

# STATE OF MINNESOTA

## Office of the State Auditor



**Julie Blaha**  
**State Auditor**

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

**YEAR ENDED DECEMBER 31, 2018**

## **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 100 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 Minnesota’s local 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, 2018**



**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  
2018**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1st District	James Jens <sup>1</sup>	January 2021
2nd District	Lori Gunnink	January 2021
3rd District	Gerald Magnus	January 2019
4th District	Glenn Kluis	January 2019
5th District	Dave Thiner <sup>2</sup>	January 2021
<b>Officers</b>		
<b>Elected</b>		
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
<b>Appointed</b>		
Assessor	Marcy Barritt	Indefinite
Coordinator	Aurora Heard	Indefinite
Highway Engineer	Randy Groves	Indefinite
Court Administrator	Scott Kelly	Indefinite
Veterans Service Officer	James Reinert	Indefinite
Coroner	Dr. Michael B. McGee	December 2018

<sup>1</sup>Chair for 2018

<sup>2</sup>Chair for 2019

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**ORGANIZATION SCHEDULE  
SHETEK AREA WATER AND SEWER COMMISSION  
2018**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Commissioners		
Jamie Thomazin	Chair	December 2019
Donna Kor	Vice Chair	December 2021
Jon Hoyme	Secretary	December 2018
Harley Wahl	Member	December 2020
Trevor Humphrey	Member	December 2021
David Maguire	Member	December 2021
Greg Grant	Member	December 2020



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JULIE BLAHA  
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, 2018, 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, which is both a major fund (Hospital Enterprise Fund) and 94 percent, 93 percent, and 98 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital Enterprise Fund, 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 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, 2018, 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.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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 Supplementary 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 December 6, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Murray County's and the Shetek Area Water and Sewer Commission component unit's 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/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

December 6, 2019

*/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, 2018  
(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, 2018. 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 \$61,473,723, of which \$51,144,269 is the County's net investment in capital assets, and \$3,455,873 is restricted for specific purposes. The unrestricted net position of \$6,873,581 may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's governmental activities' net position increased by \$2,852,946 for the year ended December 31, 2018.
- The net cost of governmental activities for the current fiscal year was \$6,746,910. General revenues and transfers totaling \$9,599,856 funded the net cost.
- The General Fund's fund balance increased by \$102,139, the Road and Bridge Special Revenue Fund's fund balance decreased by \$73,849, the Human Services Special Revenue Fund saw no change, the EDA Special Revenue Fund's fund balance decreased by \$52,687, and the Ditch Special Revenue Fund's fund balance increased by \$1,178,612.
- For the year ended December 31, 2018, the unassigned fund balance of the General Fund was \$3,289,237.

**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 full accrual basis of accounting, with the difference (assets plus deferred outflows of resources, less liabilities and deferred inflows of resources) 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, Ditch Special Revenue Fund, EDA Special Revenue Fund, Debt Service Fund, and Capital Projects 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.

The County presents the Shetek Area Water and Sewer Commission as a discretely presented component unit.

### **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 111 of this report.

## Other Information

Other information is provided as supplementary information regarding Murray County's intergovernmental revenue and financial statements for the Shetek Area Water and Sewer Commission.

## 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 of resources exceeded liabilities and deferred inflows of resources by \$67,038,132 at the close of 2018. The largest portion of Murray County's net position (86.3 percent) reflects the net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2017 is presented.

	Net Position (in thousands)			2017
	2018			
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current and other assets	\$ 19,099	\$ 7,851	\$ 26,950	\$ 24,978
Capital assets	51,978	11,155	63,133	63,673
<b>Total Assets</b>	<b>\$ 71,077</b>	<b>\$ 19,006</b>	<b>\$ 90,083</b>	<b>\$ 88,651</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension outflows	\$ 1,546	\$ 921	\$ 2,467	\$ 3,707
Deferred other postemployment benefits outflows	6	8	14	-
Deferred charges on bond refunding	-	21	21	29
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,552</b>	<b>\$ 950</b>	<b>\$ 2,502</b>	<b>\$ 3,736</b>
<b>Liabilities</b>				
Long-term liabilities	\$ 8,074	\$ 10,237	\$ 18,311	\$ 20,005
Other liabilities	708	2,440	3,148	3,179
<b>Total Liabilities</b>	<b>\$ 8,782</b>	<b>\$ 12,677</b>	<b>\$ 21,459</b>	<b>\$ 23,184</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension inflows	\$ 2,338	\$ 1,715	\$ 4,053	\$ 4,420
Prepaid property taxes	35	-	35	92
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,373</b>	<b>\$ 1,715</b>	<b>\$ 4,088</b>	<b>\$ 4,512</b>



	2018			2017
	Governmental Activities	Business-Type Activities	Total	
Net Position				
Net investment in capital assets	\$ 51,144	\$ 6,742	\$ 57,886	\$ 57,603
Restricted	3,456	-	3,456	2,873
Unrestricted	6,874	(1,178)	5,696	4,215
Total Net Position, as reported	\$ 61,474	\$ 5,564	\$ 67,038	\$ 64,691
Change in accounting principle*				288
Total Net Position, as restated				\$ 64,979

\*The January 1, 2018, net position was increased by \$288,239 to adopt new accounting guidance by implementing the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Unrestricted net position in the amount of \$5,696,076—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 8.5 percent of net position.

### Governmental Activities

The County’s governmental activities’ net position increased by 4.9 percent, (\$61,473,723 for 2018 compared to \$58,620,777 for 2017). Key elements in this increase in net position are as follows for 2018, with comparative data for 2017.

	Governmental Activities Changes in Net Position (in thousands)	
	2018	2017
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 2,859	\$ 1,648
Operating grants and contributions	6,241	5,197
Capital grants and contributions	119	384
General revenues		
Property taxes	6,746	6,432
Other	2,854	2,409
Total Revenues	\$ 18,819	\$ 16,070

	<u>2018</u>	<u>2017</u>
Expenses		
General government	\$ 3,022	\$ 2,801
Public safety	2,593	2,346
Highways and streets	6,437	5,287
Sanitation	348	351
Human services	1,206	1,179
Health	107	94
Culture and recreation	699	632
Conservation of natural resources	1,245	1,643
Economic development	242	296
Interest	67	79
	<u>15,966</u>	<u>14,708</u>
Total Expenses	\$ 15,966	\$ 14,708
Change in Net Position	\$ 2,853	\$ 1,362
Net Position – January 1, as restated	<u>58,621*</u>	<u>57,175</u>
Net Position – December 31, as reported	<u>\$ 61,474</u>	<u>\$ 58,537</u>

\*Amount includes a change in accounting principles.

The cost of all governmental activities for 2018 was \$15,966,168 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 \$6,746,910. The amount paid by those who directly benefited from the programs was \$2,859,004, and the amount paid by other governments and organizations to subsidize certain programs with operating grants and contributions was \$6,241,014. Capital grants and contributions were \$119,240. The County paid for the remaining “public benefit” portion of governmental activities with \$834,030 in grants and contributions not restricted to specific programs, \$6,745,699 in property taxes, and \$1,061,593 in wind and solar 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  
2018  
(in thousands)**

	<u>Total Cost of Services</u>	<u>Net Cost (Revenue) of Services</u>
General government	\$ 3,022	\$ 2,635
Public safety	2,593	2,155
Highways and streets	6,437	957
Conservation of natural resources	1,245	(1,121)
All others	<u>2,669</u>	<u>2,121</u>
Total	<u>\$ 15,966</u>	<u>\$ 6,747</u>

(Unaudited)

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## 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 12.5 percent (\$6,358,475 for the beginning of 2018 compared to \$5,564,409 for the end of 2018). Key elements in this decrease in net position are as follows, with comparative data for 2017.

<b>Business-Type Activities Changes in Net Position (in thousands)</b>		
	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues		
Fees, charges, and other	\$ 15,912	\$ 16,980
Capital grants and contributions	-	26
General revenues		
Other	<u>137</u>	<u>50</u>
Total Revenues	<u>\$ 16,049</u>	<u>\$ 17,056</u>
Expenses		
Hospital	\$ 16,562	\$ 17,125
Congregate Housing	<u>281</u>	<u>251</u>
Total Expenses	<u>\$ 16,843</u>	<u>\$ 17,376</u>
Change in Net Position	\$ (794)	\$ (320)
Net Position – January 1, as restated	<u>6,358*</u>	<u>6,474</u>
Net Position – December 31, as reported	<u>\$ 5,564</u>	<u>\$ 6,154</u>

\*Amount includes a change in accounting principles.

The cost of all business-type activities for 2018 was \$16,842,859 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 2018, this amount was \$15,911,389.

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

**Business-Type Activities  
2018  
(in thousands)**

	Total Cost of Services	Net Cost (Revenue) of Services
Hospital	\$ 16,562	\$ (906)
Congregate Housing	281	(25)
Total	\$ 16,843	\$ (931)

**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 \$11,870,925, an increase of \$1,424,091 in comparison with the prior year. Of the combined ending fund balances, \$840,888 is nonspendable, \$2,878,898 is restricted, \$809,149 is committed, \$4,052,753 is assigned, and \$3,289,237 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, \$586,980 is nonspendable, \$1,502,692 is restricted, \$559,149 is committed, \$701,595 is assigned, and \$3,289,237 is unassigned. Overall fund balance in the General Fund increased by \$102,139 during 2018.

The Road and Bridge Special Revenue Fund had \$253,908 in nonspendable funds and \$2,837,245 in assigned funds. Overall fund balance in the Road and Bridge Special Revenue Fund decreased by \$73,849 during 2018.

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 \$553,404 in restricted fund balance, and overall fund balance increased by \$1,178,612 during 2018.

The EDA Special Revenue Fund had restricted funds of \$428,801 and assigned funds of \$513,913. The EDA Special Revenue Fund's fund balance decreased by \$52,687 during 2018.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, there were positive budget variances in the General Fund. The actual revenues in the General Fund were \$58,494 more than budgeted, and expenditures were \$28,014 under budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Governmental Activities**

The County's capital assets for its governmental activities at December 31, 2018, totaled \$51,977,856 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$679,436, or 1.3 percent, from the previous year. The major capital asset events were: construction of highways and streets and the purchase of highway and other miscellaneous equipment.

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

	2018	2017
Land, including right-of-way	\$ 834	\$ 746
Works of art and historical treasures	34	34
Construction in progress	148	500
Infrastructure	43,052	42,235
Buildings	4,752	4,710
Improvements other than buildings	278	282
Machinery and equipment	2,880	2,791
<b>Total</b>	<b>\$ 51,978</b>	<b>\$ 51,298</b>

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, 2018, totaled \$11,154,666 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and land improvements. The investment in capital assets decreased by \$1,220,071, or 9.9 percent, from the previous year. The decrease was due to the depreciation recorded in 2018.

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

	2018	2017
Land, including right-of-way	\$ 183	\$ 183
Land improvements	375	415
Buildings	9,495	10,528
Fixed equipment	112	152
Major movable equipment	990	1,096
Total	\$ 11,155	\$ 12,374

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 \$8,265,096, which was backed by the full faith and credit of the government.

