long-Term Obligations

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2007 Water Revenue Bonds	2018	\$45,000 - \$130,000	4.00 - 4.40	\$ 1,715,000	\$ 1,205,000
2007B Sewer Revenue Bonds	2018	\$75,000 - \$155,000	4.00 - 4.40	2,080,000	1,580,000
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>\$ 5,375,000</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/Sewer Revenue Bonds, Series 2007 and 2007B		G.O. Sewer Revenue Crossover Refunding Bonds, Series 2013A	
	Principal	Interest	Principal	Interest
2016	\$ 175,000	\$ 114,185	\$ -	\$ 53,377
2017	180,000	55,323	-	53,378
2018	2,430,000	-	225,000	51,127
2019	-	-	230,000	46,577
2020	-	-	235,000	41,928
2021 - 2025	-	-	1,225,000	137,638
2026 - 2028	-	-	675,000	20,551
Total	<u>\$ 2,785,000</u>	<u>\$ 169,508</u>	<u>\$ 2,590,000</u>	<u>\$ 404,576</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

5. 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. In 2014, the Minnesota Public Facilities Authority converted the \$3,589,451 Wastewater Infrastructure Fund Loan into a grant, in effect, reducing the payable portion of the note to zero. Amounts drawn or receivable on this note as of December 31, 2015, were \$11,299,849 from the Water Pollution Control Revolving 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.

Debt service requirements at December 31, 2015, are as follows:

Year Ended December 31	Minnesota Public Facilities Authority Loans	
	Water Pollution Control Revolving Fund	
	Principal	Interest
2016	\$ 535,000	\$ 60,290
2017	540,000	54,887
2018	545,000	49,433
2019	551,000	43,928
2020	557,000	38,363
2021 - 2025	2,868,000	106,330
2026 - 2029	373,335	3,771
Total	\$ 5,969,335	\$ 357,002

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)

6. 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	\$ 6,529,078	\$ -	\$ 559,743	\$ 5,969,335	\$ 535,000
General obligation bonds	5,540,000	-	165,000	5,375,000	175,000
Premium on general obligation bonds	9,796	-	712	9,084	-
Total Long-Term Liabilities	\$ 12,078,874	\$ -	\$ 725,455	\$ 11,353,419	\$ 710,000

7. 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 County refunded the Series 2013A Bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$144,456.

The bonds are valid and binding general obligations of Murray County, payable from net revenue of the Shetek Area Water and Sewer Commission, 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

7. Crossover Refunding (Continued)

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.

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 or omissions; and natural disasters for which the Commission carries commercial insurance through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool, for property insurance and workers' compensation. The Commission purchases only property insurance through LMCIT, as it does not have any employees. The pool currently operates as a common risk management and insurance program for municipal entities. The Commission pays an annual premium to the LMCIT. The LMCIT is self-sustaining through commercial companies for excess claims. The Commission retains the risk for the deductible portions of the 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 Murray County performs 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.

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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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,901,032	\$ 4,901,032	\$ 4,778,584	\$ (122,448)
Special assessments	259,857	259,857	280,473	20,616
Licenses and permits	28,650	28,650	35,985	7,335
Intergovernmental	985,269	1,170,797	1,417,303	246,506
Charges for services	412,080	412,080	438,473	26,393
Fines and forfeits	-	-	75	75
Gifts and contributions	800	800	9,344	8,544
Investment earnings	31,200	31,200	32,518	1,318
Miscellaneous	232,325	232,325	204,669	(27,656)
Total Revenues	\$ 6,851,213	\$ 7,036,741	\$ 7,197,424	\$ 160,683
Expenditures				
Current				
General government				
Commissioners	\$ 236,441	\$ 236,441	\$ 223,476	\$ 12,965
Community relations/web page development	59,724	60,864	50,523	10,341
Courts	20,000	20,000	16,015	3,985
Law library	9,000	9,000	709	8,291
Auditor/Treasurer	354,339	354,339	356,845	(2,506)
Accounting and auditing	50,000	50,000	48,409	1,591
County assessor	247,257	247,257	200,785	46,472
Elections	2,670	2,670	222	2,448
Assistive voting grant	59,000	59,000	8,580	50,420
Data processing and computer networking	157,327	164,127	183,434	(19,307)
Machines room	56,200	56,200	37,966	18,234
Motor pool	21,592	39,296	38,751	545
Human resources	182,533	182,990	173,451	9,539
Attorney	186,712	186,712	165,393	21,319
Recorder	206,819	206,819	172,027	34,792
Planning and zoning	116,489	116,489	93,762	22,727
Buildings and plant	524,291	567,375	450,460	116,915
Veterans services officer	21,510	28,507	30,273	(1,766)
License center	93,511	93,511	91,512	1,999
Other general government	16,500	20,300	40,323	(20,023)
Total general government	\$ 2,621,915	\$ 2,701,897	\$ 2,382,916	\$ 318,981

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	\$ 1,690,789	\$ 1,718,242	\$ 1,840,261	\$ (122,019)
E-911 system	99,792	99,792	77,786	22,006
Probation	39,817	39,817	33,961	5,856
Civil defense	88,992	179,231	204,888	(25,657)
Emergency medical services	-	39,786	39,786	-
Other public safety	5,500	5,500	3,575	1,925
Total public safety	\$ 1,924,890	\$ 2,082,368	\$ 2,200,257	\$ (117,889)
Sanitation				
Solid waste	\$ 93,456	\$ 93,456	\$ 87,677	\$ 5,779
Recycling	287,171	287,721	249,713	38,008
Other	725	725	780	(55)
Total sanitation	\$ 381,352	\$ 381,902	\$ 338,170	\$ 43,732
Culture and recreation				
Regional library	\$ 67,665	\$ 67,665	\$ 67,665	\$ -
Historical society	188,103	212,603	184,612	27,991
Senior citizens - A.C.E.	13,088	13,088	13,088	-
Transportation	254,124	302,682	306,420	(3,738)
Parks	311,215	399,957	404,089	(4,132)
Minnesota trails	29,356	29,356	28,568	788
Other	6,620	6,620	6,500	120
Total culture and recreation	\$ 870,171	\$ 1,031,971	\$ 1,010,942	\$ 21,029
Conservation of natural resources				
Extension	\$ 180,946	\$ 180,946	\$ 178,402	\$ 2,544
Soil and water conservation	194,989	194,989	197,404	(2,415)
Agricultural inspection	63,684	63,684	63,855	(171)
RCRCA	4,050	4,050	4,050	-
Environmental and land use advisory task force	50	50	-	50
Flood control	3,570	3,570	2,945	625
Agricultural society	32,830	32,830	32,809	21
Aquatic invasive species prevention	94,118	94,118	24,128	69,990
Water planning	119,093	119,093	85,460	33,633
Water quality loan program	124,000	124,000	126,555	(2,555)
Other conservation	10,131	10,131	3,866	6,265
Total conservation of natural resources	\$ 827,461	\$ 827,461	\$ 719,474	\$ 107,987