**Outstanding Debt  
(in thousands)**

	2018	2017
General obligation capital improvement plan bond	\$ 834	\$ 1,027
General obligation ditch bonds	3,009	1,904
General obligation refunding bonds	434	537
Hospital revenue bond	3,964	4,376
Loans payable	24	52
Capital improvement note	-	117
Total	\$ 8,265	\$ 8,013

The County's overall debt increased by \$252,225 from 2017 to 2018 mainly due to issuance of Series 2018 G.O. Ditch Bonds offset by principal payments made.

Minnesota statutes limit the amount of debt a county may levy to 3.00 percent of its total market value. At the end of 2018, the County's outstanding debt was 0.25 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 2019 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Murray County at the end of 2018 was 3.3 percent. This is 0.4 percentage points higher than the state unemployment rate of 2.9 percent and 0.6 percentage points lower than the national unemployment rate of 3.9 percent. This is a decrease of 1.3 percentage points from the County's 4.6 percent rate of one year prior.
- Mortgage interest rates have remained relatively consistent with those of 2017, 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 2019 increased from \$7,043,080 to \$7,424,478. This is a net increase of \$381,398, or 5.42 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, PO 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, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
<b>Assets</b>				
<b>Current assets</b>				
Cash and pooled investments	\$ 11,386,670	\$ 2,129,307	\$ 13,515,977	\$ -
Petty cash and change funds	1,980	-	1,980	-
Taxes receivable				
Delinquent	49,418	-	49,418	-
Special assessments receivable				
Current	3,380,497	-	3,380,497	455,052
Delinquent	13,938	-	13,938	7,000
Accounts receivable	28,347	251,579	279,926	40,893
Internal balances	724,113	(724,113)	-	-
Patient receivables – net	-	3,002,985	3,002,985	-
Accrued interest receivable	77,346	-	77,346	-
Third-party payor settlements receivable	-	182,824	182,824	-
Due from other governments	2,058,414	-	2,058,414	812
Due from component unit	951	-	951	-
Advance to component unit	325,000	-	325,000	-
Loans receivable	68,172	-	68,172	-
Inventories	259,530	455,117	714,647	59,989
Prepaid items	6,358	240,558	246,916	-
Restricted assets				
Cash and pooled investments	-	11,200	11,200	487,318
<b>Total current assets</b>	<b>\$ 18,380,734</b>	<b>\$ 5,549,457</b>	<b>\$ 23,930,191</b>	<b>\$ 1,051,064</b>
<b>Noncurrent assets</b>				
Noncurrent cash and investments	\$ -	\$ 2,208,914	\$ 2,208,914	\$ -
Special assessments receivable	-	-	-	5,199,650
Loans receivable	518,905	-	518,905	-
Long-term receivable	200,000	-	200,000	-
Capital assets				
Non-depreciable	1,016,823	182,513	1,199,336	361,046
Depreciable – net of accumulated depreciation	50,961,033	10,972,153	61,933,186	11,455,161
Other assets	-	93,021	93,021	-
<b>Total noncurrent assets</b>	<b>\$ 52,696,761</b>	<b>\$ 13,456,601</b>	<b>\$ 66,153,362</b>	<b>\$ 17,015,857</b>
<b>Total Assets</b>	<b>\$ 71,077,495</b>	<b>\$ 19,006,058</b>	<b>\$ 90,083,553</b>	<b>\$ 18,066,921</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Shetek Area Water and Sewer Commission</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred pension outflows	\$ 1,545,949	\$ 921,167	\$ 2,467,116	\$ -
Deferred other postemployment benefits outflows	5,596	7,769	13,365	-
Deferred charges on bond refunding	-	21,426	21,426	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,551,545</b>	<b>\$ 950,362</b>	<b>\$ 2,501,907</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>				
<b>Current liabilities</b>				
Accounts payable	\$ 247,601	\$ 767,996	\$ 1,015,597	\$ 2,635
Salaries payable	242,858	1,349,560	1,592,418	-
Claims payable	-	305,533	305,533	-
Due to other governments	89,118	177	89,295	-
Due to primary government	-	-	-	951
Advance from primary government	-	-	-	325,000
Unearned revenue	102,244	-	102,244	-
Accrued interest payable	25,994	5,675	31,669	37,799
Payable from restricted assets	-	11,200	11,200	-
Compensated absences payable – current	80,327	241	80,568	-
Special assessments payable – current	-	5,167	5,167	-
Loans payable – current	7,236	-	7,236	-
General obligation bonds payable – current	200,000	110,000	310,000	230,000
General obligation special assessment debt payable – current	125,000	-	125,000	-
Revenue bonds payable – current	-	427,177	427,177	582,149
Customer deposits	-	-	-	2,466
<b>Total current liabilities</b>	<b>\$ 1,120,378</b>	<b>\$ 2,982,726</b>	<b>\$ 4,103,104</b>	<b>\$ 1,181,000</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Shetek Area Water and Sewer Commission</u>
<b><u>Liabilities (Continued)</u></b>				
<b>Noncurrent liabilities</b>				
Compensated absences payable	\$ 574,241	\$ 15,434	\$ 589,675	\$ -
Special assessments payable	-	31,004	31,004	-
Loans payable	16,843	-	16,843	-
General obligation bonds payable – net	633,587	323,633	957,220	2,135,000
General obligation special assessment debt payable – net	2,884,423	-	2,884,423	-
Revenue bonds payable	-	3,537,197	3,537,197	3,560,361
Other postemployment benefits liability	273,166	258,087	531,253	-
Net pension liability	3,279,314	5,529,400	8,808,714	-
<b>Total noncurrent liabilities</b>	<b><u>\$ 7,661,574</u></b>	<b><u>\$ 9,694,755</u></b>	<b><u>\$ 17,356,329</u></b>	<b><u>\$ 5,695,361</u></b>
<b>Total Liabilities</b>	<b><u>\$ 8,781,952</u></b>	<b><u>\$ 12,677,481</u></b>	<b><u>\$ 21,459,433</u></b>	<b><u>\$ 6,876,361</u></b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred pension inflows	\$ 2,338,527	\$ 1,714,530	\$ 4,053,057	\$ -
Prepaid property taxes	34,838	-	34,838	-
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 2,373,365</u></b>	<b><u>\$ 1,714,530</u></b>	<b><u>\$ 4,087,895</u></b>	<b><u>\$ -</u></b>
<b><u>Net Position</u></b>				
Net investment in capital assets	\$ 51,144,269	\$ 6,741,914	\$ 57,886,183	\$ 5,308,697
Restricted for				
General government	372,561	-	372,561	-
Public safety	289,894	-	289,894	-
Highways and streets	1,737,852	-	1,737,852	-
Sanitation	241,196	-	241,196	-
Economic development	428,801	-	428,801	-
Debt service	385,569	-	385,569	328,722
Wastewater system replacement	-	-	-	158,596
Unrestricted	6,873,581	(1,177,505)	5,696,076	5,394,545
<b>Total Net Position</b>	<b><u>\$ 61,473,723</u></b>	<b><u>\$ 5,564,409</u></b>	<b><u>\$ 67,038,132</u></b>	<b><u>\$ 11,190,560</u></b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b><u>Functions/Programs</u></b>			
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 3,021,855	\$ 279,321	\$ 23,200
Public safety	2,593,427	90,627	324,665
Highways and streets	6,436,984	107,607	5,360,883
Sanitation	348,090	223,708	67,729
Human services	1,205,884	-	-
Health	106,881	-	-
Culture and recreation	698,695	48,463	95,364
Conservation of natural resources	1,244,812	1,996,635	369,173
Economic development	242,007	112,643	-
Interest	67,533	-	-
<b>Total governmental activities</b>	<b>\$ 15,966,168</b>	<b>\$ 2,859,004</b>	<b>\$ 6,241,014</b>
<b>Business-type activities</b>			
Hospital	\$ 16,562,108	\$ 15,655,724	\$ -
Congregate Housing	280,751	255,665	232
<b>Total business-type activities</b>	<b>\$ 16,842,859</b>	<b>\$ 15,911,389</b>	<b>\$ 232</b>
<b>Total Primary Government</b>	<b>\$ 32,809,027</b>	<b>\$ 18,770,393</b>	<b>\$ 6,241,246</b>
<b>Component unit</b>			
Shetek Area Water and Sewer Commission	\$ 894,671	\$ 524,438	\$ -

**General Revenues**

Property taxes  
Mortgage registry and deed tax  
Wind and solar production tax  
Payments in lieu of tax  
Wheelage tax  
Grants and contributions not restricted to specific programs  
Investment earnings  
Miscellaneous

**Transfers**

**Total general revenues and transfers**

**Change in net position**

**Net Position – Beginning, as restated (Note 1.E.)**

**Net Position – Ending**



**EXHIBIT 2**

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Primary Government Business-Type Activities</b>	<b>Total</b>	<b>Component Unit Shetek Area Water and Sewer Commission</b>
\$ 84,120	\$ (2,635,214)	\$ -	\$ (2,635,214)	
23,318	(2,154,817)	-	(2,154,817)	
11,802	(956,692)	-	(956,692)	
-	(56,653)	-	(56,653)	
-	(1,205,884)	-	(1,205,884)	
-	(106,881)	-	(106,881)	
-	(554,868)	-	(554,868)	
-	1,120,996	-	1,120,996	
-	(129,364)	-	(129,364)	
-	(67,533)	-	(67,533)	
<b>\$ 119,240</b>	<b>\$ (6,746,910)</b>	<b>\$ -</b>	<b>\$ (6,746,910)</b>	
\$ -	\$ -	\$ (906,384)	\$ (906,384)	
-	-	(24,854)	(24,854)	
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (931,238)</b>	<b>\$ (931,238)</b>	
<b>\$ 119,240</b>	<b>\$ (6,746,910)</b>	<b>\$ (931,238)</b>	<b>\$ (7,678,148)</b>	
<b>\$ 220,117</b>				<b>\$ (150,116)</b>
	\$ 6,745,699	\$ -	\$ 6,745,699	\$ -
	7,501	-	7,501	-
	1,061,593	-	1,061,593	-
	403,442	-	403,442	-
	107,248	-	107,248	-
	834,030	78,376	912,406	-
	254,140	60,491	314,631	3,054
	183,304	1,204	184,508	7,740
	2,899	(2,899)	-	-
	<b>\$ 9,599,856</b>	<b>\$ 137,172</b>	<b>\$ 9,737,028</b>	<b>\$ 10,794</b>
	<b>\$ 2,852,946</b>	<b>\$ (794,066)</b>	<b>\$ 2,058,880</b>	<b>\$ (139,322)</b>
	<b>58,620,777</b>	<b>6,358,475</b>	<b>64,979,252</b>	<b>11,329,882</b>
	<b>\$ 61,473,723</b>	<b>\$ 5,564,409</b>	<b>\$ 67,038,132</b>	<b>\$ 11,190,560</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 6,374,673	\$ 2,674,413
Undistributed cash in agency funds	71,530	20,087
Petty cash and change funds	1,980	-
Taxes receivable		
Delinquent	31,625	7,913
Special assessments receivable		
Delinquent	11,731	-
Noncurrent	439,370	-
Accounts receivable	7,843	8,850
Loans receivable	-	-
Accrued interest receivable	77,346	-
Due from other governments	64,524	1,993,890
Due from component unit	951	-
Advance to component unit	325,000	-
Advance to other funds	250,000	-
Inventories	7,195	252,335
Prepaid items	4,785	1,573
	<b>\$ 7,668,553</b>	<b>\$ 4,959,061</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 117,511	\$ 31,010
Salaries payable	186,218	50,945
Due to other governments	74,059	1,000
Unearned revenue	102,244	-
	<b>\$ 480,032</b>	<b>\$ 82,955</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	\$ 527,927	\$ 1,778,358
Prepaid property taxes	20,941	6,595
	<b>\$ 548,868</b>	<b>\$ 1,784,953</b>

**EXHIBIT 3**

<u>Human Services</u>	<u>Ditch</u>	<u>EDA</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 643,329	\$ 937,397	\$ 390,417	\$ 250,000	\$ 11,270,229
16,920	2,561	-	5,343	-	116,441
-	-	-	-	-	1,980
8,511	-	-	1,369	-	49,418
-	2,207	-	-	-	13,938
-	2,941,127	-	-	-	3,380,497
-	11,654	-	-	-	28,347
-	-	587,077	-	-	587,077
-	-	-	-	-	77,346
-	-	-	-	-	2,058,414
-	-	-	-	-	951
-	-	-	-	-	325,000
-	-	-	-	-	250,000
-	-	-	-	-	259,530
-	-	-	-	-	6,358
<u>\$ 25,431</u>	<u>\$ 3,600,878</u>	<u>\$ 1,524,474</u>	<u>\$ 397,129</u>	<u>\$ 250,000</u>	<u>\$ 18,425,526</u>
\$ -	\$ 98,676	\$ 404	\$ -	\$ -	\$ 247,601
-	2,781	2,914	-	-	242,858
11,377	2,682	-	-	-	89,118
-	-	-	-	-	102,244
<u>\$ 11,377</u>	<u>\$ 104,139</u>	<u>\$ 3,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 681,821</u>
\$ 8,511	\$ 2,943,335	\$ 578,442	\$ 1,369	\$ -	\$ 5,837,942
5,543	-	-	1,759	-	34,838
<u>\$ 14,054</u>	<u>\$ 2,943,335</u>	<u>\$ 578,442</u>	<u>\$ 3,128</u>	<u>\$ -</u>	<u>\$ 5,872,780</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>(Continued)</b>		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ 7,195	\$ 252,335
Prepaid items	4,785	1,573
Advances	575,000	-
Restricted for		
Septic/sewer loans	6,994	-
Attorney's forfeitures	1,512	-
Debt service	-	-
EDA revolving loans	-	-
EDA child care provider grant	-	-
Recorder's compliance	126,002	-
Recorder's technology	245,047	-
Supervision fees	22,691	-
Sheriff's contingency	5,768	-
Permits to carry	65,450	-
E-911	195,985	-
Ditch maintenance and conservation	-	-
Unspent grant monies	583,058	-
County match	8,989	-
Solid waste assessments	241,196	-
Committed to		
General Fund contracts	414,444	-
911 sign replacement	144,705	-
Capital improvement	-	-
Assigned to		
County septic system loans	74,669	-
Parks	79,766	-
Sanitation	78,762	-
Road and bridge	-	2,837,245
Economic development	-	-
Avoca dam replacement	18,750	-
Fairgrounds building improvement	78,524	-
Courts building improvement	158,259	-
Sheriff's motor pool	71,271	-
General motor pool	27,155	-
Ambulance replacement	114,439	-
Unassigned	3,289,237	-
<b>Total Fund Balances</b>	<b>\$ 6,639,653</b>	<b>\$ 3,091,153</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,668,553</b>	<b>\$ 4,959,061</b>



**EXHIBIT 3**  
**(Continued)**

<u>Human Services</u>	<u>Ditch</u>	<u>EDA</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,530
-	-	-	-	-	6,358
-	-	-	-	-	575,000
-	-	-	-	-	6,994
-	-	-	-	-	1,512
-	-	-	394,001	-	394,001
-	-	418,794	-	-	418,794
-	-	10,007	-	-	10,007
-	-	-	-	-	126,002
-	-	-	-	-	245,047
-	-	-	-	-	22,691
-	-	-	-	-	5,768
-	-	-	-	-	65,450
-	-	-	-	-	195,985
-	553,404	-	-	-	553,404
-	-	-	-	-	583,058
-	-	-	-	-	8,989
-	-	-	-	-	241,196
-	-	-	-	-	414,444
-	-	-	-	-	144,705
-	-	-	-	250,000	250,000
-	-	-	-	-	74,669
-	-	-	-	-	79,766
-	-	-	-	-	78,762
-	-	-	-	-	2,837,245
-	-	513,913	-	-	513,913
-	-	-	-	-	18,750
-	-	-	-	-	78,524
-	-	-	-	-	158,259
-	-	-	-	-	71,271
-	-	-	-	-	27,155
-	-	-	-	-	114,439
-	-	-	-	-	3,289,237
<u>\$ -</u>	<u>\$ 553,404</u>	<u>\$ 942,714</u>	<u>\$ 394,001</u>	<u>\$ 250,000</u>	<u>\$ 11,870,925</u>
<u>\$ 25,431</u>	<u>\$ 3,600,878</u>	<u>\$ 1,524,474</u>	<u>\$ 397,129</u>	<u>\$ 250,000</u>	<u>\$ 18,425,526</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, 2018**

<b>Fund balance – total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>11,870,925</b>
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.		51,977,856
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		1,545,949
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.		5,596
An internal service fund is used by Murray County to charge the costs of self-funded insurance programs to functions. The cumulative net revenue (expense) of internal service fund activities reported with governmental activities related to business-type activities is shown as an internal balance.		474,113
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources—unavailable revenue in the governmental funds.		5,837,942
A long-term receivable is not due in the current period and, therefore, is not reported in the governmental funds.		200,000
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	\$	(3,009,423)
General obligation bonds		(833,587)
Loans payable		(24,079)
Compensated absences		(654,568)
Other postemployment benefits liability		(273,166)
Net pension liability		(3,279,314)
Accrued interest payable		(25,994)
		(8,100,131)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,338,527)
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b>61,473,723</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 5,136,178	\$ 1,379,943
Special assessments	278,037	-
Licenses and permits	38,921	8,500
Intergovernmental	1,864,969	5,412,771
Charges for services	344,525	16,683
Gifts and contributions	17,744	-
Investment earnings	206,574	-
Miscellaneous	262,309	103,484
	<b>\$ 8,149,257</b>	<b>\$ 6,921,381</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 3,320,166	\$ -
Public safety	2,544,301	-
Highways and streets	-	6,430,497
Sanitation	338,906	-
Culture and recreation	673,202	-
Conservation of natural resources	690,300	-
Economic development	2,230	-
<b>Intergovernmental</b>	106,881	528,018
<b>Debt service</b>		
Principal	27,525	-
Interest	895	-
Administrative charges	-	-
Bond issuance costs	-	-
	<b>\$ 7,704,406</b>	<b>\$ 6,958,515</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 444,851</b>	<b>\$ (37,134)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 14,164	\$ -
Transfers out	(359,777)	-
Proceeds from sale of capital assets	850	7,000
Bonds issued	-	-
	<b>\$ (344,763)</b>	<b>\$ 7,000</b>
<b>Net Change in Fund Balance</b>	<b>\$ 100,088</b>	<b>\$ (30,134)</b>
<b>Fund Balance – January 1</b>	<b>6,537,514</b>	<b>3,165,002</b>
<b>Increase (decrease) in inventories</b>	<b>2,051</b>	<b>(43,715)</b>
	<b>\$ 6,639,653</b>	<b>\$ 3,091,153</b>
<b>Fund Balance – December 31</b>	<b>\$ 6,639,653</b>	<b>\$ 3,091,153</b>

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

**EXHIBIT 5**

<b>Human Services</b>	<b>Ditch</b>	<b>EDA</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
\$ 1,070,512	\$ -	\$ -	\$ 340,142	\$ -	\$ 7,926,775
-	604,273	-	-	-	882,310
-	-	-	-	-	47,421
135,372	24,145	-	15,934	-	7,453,191
-	-	-	-	-	361,208
-	-	-	-	-	17,744
-	-	20,921	224	-	227,719
-	50,952	62,924	-	-	479,669
<b>\$ 1,205,884</b>	<b>\$ 679,370</b>	<b>\$ 83,845</b>	<b>\$ 356,300</b>	<b>\$ -</b>	<b>\$ 17,396,037</b>
\$ -	\$ -	\$ -	\$ 645	\$ -	\$ 3,320,811
-	-	-	-	-	2,544,301
-	-	-	-	-	6,430,497
-	-	-	-	-	338,906
-	-	-	-	-	673,202
-	509,677	-	-	-	1,199,977
-	-	242,090	-	-	244,320
1,205,884	-	-	-	-	1,840,783
-	115,000	-	312,000	-	454,525
-	43,035	-	23,284	-	67,214
-	990	-	495	-	1,485
-	45,010	-	-	-	45,010
<b>\$ 1,205,884</b>	<b>\$ 713,712</b>	<b>\$ 242,090</b>	<b>\$ 336,424</b>	<b>\$ -</b>	<b>\$ 17,161,031</b>
<b>\$ -</b>	<b>\$ (34,342)</b>	<b>\$ (158,245)</b>	<b>\$ 19,876</b>	<b>\$ -</b>	<b>\$ 235,006</b>
\$ -	\$ 3,794	\$ 105,558	\$ -	\$ 250,000	\$ 373,516
-	(10,840)	-	-	-	(370,617)
-	-	-	-	-	7,850
-	1,220,000	-	-	-	1,220,000
<b>\$ -</b>	<b>\$ 1,212,954</b>	<b>\$ 105,558</b>	<b>\$ -</b>	<b>\$ 250,000</b>	<b>\$ 1,230,749</b>
<b>\$ -</b>	<b>\$ 1,178,612</b>	<b>\$ (52,687)</b>	<b>\$ 19,876</b>	<b>\$ 250,000</b>	<b>\$ 1,465,755</b>
-	(625,208)	995,401	374,125	-	10,446,834
-	-	-	-	-	(41,664)
<b>\$ -</b>	<b>\$ 553,404</b>	<b>\$ 942,714</b>	<b>\$ 394,001</b>	<b>\$ 250,000</b>	<b>\$ 11,870,925</b>

**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, 2018**

**Net change in fund balance – total governmental funds (Exhibit 5) \$ 1,465,755**

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	\$ 5,837,942	
Unavailable revenue – January 1	<u>(4,436,439)</u>	1,401,503

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 3,515,534	
Net book value of assets disposed of	(21,617)	
Current year depreciation	<u>(2,814,481)</u>	679,436

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	\$ 195,000	
Special assessment bonds	115,000	
Capital improvement notes	117,000	
Loans payable	27,525	
Amortization of discount	<u>(2,110)</u>	452,415
 New debt issued (see Note 3.C.4. for more information)		 (1,220,000)

**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, 2018**

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	\$ 3,278	
Change in compensated absences	(18,125)	
Change in long-term receivable	(15,000)	
Change in other postemployment benefits liability	(13,454)	
Change in deferred other postemployment benefits outflows	5,596	
Change in net pension liability	661,845	
Change in deferred pension outflows	(616,648)	
Change in deferred pension inflows	111,612	
Change in inventories	<u>(41,664)</u>	77,440

An internal service fund is used by Murray 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.