The notes to the required supplementary information are an integral part of this schedule.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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				
Other	\$ 2,140	\$ 2,140	\$ 2,140	\$ -
Intergovernmental				
Health	\$ 63,256	\$ 63,256	\$ 63,256	\$ -
Debt service				
Principal	\$ 85,333	\$ 85,333	\$ 38,406	\$ 46,927
Interest	3,383	3,383	2,932	451
Total debt service	<u>\$ 88,716</u>	<u>\$ 88,716</u>	<u>\$ 41,338</u>	<u>\$ 47,378</u>
Total Expenditures	<u>\$ 6,779,901</u>	<u>\$ 7,179,711</u>	<u>\$ 6,758,493</u>	<u>\$ 421,218</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 71,312</u>	<u>\$ (142,970)</u>	<u>\$ 438,931</u>	<u>\$ 581,901</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 94,070	\$ 94,070
Transfers out	(139,316)	(139,316)	(1,240,978)	(1,101,662)
Total Other Financing Sources (Uses)	<u>\$ (139,316)</u>	<u>\$ (139,316)</u>	<u>\$ (1,146,908)</u>	<u>\$ (1,007,592)</u>
Net Change in Fund Balance	\$ (68,004)	\$ (282,286)	\$ (707,977)	\$ (425,691)
Fund Balance - January 1	4,904,504	4,904,504	4,904,504	-
Increase (decrease) in inventories	-	-	(1,186)	(1,186)
Fund Balance - December 31	<u>\$ 4,836,500</u>	<u>\$ 4,622,218</u>	<u>\$ 4,195,341</u>	<u>\$ (426,877)</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,176,019	\$ 1,176,019	\$ 1,122,060	\$ (53,959)
Licenses and permits	4,000	4,000	21,350	17,350
Intergovernmental	4,370,725	4,370,725	4,429,189	58,464
Charges for services	1,000	1,000	17,323	16,323
Miscellaneous	80,000	80,000	75,181	(4,819)
Total Revenues	\$ 5,631,744	\$ 5,631,744	\$ 5,665,103	\$ 33,359
Expenditures				
Current				
Highways and streets				
Administration	\$ 300,474	\$ 300,574	\$ 294,465	\$ 6,109
Maintenance	1,686,512	1,686,512	1,699,173	(12,661)
Engineering	257,360	257,360	120,676	136,684
Construction	2,352,336	2,776,436	2,344,151	432,285
Maintenance and shop	670,932	671,932	493,946	177,986
Total highways and streets	\$ 5,267,614	\$ 5,692,814	\$ 4,952,411	\$ 740,403
Intergovernmental				
Highways and streets	414,332	414,332	437,696	(23,364)
Total Expenditures	\$ 5,681,946	\$ 6,107,146	\$ 5,390,107	\$ 717,039
Excess of Revenues Over (Under)				
Expenditures	\$ (50,202)	\$ (475,402)	\$ 274,996	\$ 750,398
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ 271,240	\$ 271,240
Proceeds from the sale of capital assets	46,000	46,000	30,000	(16,000)
Total Other Financing Sources (Uses)	\$ 46,000	\$ 46,000	\$ 301,240	\$ 255,240
Net Change in Fund Balance	\$ (4,202)	\$ (429,402)	\$ 576,236	\$ 1,005,638
Fund Balance - January 1	2,432,974	2,432,974	2,432,974	-
Increase (decrease) in inventories	-	-	(33,456)	(33,456)
Fund Balance - December 31	\$ 2,428,772	\$ 2,003,572	\$ 2,975,754	\$ 972,182

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,074,788	\$ 1,074,788	\$ 1,028,755	\$ (46,033)
Intergovernmental	32,191	32,191	78,935	46,744
Total Revenues	\$ 1,106,979	\$ 1,106,979	\$ 1,107,690	\$ 711
Expenditures				
Intergovernmental				
Human services	1,106,979	1,106,979	1,107,690	(711)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ -	\$ -	\$ -	\$ -

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
EDA SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 22,624	\$ 22,624	\$ 13,970	\$ (8,654)
Miscellaneous	<u>180,090</u>	<u>180,090</u>	<u>623,764</u>	<u>443,674</u>
Total Revenues	\$ 202,714	\$ 202,714	\$ 637,734	\$ 435,020
Expenditures				
Current				
Economic development				
Economic Development Commission	<u>150,740</u>	<u>500,740</u>	<u>474,626</u>	<u>26,114</u>
Excess of Revenues Over (Under)				
Expenditures	\$ 51,974	\$ (298,026)	\$ 163,108	\$ 461,134
Other Financing Sources (Uses)				
Transfers in	<u>139,316</u>	<u>139,316</u>	<u>139,316</u>	<u>-</u>
Net Change in Fund Balance	\$ 191,290	\$ (158,710)	\$ 302,424	\$ 461,134
Fund Balance - January 1	<u>779,223</u>	<u>779,223</u>	<u>779,223</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 970,513</u></u>	<u><u>\$ 620,513</u></u>	<u><u>\$ 1,081,647</u></u>	<u><u>\$ 461,134</u></u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015**

Governmental Activities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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	0.00%	\$ 3,126,758	8.2%
January 1, 2012	-	314,837	314,837	0.00	3,270,214	9.6
January 1, 2015	-	455,512	455,512	0.00	3,435,123	13.3

Business-Type Activities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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	0.00%	\$ 4,327,814	12.9%
January 1, 2012	-	615,316	615,316	0.00	5,989,798	10.3
January 1, 2015	-	367,842	367,842	0.00	5,940,926	6.2

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1597%	\$ 8,276,482	\$ 9,971,624	83.00%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 706,218	\$ 706,218	\$ -	\$ 9,930,794	7.11%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.065%	\$ 738,552	\$ 604,170	122.24%	86.61%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 102,429	\$ 102,429	-	\$ 632,278	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for all governmental funds, except the Ditch Special Revenue 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 funds:

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Final Budget</u>
General Fund	\$ 6,779,901	\$ 399,810	\$ 7,179,711
Road and Bridge Special Revenue Fund	5,681,946	425,200	6,107,146
EDA Special Revenue Fund	150,740	350,000	500,740

4. Excess of Expenditures Over Budget

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Human Services Special Revenue Fund	\$ 1,107,690	\$ 1,106,979	\$ 711

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. 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 actuarial accrued liability for postemployment benefits is zero. See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

Significant Actuarial Assumption Changes

2012

The County obtained an actuarial valuation 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.

2015

The County obtained an actuarial valuation as of January 1, 2015. Since the last actuarial valuation as of January 1, 2012, the following actuarial assumptions have changed:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from the projection of RP 2000 rates to 2012 (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- The discount rate was changed from 4.50 percent to 4.00 percent.

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 233,321	\$ 233,321	\$ 222,202	\$ (11,119)
Intergovernmental	-	-	11,156	11,156
Investment earnings	-	-	137	137
Total Revenues	<u>\$ 233,321</u>	<u>\$ 233,321</u>	<u>\$ 233,495</u>	<u>\$ 174</u>
Expenditures				
General government				
Other general government	\$ -	\$ -	\$ 870	\$ (870)
Debt service				
Principal	185,000	185,000	185,000	-
Interest	35,842	35,842	35,842	-
Administrative charges	-	-	495	(495)
Total Expenditures	<u>\$ 220,842</u>	<u>\$ 220,842</u>	<u>\$ 222,207</u>	<u>\$ (1,365)</u>
Excess of Revenues Over (Under) Expenditures	\$ 12,479	\$ 12,479	\$ 11,288	\$ (1,191)
Other Financing Sources (Uses)				
Transfers out	-	-	(341,240)	(341,240)
Net Change in Fund Balance	\$ 12,479	\$ 12,479	\$ (329,952)	\$ (342,431)
Fund Balance - January 1	<u>669,440</u>	<u>669,440</u>	<u>669,440</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 681,919</u></u>	<u><u>\$ 681,919</u></u>	<u><u>\$ 339,488</u></u>	<u><u>\$ (342,431)</u></u>

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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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LIME CREEK SUBORDINATE SERVICE DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 12,020	\$ -	\$ 2,081	\$ 9,939
<u>Liabilities</u>				
Accounts payable	\$ 68	\$ 35	\$ 68	\$ 35
Customer deposits	11,952	68	2,116	9,904
Total Liabilities	\$ 12,020	\$ 103	\$ 2,184	\$ 9,939
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 116,834	\$ 16,239,091	\$ 16,196,339	\$ 159,586
<u>Liabilities</u>				
Due to other governments	\$ 116,834	\$ 16,239,091	\$ 16,196,339	\$ 159,586
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 128,854	\$ 16,239,091	\$ 16,198,420	\$ 169,525
<u>Liabilities</u>				
Accounts payable	\$ 68	\$ 35	\$ 68	\$ 35
Customer deposits	11,952	68	2,116	9,904
Due to other governments	116,834	16,239,091	16,196,339	159,586
Total Liabilities	\$ 128,854	\$ 16,239,194	\$ 16,198,523	\$ 169,525