(3,603)

**Change in Net Position of Governmental Activities (Exhibit 2)**

**\$ 2,852,946**

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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, 2018**

	<b>Business-Type Activities</b>			
	<b>Enterprise Funds</b>			<b>Internal</b>
	<b>Hospital</b>	<b>Congregate Housing</b>	<b>Total</b>	<b>Service Fund Self-Insurance</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and pooled investments	\$ 776,320	\$ 32,816	\$ 809,136	\$ 1,320,171
Accounts receivable	115,198	228	115,426	136,153
Patient receivables – net	3,002,985	-	3,002,985	-
Third-party payor settlements receivable	182,824	-	182,824	-
Inventories	455,117	-	455,117	-
Prepaid items	240,558	-	240,558	-
<b>Total current assets, unrestricted</b>	<b>\$ 4,773,002</b>	<b>\$ 33,044</b>	<b>\$ 4,806,046</b>	<b>\$ 1,456,324</b>
<b>Restricted assets</b>				
Cash and pooled investments	-	11,200	11,200	-
<b>Total current assets</b>	<b>\$ 4,773,002</b>	<b>\$ 44,244</b>	<b>\$ 4,817,246</b>	<b>\$ 1,456,324</b>
<b>Noncurrent assets</b>				
Noncurrent cash and investments	\$ 2,208,914	\$ -	\$ 2,208,914	\$ -
Capital assets				
Nondepreciable	182,513	-	182,513	-
Depreciable – net	10,563,185	408,968	10,972,153	-
<b>Total noncurrent assets</b>	<b>\$ 12,954,612</b>	<b>\$ 408,968</b>	<b>\$ 13,363,580</b>	<b>\$ -</b>
<b>Other assets</b>				
Investment in Minnesota Rural Health	\$ 8,750	\$ -	\$ 8,750	\$ -
Physician receivables	84,271	-	84,271	-
<b>Total other assets</b>	<b>\$ 93,021</b>	<b>\$ -</b>	<b>\$ 93,021</b>	<b>\$ -</b>
<b>Total Assets</b>	<b>\$ 17,820,635</b>	<b>\$ 453,212</b>	<b>\$ 18,273,847</b>	<b>\$ 1,456,324</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension outflows	\$ 914,083	\$ 7,084	\$ 921,167	\$ -
Deferred other postemployment benefits outflows	7,627	142	7,769	-
Deferred charges on bond refunding	-	21,426	21,426	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 921,710</b>	<b>\$ 28,652</b>	<b>\$ 950,362</b>	<b>\$ -</b>

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018**

	<b>Business-Type Activities</b>			<b>Internal Service Fund Self-Insurance</b>
	<b>Enterprise Funds</b>			
	<b>Hospital</b>	<b>Congregate Housing</b>	<b>Total</b>	
<b>Liabilities</b>				
<b>Current liabilities payable from current assets</b>				
Accounts payable	\$ 761,100	\$ 6,896	\$ 767,996	\$ -
Salaries payable	1,346,504	3,056	1,349,560	-
Claims payable	-	-	-	305,533
Compensated absences payable – current	-	241	241	-
Due to other governments	-	177	177	-
Accrued interest payable	3,154	2,521	5,675	-
Special assessments payable – current	5,167	-	5,167	-
General obligation bonds payable – current	-	110,000	110,000	-
Revenue bonds payable – current	427,177	-	427,177	-
<b>Total current liabilities payable from current assets</b>	<b>\$ 2,543,102</b>	<b>\$ 122,891</b>	<b>\$ 2,665,993</b>	<b>\$ 305,533</b>
<b>Current liabilities payable from restricted assets</b>				
Accounts payable	-	11,200	11,200	-
<b>Total current liabilities</b>	<b>\$ 2,543,102</b>	<b>\$ 134,091</b>	<b>\$ 2,677,193</b>	<b>\$ 305,533</b>
<b>Noncurrent liabilities</b>				
Advance from other funds	\$ -	\$ 250,000	\$ 250,000	\$ -
Compensated absences payable – long-term	-	15,434	15,434	-
Special assessments payable – long-term	31,004	-	31,004	-
General obligation bonds payable – long-term	-	323,633	323,633	-
Revenue bonds payable – long-term	3,537,197	-	3,537,197	-
Other postemployment benefits liability	253,355	4,732	258,087	-
Net pension liability	5,475,471	53,929	5,529,400	-
<b>Total noncurrent liabilities</b>	<b>\$ 9,297,027</b>	<b>\$ 647,728</b>	<b>\$ 9,944,755</b>	<b>\$ -</b>
<b>Total Liabilities</b>	<b>\$ 11,840,129</b>	<b>\$ 781,819</b>	<b>\$ 12,621,948</b>	<b>\$ 305,533</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension inflows	\$ 1,704,265	\$ 10,265	\$ 1,714,530	\$ -

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018**

	Business-Type Activities			
	Enterprise Funds			Internal
	Hospital	Congregate Housing	Total	Service Fund Self-Insurance
<b><u>Net Position</u></b>				
Net investment in capital assets	\$ 6,745,153	\$ (3,239)	\$ 6,741,914	\$ -
Unrestricted	(1,547,202)	(306,981)	(1,854,183)	1,150,791
<b>Total Net Position</b>	<b><u>\$ 5,197,951</u></b>	<b><u>\$ (310,220)</u></b>	<b><u>\$ 4,887,731</u></b>	<b><u>\$ 1,150,791</u></b>
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.			676,678	
<b>Net Position of Business-Type Activities</b>			<b><u>\$ 5,564,409</u></b>	

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Business-Type Activities			
	Enterprise Funds			Internal
	Hospital	Congregate Housing	Total	Service Fund Self-Insurance
<b>Operating Revenues</b>				
Charges for services	\$ -	\$ 249,720	\$ 249,720	\$ 2,276,454
Patient services revenues	15,220,722	-	15,220,722	-
Miscellaneous	435,002	6,945	441,947	-
<b>Total Operating Revenues</b>	<b>\$ 15,655,724</b>	<b>\$ 256,665</b>	<b>\$ 15,912,389</b>	<b>\$ 2,276,454</b>
<b>Operating Expenses</b>				
Personal services	\$ -	\$ 84,842	\$ 84,842	\$ -
Professional services	4,323,057	5,142	4,328,199	-
Nursing services	2,926,555	-	2,926,555	-
Contracted services	-	46,289	46,289	-
Repairs and maintenance	1,063,807	26,935	1,090,742	-
Administration and fiscal services	4,111,618	495	4,112,113	-
Other services and charges	-	4,843	4,843	-
Supplies	-	16,015	16,015	-
Utilities	-	27,176	27,176	-
Insurance	-	2,970	2,970	-
Wellness center	15,118	-	15,118	-
Professional building	6,817	-	6,817	-
Surgery clinic	743,596	-	743,596	-
Slayton clinic	1,698,728	-	1,698,728	-
Fulda clinic	32,319	-	32,319	-
Interest expense	152,982	-	152,982	-
Depreciation	1,482,466	51,121	1,533,587	-
Cost of service	-	-	-	2,285,153
<b>Total Operating Expenses</b>	<b>\$ 16,557,063</b>	<b>\$ 265,828</b>	<b>\$ 16,822,891</b>	<b>\$ 2,285,153</b>
<b>Operating Income (Loss)</b>	<b>\$ (901,339)</b>	<b>\$ (9,163)</b>	<b>\$ (910,502)</b>	<b>\$ (8,699)</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 8  
(Continued)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Business-Type Activities</b>			
	<b>Enterprise Funds</b>			<b>Internal</b>
	<b>Hospital</b>	<b>Congregate Housing</b>	<b>Total</b>	<b>Service Fund Self-Insurance</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	\$ 60,491	\$ -	\$ 60,491	\$ -
Grants	78,376	232	78,608	-
Gain on disposal of capital assets	204	-	204	-
Interest expense	-	(13,281)	(13,281)	-
Amortization of bond discount	-	(1,591)	(1,591)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 139,071</b>	<b>\$ (14,640)</b>	<b>\$ 124,431</b>	<b>\$ -</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ (762,268)</b>	<b>\$ (23,803)</b>	<b>\$ (786,071)</b>	<b>\$ (8,699)</b>
Transfers in	-	425	425	-
Transfers out	-	(3,324)	(3,324)	-
<b>Change in net position</b>	<b>\$ (762,268)</b>	<b>\$ (26,702)</b>	<b>\$ (788,970)</b>	<b>\$ (8,699)</b>
<b>Net Position – January 1, as restated (Note 1.E.)</b>	<b>5,960,219</b>	<b>(283,518)</b>		<b>1,159,490</b>
<b>Net Position – December 31</b>	<b>\$ 5,197,951</b>	<b>\$ (310,220)</b>		<b>\$ 1,150,791</b>

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.

(5,096)

**Total Change in Net Position of Business-Type Activities**

**\$ (794,066)**

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type Activities			
	Enterprise Funds			Internal
	Hospital	Congregate Housing	Total	Service Fund Self-Insurance
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 14,821,026	\$ 261,247	\$ 15,082,273	\$ 2,280,429
Other receipts and payments – net	435,002	-	435,002	-
Payments to suppliers and contractors	(5,697,412)	(133,111)	(5,830,523)	(2,297,532)
Payments to employees	(9,837,017)	(81,773)	(9,918,790)	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (278,401)</b>	<b>\$ 46,363</b>	<b>\$ (232,038)</b>	<b>\$ (17,103)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Noncapital grants and donations	\$ 78,376	\$ -	\$ 78,376	\$ -
Transfers in	-	425	425	-
Transfers out	-	(3,324)	(3,324)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 78,376</b>	<b>\$ (2,899)</b>	<b>\$ 75,477</b>	<b>\$ -</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal paid on long-term debt	\$ (417,119)	\$ (105,000)	\$ (522,119)	\$ -
Interest paid on long-term debt	(152,982)	(6,575)	(159,557)	-
Purchases of capital assets	(313,516)	-	(313,516)	-
Gain on disposal of capital assets	204	-	204	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (883,413)</b>	<b>\$ (111,575)</b>	<b>\$ (994,988)</b>	<b>\$ -</b>
<b>Cash Flows from Investing Activities</b>				
Investment earnings received	\$ 60,491	\$ -	\$ 60,491	\$ -
Decrease in noncurrent cash and investments	219,271	-	219,271	-
Decrease in physician receivables	5,240	-	5,240	-
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 285,002</b>	<b>\$ -</b>	<b>\$ 285,002</b>	<b>\$ -</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (798,436)</b>	<b>\$ (68,111)</b>	<b>\$ (866,547)</b>	<b>\$ (17,103)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>1,574,756</b>	<b>112,127</b>	<b>1,686,883</b>	<b>1,337,274</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 776,320</b>	<b>\$ 44,016</b>	<b>\$ 820,336</b>	<b>\$ 1,320,171</b>



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type Activities			
	Enterprise Funds			Internal
	Hospital	Congregate Housing	Total	Service Fund Self-Insurance
<b>Cash and Cash Equivalents – Exhibit 7</b>				
Cash and pooled investments	\$ 776,320	\$ 32,816	\$ 809,136	\$ 1,320,171
Restricted cash and pooled investments	-	11,200	11,200	-
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 776,320</u></b>	<b><u>\$ 44,016</u></b>	<b><u>\$ 820,336</u></b>	<b><u>\$ 1,320,171</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
<b>Operating income (loss)</b>	<b><u>\$ (901,339)</u></b>	<b><u>\$ (9,163)</u></b>	<b><u>\$ (910,502)</u></b>	<b><u>\$ (8,699)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>				
Depreciation expense	\$ 1,482,466	\$ 51,121	\$ 1,533,587	\$ -
Interest expense	152,982	282	153,264	-
Provision for bad debts	129,796	-	129,796	-
(Increase) decrease in patient receivables – net	(240,126)	-	(240,126)	-
(Increase) decrease in accounts receivable	(27,428)	-	(27,428)	95,289
(Increase) decrease in inventories	19,073	-	19,073	-
(Increase) decrease in prepaid items	(68,709)	-	(68,709)	-
(Increase) decrease in deferred pension outflows	611,571	6,151	617,722	-
(Increase) decrease in deferred other postemployment benefits outflows	-	(142)	(142)	-
Increase (decrease) in accounts payable	122,911	1,397	124,308	-
Increase (decrease) in salaries payable	6,782	525	7,307	-
Increase (decrease) in claims payable	-	-	-	(103,693)
Increase (decrease) in third-party payor settlements	(289,366)	-	(289,366)	-
Increase (decrease) in compensated absences payable	-	3,581	3,581	-
Increase (decrease) in due to other governments	-	40	40	-
Increase (decrease) in other postemployment benefits liability	(3,363)	(12)	(3,375)	-
Increase (decrease) in net pension liability	(1,016,990)	(5,701)	(1,022,691)	-
Increase (decrease) in deferred pension inflows	(256,661)	(1,716)	(258,377)	-
<b>Total adjustments</b>	<b><u>\$ 622,938</u></b>	<b><u>\$ 55,526</u></b>	<b><u>\$ 678,464</u></b>	<b><u>\$ (8,404)</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ (278,401)</u></b>	<b><u>\$ 46,363</u></b>	<b><u>\$ (232,038)</u></b>	<b><u>\$ (17,103)</u></b>

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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, 2018

<u>Assets</u>	
Cash and pooled investments	<u>\$ 159,875</u>
<u>Liabilities</u>	
Accounts payable	\$ 20
Customer deposits	5,912
Due to other governments	<u>153,943</u>
<b>Total Liabilities</b>	<b><u>\$ 159,875</u></b>

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. 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 to 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. The County Coordinator, appointed by the Board, serves as the Clerk of the Board but does not vote in its decisions.

Blended Component Units

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

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Units (Continued)

<u>Component Unit</u>	<u>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 the Water and Sewer Commission members and must approve any debt.	Separate financial statements are not issued for the Shetek Area Water and Sewer Commission.

Joint Ventures

The County participates in several joint ventures described in Note 5.B.

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



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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 unit are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 benefited property to finance the cost of constructing and maintaining an agricultural drainage ditch system.
- The EDA Special Revenue Fund accounts for restricted revenue resources from the state and an appropriation from the General Fund for the costs relating to activity of the Economic Development Authority.
- The Debt Service Fund is used to account for the accumulation of restricted resources used for and the payment of principal, interest, and related costs of general obligation bonds.
- The Capital Projects Fund is used to account for financial resources committed for acquisition, construction, or improvement of capital facilities.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise funds:

- The Hospital Fund is used to account for the operation of the Murray County 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 and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Murray County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

2. Deposits and Investments

The cash balances of substantially all funds and the discretely presented component unit 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, 2018. A market approach is used to value all investments other than external investment pools, which are measured at net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Deposits and Investments (Continued)

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 2018 were \$205,114.

The Hospital's investment earnings for the year ended December 31, 2018, were \$60,491 and are 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 the General Fund to indicate that they are not available for appropriation and are not expendable available financial resources.

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments payable in the years 1998 through 2018 and noncurrent special assessments payable in 2019 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

Patient receivables are uncollateralized patient and third-party payor obligations. The Hospital provides an allowance for uncollectible accounts based on the allowance method using management's judgement. Patients are not required to provide collateral for services rendered. Payment for services is required within 45 days of receipt of invoice or claim submitted. Accounts past due are individually analyzed for collectability. Amounts for which no payment have been received are written off using management's judgement on a per-account basis. In addition, an allowance is estimated for other accounts based on historical experience of the Hospital.

4. Inventories and Prepaid Items

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

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund 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 acquisition value (entry price) on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Land improvements	10 – 40
Buildings	7 – 40
Public domain infrastructure	20 – 50
Machinery and equipment	3 – 20

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, sick leave, and comp time 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 reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation. The noncurrent portion consists of the remaining amount of vacation, vested sick leave, and comp time. For the governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, Ditch Special Revenue Fund, and EDA Special Revenue Fund. For the business-type activities, compensated absences are liquidated by the Congregate Housing Enterprise Fund.



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. 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, if material, 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.

9. 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 of Minnesota (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. For the governmental activities, the net pension liability is liquidated by the General Fund, Road and Bridge Special Revenue Fund, and EDA Special Revenue Fund. For the business-type activities, the net pension liability is liquidated by the Congregate Housing Fund and Hospital Enterprise Fund.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 reports deferred outflows of resources only under the full accrual basis of accounting associated with defined benefit pension plans, other postemployment benefits (OPEB), and deferred charges on bond refunding and, accordingly, they are reported only in the statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position 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 will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows that qualify for reporting in this category. Prepaid property taxes represent the County's share of tax collections collected prior to year-end that are not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied. These amounts arise under both the modified and full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent 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. The unavailable revenue is deferred and recognized as an inflow of resources in the period in which it becomes available. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The County also reports deferred pension inflows associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Unearned 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. At December 31, 2018, all unearned revenue was the result of receiving grants prior to the revenue recognition criteria being met.

12. Classification of Net Position

Net position in the government-wide, proprietary fund, and the component unit 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 does meet the definition of restricted or net investment in capital assets.

13. 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.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

13. Classification of Fund Balances (Continued)

- 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 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.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

14. 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, 2018, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; 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. Restatement of Net Position for Change in Accounting Principle

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes the amount employers report as OPEB expense and defers some allocations of expenses to future years as deferred outflows or inflows of resources. This statement also requires additional note disclosures and schedules in the required supplementary information. Beginning net position has been restated to reflect this change.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Net Position for Change in Accounting Principle (Continued)

	Governmental Activities	Business-Type Activities
Net Position, January 1, 2018, as previously reported	\$ 58,537,158	\$ 6,153,855
Restatement of net position Adjustment for OPEB	83,619	204,620
Net Position, January 1, 2018, as restated	\$ 58,620,777	\$ 6,358,475
	Hospital Enterprise Fund	Congregate Housing Enterprise Fund
Net Position, January 1, 2018, as previously reported	\$ 5,755,747	\$ (283,666)
Restatement of net position Adjustment for OPEB	204,472	148
Net Position, January 1, 2018, as restated	\$ 5,960,219	\$ (283,518)

F. Hospital Net Patient/Resident Service Revenue

The Hospital has agreements with third-party payors 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 payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

F. Hospital Net Patient/Resident Service Revenue (Continued)

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$124,139 in 2018 and \$155,159 in 2017.

Revenue from the Medicare and Medicaid programs accounted for approximately 43 and seven percent and 43 and nine percent of the Hospital's net patient revenue for the years ended December 31, 2018 and 2017, 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 payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare – 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 audit by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2013.
- Medicaid – Inpatient acute care services provided to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to the Medicaid program beneficiaries are reimbursed on a cost basis under the CAH program.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Deficit Net Position

The Congregate Housing Enterprise Fund had a deficit fund net position for the year ended December 31, 2018, of \$310,220. The County expects future excess of revenues over expenses will eliminate the deficit.

B. Excess of Expenditures Over Budget

Expenditures exceeded final budget in the Debt Service Fund:

Expenditures	Final Budget	Excess
\$ 336,424	\$ 335,782	\$ 642

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	\$ 11,386,670
Petty cash and change funds	1,980
Business-type activities	
Cash and pooled investments	2,129,307
Restricted assets – cash and pooled investments	11,200
Noncurrent cash and investments	2,208,914
Component unit – Shetek Area Water and Sewer Commission	
Restricted assets – cash and pooled investments	487,318
Statement of fiduciary net position	
Cash and pooled investments	159,875
Total Cash and Investments	\$ 16,385,264



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Deposits	
Checking	\$ 2,030,099
Non-negotiable certificates of deposit	9,304,000
Invested in MAGIC Fund	5,049,185
Petty cash and change funds	<u>1,980</u>
 Total Deposits, Cash on Hand, and Investments	 <u>\$ 16,385,264</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better 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, 2018, the County's deposits were not exposed to custodial credit risk.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities 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;
- (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.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2018, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2018, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	>5%	N/A	\$ 5,049,185
Checking					2,030,099
Non-negotiable certificates of deposit					9,304,000
Petty cash and change funds					1,980
Total Cash and Investments					<u>\$ 16,385,264</u>

N/A – Not Applicable

N/R – Not Rated

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

>5% – Concentration is more than 5% of investments

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

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

**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, 2018, 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.

	<u>Total Receivables</u>		<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
<b>Governmental Activities</b>			
Receivables			
Taxes	\$ 49,418		\$ -
Special assessments	3,394,435		2,514,267
Accounts receivable	28,347		-
Loans receivable	587,077		518,905
Accrued interest receivable	77,346		-
Due from other governments	2,058,414		-
Due from component unit	951		-
Long-term receivable	200,000		180,000
	<u>6,395,988</u>		<u>3,213,172</u>
Total Receivables	<u>\$ 6,395,988</u>		<u>\$ 3,213,172</u>
		Less:	
	<u>Total</u>	<u>Allowance</u>	
	<u>Receivables</u>	<u>for</u>	
		<u>Uncollectibles</u>	<u>Amounts Not</u>
			<u>Scheduled for</u>
			<u>Collection</u>
			<u>During</u>
			<u>the Subsequent</u>
			<u>Year</u>
<b>Business-Type Activities</b>			
Receivables			
Accounts receivable	\$ 251,579	\$ -	\$ -
Patient receivables	4,094,485	(1,091,500)	-
	<u>4,346,064</u>	<u>(1,091,500)</u>	<u>-</u>
Total Receivables	<u>\$ 4,346,064</u>	<u>\$ (1,091,500)</u>	<u>\$ -</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

Long-Term Receivable

On January 1, 2007, the County issued \$1,625,000 General Obligation (G.O.) Refunding Bonds, Series 2007A, which included refunding G.O. Water Revenue Bonds of 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 benefited property. The \$200,000 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, 2018.