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OTHER SCHEDULE

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Funds
Shared Revenue	
State	
Highway users tax	\$ 4,195,138
Market value credit	279,401
PERA rate reimbursement	11,609
Disparity reduction aid	25,685
Police aid	82,415
County program aid	152,276
Local performance aid	1,187
Enhanced 911	79,559
Aquatic invasive species aid	94,118
Select Committee on Recycling and the Environment (SCORE)	69,692
	\$ 4,991,080
Reimbursement for Services	
Local	
Red Rock Rural Water System	\$ 20,198
Payments	
Local	
Local contributions	\$ 59,225
Payments in lieu of taxes	302,587
	\$ 361,812
Grants	
State	
Minnesota Department/Board/Office of	
Corrections	\$ 11,427
Health	440
Public Safety	8,558
Natural Resources	105,740
Transportation	50,500
Water and Soil Resources	59,493
Veterans Affairs	7,450
Historical Society	4,754
Peace Officer Standards and Training Board	4,331
Pollution Control Agency	44,036
	\$ 296,729

**MURRAY COUNTY
SLAYTON, MINNESOTA**

***EXHIBIT D-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Funds
	<hr/>
Grants (Continued)	
Federal	
Department of Transportation	\$ 183,556
Homeland Security	<hr/> 140,491
Total federal	<hr/> \$ 324,047
Total state and federal grants	<hr/> \$ 620,776
Total Intergovernmental Revenue	<hr/> \$ 5,993,866 <hr/>

SHETEK AREA WATER AND SEWER COMMISSION

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT E-1

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Assets

Current assets

Cash and pooled investments	\$ 106,250
Cash with fiscal agent	2,474,124
Special assessments receivable	
Current	427,395
Delinquent	4,464
Interest receivable - special assessments	2,616
Accounts receivable	23,858
Due from other governments	416
Inventory	80,664

Total current assets, unrestricted **\$ 3,119,787**

Restricted assets

Cash and pooled investments	405,444
-----------------------------	---------

Total current assets **\$ 3,525,231**

Noncurrent assets

Special assessments receivable	\$ 6,719,290
Capital assets	
Nondepreciable	386,046
Depreciable - net	12,617,052

Total noncurrent assets **\$ 19,722,388**

Total Assets **\$ 23,247,619**

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT E-1
(Continued)**

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Liabilities

Current liabilities

Accounts payable	\$	1,262
Salaries payable		181
Due to primary government		956
Accrued interest payable		96,414
Customer deposits		4,679
General obligation bonds payable - current		175,000
Revenue notes payable - current		535,000
		535,000

Total current liabilities **\$ 813,492**

Noncurrent liabilities

General obligation bonds payable - long-term	\$	5,209,084
Revenue notes payable - long-term		5,434,335
		5,434,335

Total noncurrent liabilities **\$ 10,643,419**

Total Liabilities **\$ 11,456,911**

Net Position

Net investment in capital assets	\$	1,658,763
Restricted for		
Debt service		310,893
Wastewater system replacement		94,551
Unrestricted		9,726,501
		9,726,501

Total Net Position **\$ 11,790,708**

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT E-2

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

Operating Revenues	
Sewer utility charges	\$ 366,171
Charges for services	375
Miscellaneous	762
	<hr/>
Total Operating Revenues	\$ 367,308
Operating Expenses	
Personal services	\$ 5,205
Professional services	128,073
Other services and charges	52,016
Supplies	66,203
Insurance	6,249
Depreciation	387,297
	<hr/>
Total Operating Expenses	\$ 645,043
Operating Income (Loss)	\$ (277,735)
Nonoperating Revenues (Expenses)	
Interest income	\$ 20,567
Administrative charges	(945)
Interest expense	(234,446)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (214,824)
Income (Loss) Before Contributions	\$ (492,559)
Capital contributions	239,978
	<hr/>
Change in net position	\$ (252,581)
Net Position - January 1	12,043,289
	<hr/>
Net Position - December 31	\$ 11,790,708
	<hr/> <hr/>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT E-3