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	\$	538,658
Loans issued		122,564
Loan forgiven		(10,000)
Loan repayments		<u>(64,145)</u>
Ending Balance	\$	<u>587,077</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, 2018, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 318,183	\$ 88,175	\$ 1	\$ 406,357
Works of art and historical treasures	34,376	-	-	34,376
Right-of-way	427,690	-	-	427,690
Construction in progress	499,538	117,725	468,863	148,400
Total capital assets not depreciated	<u>\$ 1,279,787</u>	<u>\$ 205,900</u>	<u>\$ 468,864</u>	<u>\$ 1,016,823</u>
Capital assets depreciated				
Land improvements	\$ 558,251	\$ 18,826	\$ -	\$ 577,077
Buildings	8,037,240	303,203	5,746	8,334,697
Machinery and equipment	7,570,431	693,810	292,080	7,972,161
Infrastructure	72,140,551	2,762,659	-	74,903,210
Total capital assets depreciated	<u>\$ 88,306,473</u>	<u>\$ 3,778,498</u>	<u>\$ 297,826</u>	<u>\$ 91,787,145</u>
Less: accumulated depreciation for				
Land improvements	\$ 275,515	\$ 23,970	\$ -	\$ 299,485
Buildings	3,327,121	260,581	5,117	3,582,585
Machinery and equipment	4,779,337	584,272	271,092	5,092,517
Infrastructure	29,905,867	1,945,658	-	31,851,525
Total accumulated depreciation	<u>\$ 38,287,840</u>	<u>\$ 2,814,481</u>	<u>\$ 276,209</u>	<u>\$ 40,826,112</u>
Total capital assets depreciated, net	<u>\$ 50,018,633</u>	<u>\$ 964,017</u>	<u>\$ 21,617</u>	<u>\$ 50,961,033</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,298,420</u>	<u>\$ 1,169,917</u>	<u>\$ 490,481</u>	<u>\$ 51,977,856</u>

Construction in progress at December 31, 2018, consists of amounts completed on open road projects, an aeration system, and Courts Building security upgrades.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets

Governmental Activities (Continued)

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

Governmental Activities		
General government	\$	276,736
Public safety		166,000
Highways and streets, including depreciation of infrastructure assets		2,272,468
Sanitation		19,768
Culture and recreation, including depreciation of infrastructure assets		74,905
Conservation of natural resources		4,604
		4,604
Total Depreciation Expense – Governmental Activities	\$	2,814,481

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 182,513	\$ -	\$ -	\$ 182,513
Capital assets depreciated				
Land improvements	\$ 833,357	\$ -	\$ -	\$ 833,357
Buildings	20,199,560	16,047	-	20,215,607
Fixed equipment	1,307,996	-	-	1,307,996
Major movable equipment	9,324,557	297,469	-	9,622,026
Total capital assets depreciated	\$ 31,665,470	\$ 313,516	\$ -	\$ 31,978,986
Less: accumulated depreciation for				
Land improvements	\$ 417,451	\$ 41,117	\$ -	\$ 458,568
Buildings	9,671,140	1,049,577	-	10,720,717
Fixed equipment	1,155,883	39,965	-	1,195,848
Major movable equipment	8,228,772	402,928	-	8,631,700
Total accumulated depreciation	\$ 19,473,246	\$ 1,533,587	\$ -	\$ 21,006,833
Total capital assets depreciated, net	\$ 12,192,224	\$ (1,220,071)	\$ -	\$ 10,972,153
Business-Type Activities				
Capital Assets, Net	\$ 12,374,737	\$ (1,220,071)	\$ -	\$ 11,154,666



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets

Business-Type Activities (Continued)

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

Business-Type Activities			
Hospital	\$	1,482,466	
Congregate Housing		51,121	
Total Depreciation Expense – Business-Type Activities	\$	1,533,587	

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Advance To/From Other Funds

The Congregate Housing Enterprise Fund has a balance due to the General Fund of \$250,000 resulting from a shortfall in operations in the Congregate Housing Enterprise Fund. There is no repayment schedule set.

2. Advance to Component Unit

The Shetek Area Water and Sewer Commission has a balance due to Murray County's General Fund at December 31, 2018, of \$325,000 for a shortfall due to greater than expected operations and flood disaster costs. There is no repayment schedule set.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfer to Ditch Special Revenue Fund from General Fund	\$	3,794	Interest
Transfer to EDA Special Revenue Fund from General Fund		105,558	Appropriation
Transfer to Capital Projects Fund from General Fund		250,000	Commitment
Transfer to General Fund from Congregate Housing Enterprise Fund		3,324	Interest
Transfer to General Fund from Ditch Special Revenue Fund		10,840	Interest
Transfer to Congregate Housing Enterprise Fund from General Fund		425	Interest
Total Interfund Transfers	\$	373,941	

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2018, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 247,601	\$ 767,996
Salaries payable	242,858	1,349,560
Claims payable	-	305,533
Due to other governments	89,118	177
Payable from restricted assets	-	11,200
	<u>579,577</u>	<u>2,434,466</u>
Total Payables	<u>\$ 579,577</u>	<u>\$ 2,434,466</u>

2. Construction Commitments

The County has active construction projects and other commitments as of December 31, 2018. The projects and commitments include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Pictometry – General Fund	\$ 85,756	\$ 111,352
Playground Equipment and Installation – General Fund	41,190	10,136
Courts Building Security Upgrade – General Fund	-	285,100
Konica Color Copier – General Fund	-	7,856
	<u>126,946</u>	<u>414,444</u>
Total Construction Commitments	<u>\$ 126,946</u>	<u>\$ 414,444</u>

Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2018.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Deferred Inflows of Resources – Unavailable Revenue/Prepaid Property Taxes

Unavailable revenue consists 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. Prepaid property taxes consist of the County’s share of 2019 property taxes collected in advance. Deferred inflows of resources at December 31, 2018, are summarized below by fund:

	Special Assessments	Taxes	Grants	Loans Receivable	Interest	Total
Governmental funds						
General Fund	\$ 451,101	\$ 52,566	\$ -	\$ -	\$ 45,201	\$ 548,868
Special Revenue Funds						
Road and Bridge	-	14,508	1,770,445	-	-	1,784,953
Human Services	-	14,054	-	-	-	14,054
Ditch	2,943,335	-	-	-	-	2,943,335
EDA	-	-	-	578,442	-	578,442
Debt Service Fund	-	3,128	-	-	-	3,128
Total	<u>\$ 3,394,436</u>	<u>\$ 84,256</u>	<u>\$ 1,770,445</u>	<u>\$ 578,442</u>	<u>\$ 45,201</u>	<u>\$ 5,872,780</u>
Deferred inflows of resources						
Unavailable revenue	\$ 3,394,436	\$ 49,418	\$ 1,770,445	\$ 578,442	\$ 45,201	\$ 5,837,942
Prepaid property taxes	-	34,838	-	-	-	34,838
Total	<u>\$ 3,394,436</u>	<u>\$ 84,256</u>	<u>\$ 1,770,445</u>	<u>\$ 578,442</u>	<u>\$ 45,201</u>	<u>\$ 5,872,780</u>

4. Long-Term Debt

Governmental Activities – Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2011A G.O. Capital Improvement Plan Bonds	2022	\$180,000 - \$220,000	0.60 - 2.75	\$ 1,965,000	\$ 840,000
Less: unamortized discount					(6,413)
Net G.O. Capital Improvement Plan Bonds					<u>\$ 833,587</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Governmental Activities – Bonds Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
Special assessment bonds with government commitment					
2007A G.O. Refunding Bonds	2029	\$25,000 - \$195,000	4.00 - 4.25	\$ 1,625,000	\$ 200,000
2016A G.O. Ditch Bonds	2032	\$100,000 - \$130,000	2.00 - 2.45	1,695,000	1,595,000
2018A G.O. Ditch Bonds	2034	\$65,000 - \$100,000	2.30 - 3.30	1,220,000	1,220,000
Less: unamortized discount					(5,577)
Net G.O. Special Assessment Bonds					<u>\$ 3,009,423</u>

The Series 2007A G.O. Refunding Bonds include an amount to refund the 1999A G.O. Water Revenue Bonds of the Red Rock Rural Water System (RRRWS). The 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, \$200,000, due from the RRRWS, which will decrease as principal payments are made. Payments are reported in the Ditch Special Revenue Fund.

Murray County issued the Series 2011A G.O. 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 payments are made from the Debt Service Fund. These bonds are issued as ten-year serial bonds.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Governmental Activities – Bonds Payable (Continued)

The County issued the Series 2016A G.O. Ditch Bonds to finance improvements to County Ditch Nos. 35, 73, and 82. The term of the bonds is 16 years, with principal payments starting on February 1, 2018. Debt service requirements will be made from the Ditch Special Revenue Fund, as they are to be repaid from future special assessment collections.

The County issued the Series 2018A G.O. Ditch Bonds to finance improvements to County Ditch No. 61 and Judicial Ditch No. 8. The term of the bonds is 16 years, with principal payments starting on February 1, 2020. Debt service requirements will be made from the Ditch Special Revenue Fund, as they are to be repaid from future special assessment collections.

Business-Type Activities – Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
G.O. 2012A Housing Development Refunding Bonds	2022	\$100,000 - \$110,000	1.00 - 1.60	<u>\$ 960,000</u>	\$ 440,000
Less: unamortized discount					<u>(6,367)</u>
Total G.O. Refunding Bonds, Net					<u>\$ 433,633</u>
Health Care Facilities Gross Revenue Bonds, Series 2012A	2028		3.000 - 3.125	<u>\$ 8,100,000</u>	<u>\$ 3,964,374</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.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Business-Type Activities – Bonds Payable (Continued)

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 1.500 percent. The Hospital is required to maintain certain financial and operational covenants in relation to the Health Care Facilities Gross Revenue Bonds.

Governmental Activities – Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
Cottonwood River CWP Project	2022	\$ 6,633	2.00	\$ 59,847	\$ 19,589
Rock River CWP Project	2023	1,048	2.00	9,459	4,490
Total Loans Payable				\$ 69,306	\$ 24,079

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 five 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.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Governmental Activities – Loans Payable (Continued)

In 2004, the County Board authorized \$1,400,000 to be used for a County septic loan program. As of December 31, 2018, the County has issued \$1,325,331 to Murray County residents for the control and abatement of water pollution. As of December 31, 2018, \$426,756 of the \$439,370 special assessments receivable balance reported in the General Fund represents outstanding septic system loans.

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 began in 2016 and are expected to continue until 2026. The outstanding balance as of December 31, 2018, is \$36,171.

6. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Governmental Activities

<u>Year Ending December 31</u>	<u>G.O. Capital Improvement Plan Bonds</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 200,000	\$ 18,500	\$ 125,000	\$ 53,753
2020	205,000	13,941	190,000	64,220
2021	215,000	8,791	185,000	60,625
2022	220,000	3,025	190,000	56,973
2023	-	-	200,000	53,099
2024 – 2028	-	-	1,050,000	202,544
2029 – 2033	-	-	975,000	78,029
2034	-	-	100,000	1,650
Total	<u>\$ 840,000</u>	<u>\$ 44,257</u>	<u>\$ 3,015,000</u>	<u>\$ 570,893</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Debt Service Requirements

Governmental Activities (Continued)

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 7,236	\$ 446
2020	7,381	300
2021	4,427	167
2022	4,515	78
2023	520	5
Total	<u>\$ 24,079</u>	<u>\$ 996</u>

Business-Type Activities

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>		<u>G.O. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 427,177	\$ 136,823	\$ 110,000	\$ 5,418
2020	442,589	121,411	110,000	4,070
2021	459,277	104,723	110,000	2,557
2022	476,228	87,772	110,000	880
2023	493,804	70,196	-	-
2024 – 2027	1,665,299	98,996	-	-
Total	<u>\$ 3,964,374</u>	<u>\$ 619,921</u>	<u>\$ 440,000</u>	<u>\$ 12,925</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, 2018, 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	\$ 1,035,000	\$ -	\$ 195,000	\$ 840,000	\$ 200,000
Special assessment debt with government commitment	1,910,000	1,220,000	115,000	3,015,000	125,000
Less: unamortized discounts	(14,100)	-	(2,110)	(11,990)	-
Net bonds payable	\$ 2,930,900	\$ 1,220,000	\$ 307,890	\$ 3,843,010	\$ 325,000
G.O. capital notes payable	117,000	-	117,000	-	-
Loans payable	51,604	-	27,525	24,079	7,236
Compensated absences	636,443	346,178	328,053	654,568	80,327
Governmental Activities Long-Term Liabilities	<u>\$ 3,735,947</u>	<u>\$ 1,566,178</u>	<u>\$ 780,468</u>	<u>\$ 4,521,657</u>	<u>\$ 412,563</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Housing Development					
Refunding Bond	\$ 545,000	\$ -	\$ 105,000	\$ 440,000	\$ 110,000
Hospital Revenue Bond	4,376,325	-	411,951	3,964,374	427,177
Hospital special assessment	41,339	-	5,168	36,171	5,167
Compensated absences	12,094	7,658	4,077	15,675	241
Total long-term liabilities	\$ 4,974,758	\$ 7,658	\$ 526,196	\$ 4,456,220	\$ 542,585
Less: unamortized discounts	(7,958)	-	(1,591)	(6,367)	-
Business-Type Activities Long-Term Liabilities	<u>\$ 4,966,800</u>	<u>\$ 7,658</u>	<u>\$ 524,605</u>	<u>\$ 4,449,853</u>	<u>\$ 542,585</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

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

In prior years, the County has defeased for the City of Slayton Economic Development Authority the G.O. 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 G.O. 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, 2018, the amount of defeased debt outstanding but removed from financial statements amounted to \$470,000.

D. Other Postemployment Benefits (OPEB)

1. Governmental Activities and Congregate Housing Enterprise Fund

a. 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.

b. 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. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

1. Governmental Activities and Congregate Housing Enterprise Fund

b. Funding Policy (Continued)

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Active plan participants	74
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c. Total OPEB Liability

The County's total OPEB liability of \$277,898 was measured as of January 1, 2018, and was determined by an actuarial valuation as of January 1, 2018. A portion of the year-end OPEB liability, \$4,732, is reported in the Congregate Housing Enterprise Fund business-type activity. The remaining \$273,166 year-end OPEB liability is reported in governmental activities. The OPEB liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, EDA Special Revenue Fund, and the Congregate Housing Enterprise Fund.

The total OPEB liability for the fiscal year-end December 31, 2018, reporting date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.50 percent in 2018, decreasing to 5.00 percent over six years

The salary increases have been determined on the long-term inflation assumption plus any additional wage increase assumption in excess of inflation. The additional wage increase assumption is based on review of increases in the taxable wage base compared to inflation.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

1. Governmental Activities and Congregate Housing Enterprise Fund

c. Total OPEB Liability (Continued)

The current year discount rate is 3.30 percent. For the current valuation, the discount rate is the 20-year municipal bond yield. The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of January 1, 2018.

Mortality rates are based on Society of Actuaries RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (Blue Collar adjustment for Police and Fire Personnel).

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data.

d. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018 (Restated)	\$ 264,308
Changes for the year	
Service cost	\$ 24,988
Interest	9,209
Benefit payments	(20,607)
Net change	\$ 13,590
Balance at December 31, 2018	\$ 277,898

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

1. Governmental Activities and Congregate Housing Enterprise Fund (Continued)

e. OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	\$ 300,385
Current	3.30	277,898
1% Increase	4.30	256,738

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 245,597
Current	6.50% Decreasing to 5.00%	277,898
1% Increase	7.50% Decreasing to 6.00%	316,184

f. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of \$7,716. The County reported deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date of \$5,738, which will be recognized as a reduction of the OPEB liability for the year ended December 31, 2019. The County had no deferred inflows of resources related to OPEB to report.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

1. Governmental Activities and Congregate Housing Enterprise Fund (Continued)

g. Changes in Actuarial Methods and Assumptions

The following changes in actuarial methods and assumptions occurred in 2018:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate used changed from 4.00 percent to 3.30 percent.
- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age, level percentage of pay.

2. Hospital Enterprise Fund

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, 2018, there were no retirees receiving health benefits from the Hospital's health plan.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Hospital Enterprise Fund (Continued)

a. OPEB Benefits

Individuals who are employed by the Hospital and are eligible to participate in the group health plan are eligible to continue health care benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At December 31, 2018, the following employees were covered by the benefit terms:

Active plan participants	97
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b. Total OPEB Liability

The Hospital's total OPEB liability of \$253,355 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and the Entry Age Normal actuarial cost method, applied to all periods included in the measurement:

Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Discount rate	3.30 percent, compounded annually, including inflation
Health care cost trend	6.50 percent in 2018, decreasing to 5.00 percent over six years

c. Discount Rate

The discount rate used to measure the total OPEB liability was 3.30 percent, which reflects the index rate for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Hospital Enterprise Fund

c. Discount Rate (Continued)

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the valuation were based on the results of the actuarial experience study with dates corresponding to those previously disclosed.

d. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018 (Restated)	\$ 256,718
Changes for the year	
Service cost	\$ 24,521
Interest	8,682
Benefit payments	(36,566)
Net change	\$ (3,363)
Balance at December 31, 2018	\$ 253,355

Change of assumptions reflect a change in the discount rate from 4.00 percent to 3.30 percent.



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Hospital Enterprise Fund (Continued)

e. OPEB Liability Sensitivity

The following presents the total OPEB liability of the Hospital, calculated using the discount rate previously disclosed, as well as what the Hospital's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	\$ 272,836
Current	3.30	253,355
1% Increase	4.30	235,166

The following presents the total OPEB liability of the Hospital, calculated using the health care cost trend previously disclosed, as well as what the Hospital's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 226,350
Current	6.50% Decreasing to 5.00%	253,355
1% Increase	7.50% Decreasing to 6.00%	285,464

f. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Hospital recognized OPEB expense of \$33,203. The Hospital reported deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date of \$7,627, which will be recognized as a reduction of the OPEB liability for the year ended December 31, 2019. The Hospital had no deferred inflows of resources related to OPEB to report.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Hospital Enterprise Fund (Continued)

g. Changes in Actuarial Methods and Assumptions

The following changes in actuarial methods and assumptions occurred in 2018:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate used changed from 4.00 percent to 3.30 percent.
- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age Normal.

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Murray County and the Murray County Medical Center are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan) and the Public Employees Police and Fire Plan (the Police and Fire Plan), 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 pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County or Medical Center employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

b. 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. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 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 1.00 percent.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. 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 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service.

For General Employees Plan 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 Police and Fire Plan, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. 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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018.

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	\$ 765,068
Police and Fire Plan	124,322

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of \$8,082,838 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.1457 percent. It was 0.1502 percent measured as of June 30, 2017. The County recognized pension expense of \$36,292 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$61,795 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	\$ 8,082,838
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>264,992</u>
Total	<u>\$ 8,347,830</u>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 216,043	\$ 244,317
Changes in actuarial assumptions	800,203	914,594
Difference between projected and actual investment earnings	-	800,546
Changes in proportion	-	595,921
Contributions paid to PERA subsequent to the measurement date	369,368	-
Total	\$ 1,385,614	\$ 2,555,378

The \$369,368 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, 2019. 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
2019	\$ 42,604
2020	(680,870)
2021	(732,161)
2022	(168,705)

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2018, the County reported a liability of \$725,876 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.068 percent. It was 0.067 percent measured as of June 30, 2017. The County recognized pension expense of \$80,928 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$6,129 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 Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 28,984	\$ 181,236
Changes in actuarial assumptions	940,874	1,051,716
Difference between projected and actual investment earnings	-	143,309
Changes in proportion	46,464	121,418
Contributions paid to PERA subsequent to the measurement date	65,180	-
Total	\$ 1,081,502	\$ 1,497,679

The \$65,180 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, 2019. 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
2019	\$ (18,437)
2020	(50,607)
2021	(101,806)
2022	(310,591)
2023	84

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$117,220.

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 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	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. 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, the fiduciary net position of the General Employees Plan and the Police and Fire Plan were 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.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

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

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 13,135,648	6.50%	\$ 1,556,323
Current	7.50	8,082,838	7.50	725,876
1% Increase	8.50	3,911,889	8.50	39,130

i. 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](http://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**

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3. Detailed Notes on All Funds

E. Pension Plans (Continued)

2. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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 Murray County during the year ended December 31, 2018, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,250	\$ 7,250
Percentage of covered payroll	5.00%	5.00%

4. Risk Management

The 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

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4. Risk Management (Continued)

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, other than pertaining to health insurance, 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 \$500,000 per claim in 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The 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.

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4. Risk Management (Continued)

The County established a limited risk management program for health coverage in 2014. Premiums are paid into the 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 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, 2018, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through February 28, 2019. Changes in the balances of claims liabilities during 2017 and 2018 are as follows:

	2017	2018
Unpaid claims, January 1	\$ 171,142	\$ 409,226
Incurred claims	2,348,550	2,740,362
Claims payments	(2,110,466)	(2,844,055)
Unpaid claims, December 31	\$ 409,226	\$ 305,533

5. 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 County.



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5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

Lincoln-Pipestone Rural Water System

At December 31, 2018, the Lincoln-Pipestone Rural Water System had \$40,841,000 of general obligation bonds outstanding through 2056. 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 specifically 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 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.

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

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

B. Joint Ventures

Southwest Health and Human Services (Continued)

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.