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Cash Flows from Operating Activities	
Cash received from customers	\$ 370,785
Cash received from vendor	762
Cash paid to employees	(5,025)
Cash paid for supplies and professional services	<u>(260,287)</u>
Net cash provided by (used in) operating activities	<u>\$ 106,235</u>
Cash Flows from Capital and Related Financing Activities	
Special assessments	\$ 725,482
Principal paid on long-term debt	(724,743)
Interest paid on bonds	(65,860)
Interest paid on revenue notes	<u>(121,970)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (187,091)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 2,011</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (78,845)
Cash and Cash Equivalents at January 1	<u>590,539</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 511,694</u></u>
Cash and Cash Equivalents - Exhibit E-1	
Cash and pooled investments	\$ 106,250
Restricted cash and pooled investments	<u>405,444</u>
Total Cash and Cash Equivalents	<u><u>\$ 511,694</u></u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT E-3
(Continued)**

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ <u>(277,735)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 387,297
(Increase) decrease in accounts receivable	1,574
(Increase) decrease in due from other governments	2,507
(Increase) decrease in inventory	(3,617)
Increase (decrease) in accounts payable	(1,568)
Increase (decrease) in due to primary government	(690)
Increase (decrease) in salaries payable	181
Increase (decrease) in customer deposits payable	57
Increase (decrease) in contracts payable	<u>(1,771)</u>
Total adjustments	\$ <u>383,970</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>106,235</u></u>

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MURRAY COUNTY

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM 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 Board and 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 limited in resources and in the number of individuals it can hire. The County has implemented internal controls in an attempt to mitigate this risk as much as possible.

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.

ITEM ARISING THIS YEAR

Finding 2015-001

Audit Adjustment

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 a material adjustment that resulted in a significant change 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. Independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustment was reviewed and approved by the appropriate County staff and is reflected in the financial statements: increased the contracts payable liability and conservation of natural resources expenditures by \$98,488 in the Ditch Special Revenue Fund for work performed on County Ditch No. 35 completed in 2015 but not paid for until 2016.

Cause: The County did not record the contracts payable liability and the expenditures, anticipating that it would result in a deficit fund balance in the Ditch Special Revenue Fund. Several transfers were made from the General Fund to the Ditch Special Revenue Fund in order to maintain a positive fund balance in the Ditch Special Revenue Fund until the ditch bond proceeds were received in 2016; however, the contracts payable were not considered in the final transfer made at the end of 2015.

Recommendation: We recommend County staff review their financial statement closing procedures and trial balances and journal entries in detail to ensure that all significant adjustments have been made appropriately that are considered necessary to fairly present the County's financial statements in accordance with generally accepted accounting principles.

Client's Response:

The County staff will review financial statement closing procedures, trial balances and journal entries in detail to ensure that all significant adjustments have been made appropriately.

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

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 or a summary of the statements in a qualified form prescribed by the Office of the State Auditor for 2012, 2013, or 2014.

Context: In lieu of publishing the financial statements, the County posted on its website for a short time the audited financial statements for the years ended December 31, 2012, 2013, and 2014.

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

Cause: The County Board and management believe posting the audited financial statements on the County's website is adequate to inform the public. The County Board does not wish to incur the additional cost of publication and continues to make the information physically available at the County Government Center for public inspection.

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 continue to weigh the cost vs. benefit of publishing the County's financial statements annually as required by Minn. Stat. § 375.17 and make the most fiscally responsible decision that still keeps the public adequately informed.

Finding 2014-001

Publishing Claims Paid

Criteria: Minnesota Statutes § 375.12 requires that County Board minutes be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12.

Condition: Murray County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000 as provided by Minn. Stat. § 375.12.

Context: The publication of County Board minutes provides only a summary by fund for County Board-approved payments made during the respective meeting. The County is concerned that publishing an itemized list of County Board-approved payments over \$2,000 would add substantial cost.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County Board and management believe publishing a summary of bills paid as approved by the County Board is adequate to inform the public of the substance of the proceedings. The County Board does not wish to incur the additional cost of publication and continues to make the information physically available at the County Government Center.

Recommendation: We recommend the County comply with the above-noted statute and publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000.

Client's Response:

Murray County will continue to analyze the cost vs. benefits of publishing an itemized list of County Board-approved payments over \$2,000 as required by Minn. Stat. § 375.12 and make the most fiscally responsible decision that still keeps the public adequately informed.

ITEM ARISING THIS YEAR

Finding 2015-002

Withholding Affidavit for Contractors (Form IC-134)

Criteria: Minnesota Stat. § 270C.66 states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain a certificate by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minn. Stat. § 290.92.

Condition: In January 2015, a contract was let with Barn Doctors, Inc., for building improvements at the County's Historical Museum. Another contract was let in March 2015 with Lindberg Construction for improvements at Seven Mile Park. Final payment was made on each contract before a Form IC-134, which requires certification of employee withholdings, was received from each contractor and approved by the Minnesota Department of Revenue. Both contracts involved the employment of individuals for wages by the contractors.

Context: Final payments were made to Barn Doctors, Inc., on May 7, 2015, and Lindberg Construction on June 25, 2015, without each having a Form IC-134 on file.

Effect: Noncompliance with Minn. Stat. § 270C.66.

Cause: The County Auditor-Treasurer believed a Form IC-134 should only be filed on contracts greater than \$100,000.

Recommendation: We recommend the County obtain the required Form IC-134 Withholding Affidavit before final payment is made to contractors and subcontractors on all contracts involving the employment of individuals for wages.

Client's Response:

The County will obtain the required Form IC-134 before final payment is made to contractors and subcontractors on all contracts involving the employment of individuals for wages.

PREVIOUSLY REPORTED ITEM RESOLVED

Publication of Summary Budget (2013-001)

A summary budget statement is required to be published annually by Minn. Stat. § 375.169 in a form prescribed by the State Auditor in the County's official newspaper or a qualified newspaper of general circulation. During each prior audit, we found that the County did not publish summary budget statements for 2013, 2014, or 2015.

Resolution

The County provided an affidavit of publication it obtained, confirming the 2016 summary budget statement was published in the County's newspaper on February 8, 2016.



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
Slayton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 27, 2016. Our report includes a reference to other auditors who 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. This report does not include the results of our audit testing of the Shetek Area Water and Sewer Commission component unit's internal control over financial reporting or compliance and other matters that are reported on separately within this annual financial report.

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 Recommendations, 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 Recommendations as item 2015-001 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 Recommendations 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 Counties*, 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 Counties*, except as described in the Schedule of Findings and Recommendations as items 2013-002, 2014-001, and 2015-002. 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 Recommendations. 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 Counties* 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

October 27, 2016

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SHETEK AREA WATER AND SEWER COMMISSION

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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 Members
Shetek Area Water and Sewer Commission
Slayton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Murray County, Minnesota, which include as supplementary information, the financial statements of the Shetek Area Water and Sewer Commission, a discretely presented component unit, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Shetek Area Water and Sewer Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 the attention of those charged with governance.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shetek Area Water and Sewer Commission'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 Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Commission's financial statements: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories in conjunction with our audit of the financial statements of Murray County. We did not test for compliance with the provisions for tax increment financing because the Shetek Area Water and Sewer Commission has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the Shetek Area Water and Sewer Commission failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 Commission's noncompliance with the above referenced provisions.

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 Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission'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

October 27, 2016