Rock County's health and human service functions were assumed by SWHHS as of January 1, 2012. Redwood County's health and human service functions and Pipestone County's human services 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.

Financing is provided by state and federal grants and appropriations from member counties. Murray County's contribution in 2018 for the human services function was \$1,205,884, and its contribution to the health services function was \$106,881.

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

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2018, were \$40,841,000.

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

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement pursuant to Minn. Stat. § 471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Nobles, 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.

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Red Rock Rural Water System (Continued)

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

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

Buffalo Ridge Drug Task Force

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

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

Fiscal agent responsibilities for the Task Force are with the City of Worthington. During the year, Murray County provided \$32,283 to the Task Force.

Plum Creek Library System

Murray County, along with 19 cities and eight 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 2018, Murray County provided \$58,667 to the Plum Creek Library System.

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Plum Creek Library System (Continued)

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

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, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as the 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 2018, Murray County made contributions of \$27,611 to the A.C.E. of Southwest Minnesota.

C. Agricultural Best Management Loan Program

Murray 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.

D. 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, 2018, are:

Health care services	\$ 7,249,612
General and administrative	<u>9,307,451</u>
Total	<u>\$ 16,557,063</u>

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

E. Concentrations of Credit Risk – Hospital Enterprise Fund

The Hospital grants credit, without collateral, to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors and patients at December 31, 2018, follows:

Medicare	43%
Medicaid	7
Other third-party payors	40
Private pay	<u>10</u>
Total	<u>100%</u>

F. Related-Party Transactions

The Hospital entered into a management agreement with Sanford Health Network, beginning May 1, 2008. Under this agreement, Sanford Health provides certain financial and operational consulting services. Total fees paid to Sanford Health for the provision of these services for the year ended December 31, 2018, were \$42,756. The original management agreement was effective through May 1, 2016, and automatically renewed an additional year.

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

The accounting policies of the Shetek Area Water and Sewer Commission conform with accounting principles generally accepted in the United States of America. In addition to those policies identified in Note 1, the County's discretely presented component unit has the following significant accounting policies.

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 Water and Sewer 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

**MURRAY COUNTY  
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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity (Continued)

Shetek Area. The Water and Sewer 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 Water and Sewer Commission is reported in a separate column in the financial statements to emphasize that it is legally separate from the County. Separate financial statements are not issued.

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

2. Measurement Focus and Basis of Accounting

The Shetek Area Water and Sewer Commission presents as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered through user charges. Operating revenues, such as sewer utility charges, 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 investment earnings, result from nonexchange transactions or incidental activities. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses.

3. Assets and Liabilities

Deposits and Investments

The Water and Sewer Commission's cash balance is combined with Murray County as part of its pooled cash and investments account. Investments are included in an external investment pool, which is measured at net asset value.

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets and Liabilities (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows. The Water and Sewer 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 Water and Sewer Commission can deposit or effectively withdraw cash at any time without prior notice or penalty.

Accounts and Special Assessments Receivable

Accounts receivable represents amounts due from the sewer system users for utility charges unpaid at December 31, 2018.

Special assessments receivable consist of delinquent special assessments payable in the year 2018 and noncurrent special assessments payable in 2019 and after. Unpaid special assessments at December 31, 2018, are classified in the financial statements as delinquent special assessments.

No allowance for accounts receivable and uncollectible special assessments receivable has been provided because such amounts are not expected to be material.

Restricted Assets

Certain funds of the Water and Sewer 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.



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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets and Liabilities (Continued)

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, May, October, and November. 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 Water and Sewer Commission 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 Water and Sewer 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

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.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

4. 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, deferred outflows of resources, liabilities, and deferred inflows of resources; 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, 2018. As of December 31, 2018, the Water and Sewer Commission had \$487,318 on deposit with Murray County.

2. Receivables

The Water and Sewer Commission's noncurrent special assessments receivable balance at December 31, 2018, of \$5,199,650 is not scheduled for collection during the subsequent year.

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6. Component Unit Disclosures

B. Detailed Notes (Continued)

3. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2018, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 386,046	\$ -	\$ 25,000	\$ 361,046
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	\$ 242,495	\$ 22,913	\$ -	\$ 265,408
Building and structures	10,889	1,436	-	12,325
Machinery and equipment	300,270	33,591	-	333,861
Infrastructure	2,981,130	329,357	-	3,310,487
Total accumulated depreciation	\$ 3,534,784	\$ 387,297	\$ -	\$ 3,922,081
Total capital assets depreciated, Net	\$ 11,842,458	\$ (387,297)	\$ -	\$ 11,455,161
Total Capital Assets, Net	\$ 12,228,504	\$ (387,297)	\$ 25,000	\$ 11,816,207

Depreciation expense for 2018 was \$387,297.

4. Advance From Primary Government

The Shetek Area Water and Sewer Commission has a balance due to Murray County's General Fund at December 31, 2018, of \$325,000 for a shortfall in cash due to greater than expected operations and flood disaster costs. There is no repayment schedule set.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes (Continued)

5. Due to Primary Government

The Shetek Area Water and Sewer Commission has a balance due to Murray County's General Fund at December 31, 2018, of \$951 for postage and billing costs. The balance is expected to be repaid in 2019.

6. Long-Term Obligations

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2013A Sewer Revenue Crossover Refunding Bonds	2028	\$150,000 - \$265,000	2.00 - 2.35	\$ 2,590,000	\$ 2,365,000

The G.O. 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. Sewer Revenue Crossover Refunding Bonds, Series 2013A	
	Principal	Interest
2019	\$ 230,000	\$ 46,577
2020	235,000	41,928
2021	235,000	37,227
2022	240,000	32,478
2023	245,000	27,628
2024 – 2028	1,180,000	60,856
Total	\$ 2,365,000	\$ 246,694

**MURRAY COUNTY  
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6. Component Unit Disclosures

B. Detailed Notes

6. Long-Term Obligations (Continued)

Minnesota Public Facilities Authority G.O. Notes

In 2006, Minnesota Public Facilities Authority G.O. 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, 2018, 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, 2018, are as follows:

<u>Year Ended December 31</u>	<u>Minnesota Public Facilities Authority Loans</u>	
	<u>Water Pollution Control Revolving Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 582,149	\$ 41,682
2020	557,000	35,960
2021	562,000	30,334
2022	568,000	24,658
2023	574,000	18,921
2024 - 2026	<u>1,299,361</u>	<u>21,766</u>
Total	<u>\$ 4,142,510</u>	<u>\$ 173,321</u>

The G.O. 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  
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6. Component Unit Disclosures

B. Detailed Notes (Continued)

7. 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	\$ 4,830,548	\$ -	\$ 688,038	\$ 4,142,510	\$ 582,149
General obligation bonds	2,590,000	-	225,000	2,365,000	230,000
<b>Total Long-Term Liabilities</b>	<b>\$ 7,420,548</b>	<b>\$ -</b>	<b>\$ 913,038</b>	<b>\$ 6,507,510</b>	<b>\$ 812,149</b>

8. Crossover Refunding

In 2013, the County issued \$2,590,000 G.O. Sewer Revenue Crossover Refunding Bonds, Series 2013A, to crossover refund \$1,045,000 of the \$1,715,000 G.O. Sewer Revenue Bonds, Series 2007, and \$1,385,000 of the \$2,080,000 G.O. Sewer Revenue Bonds, Series 2007B. The County issued 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.

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

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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6. Component Unit Disclosures (Continued)

C. Risk Management

The Shetek Area Water and Sewer Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters for which the Water and Sewer 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 Water and Sewer 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 Water and Sewer Commission pays an annual premium to the LMCIT. The LMCIT is self-sustaining through commercial companies for excess claims. The Water and Sewer 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 Water and Sewer 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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,366,884	\$ 5,366,884	\$ 5,136,178	\$ (230,706)
Special assessments	287,456	287,456	278,037	(9,419)
Licenses and permits	30,400	30,400	38,921	8,521
Intergovernmental	1,749,223	1,749,223	1,864,969	115,746
Charges for services	337,780	337,780	344,525	6,745
Gifts and contributions	1,300	1,300	17,744	16,444
Investment earnings	30,750	30,750	206,574	175,824
Miscellaneous	286,970	286,970	262,309	(24,661)
<b>Total Revenues</b>	<b>\$ 8,090,763</b>	<b>\$ 8,090,763</b>	<b>\$ 8,149,257</b>	<b>\$ 58,494</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 263,938	\$ 263,938	\$ 246,192	\$ 17,746
Community relations/web page development	66,220	66,220	57,434	8,786
Courts	20,500	20,500	27,959	(7,459)
Law library	5,000	5,000	987	4,013
Auditor/Treasurer	393,079	393,079	385,754	7,325
Accounting and auditing	50,000	50,000	39,484	10,516
County assessor	333,951	333,951	322,334	11,617
Elections	40,075	40,075	127,226	(87,151)
Assistive voting grant	45,000	45,000	-	45,000
Data processing and computer networking	260,771	260,771	206,962	53,809
Machines room	61,000	61,000	40,130	20,870
Motor pool	46,475	46,475	37,815	8,660
Human resources	252,239	252,239	241,182	11,057
Attorney	228,167	228,167	211,866	16,301
Recorder	214,020	214,020	218,022	(4,002)
Planning and zoning	122,704	122,704	124,481	(1,777)
Buildings and plant	838,112	838,112	824,797	13,315
Veterans services officer	43,127	43,127	51,034	(7,907)
License center	98,022	98,022	111,473	(13,451)
Other general government	16,500	16,500	45,034	(28,534)
<b>Total general government</b>	<b>\$ 3,398,900</b>	<b>\$ 3,398,900</b>	<b>\$ 3,320,166</b>	<b>\$ 78,734</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,861,404	\$ 1,861,404	\$ 1,976,365	\$ (114,961)
E-911 system	137,932	137,932	103,615	34,317
Probation	63,392	63,392	47,709	15,683
Civil defense	83,387	83,387	70,140	13,247
Disaster/Flood damage	-	-	269,057	(269,057)
Other public safety	5,500	5,500	77,415	(71,915)
<b>Total public safety</b>	<b>\$ 2,151,615</b>	<b>\$ 2,151,615</b>	<b>\$ 2,544,301</b>	<b>\$ (392,686)</b>
<b>Sanitation</b>				
Solid waste	\$ 103,876	\$ 103,876	\$ 103,177	\$ 699
Recycling	264,877	264,877	234,757	30,120
Other	1,000	1,000	972	28
<b>Total sanitation</b>	<b>\$ 369,753</b>	<b>\$ 369,753</b>	<b>\$ 338,906</b>	<b>\$ 30,847</b>
<b>Culture and recreation</b>				
Regional library	\$ 58,667	\$ 58,667	\$ 58,667	\$ -
Historical society	237,854	237,854	242,820	(4,966)
Senior citizens – Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota	15,051	15,051	15,111	(60)
Transportation	32,500	32,500	32,500	-
Parks	398,869	398,869	284,729	114,140
Minnesota trails	29,356	29,356	32,255	(2,899)
Other	6,620	6,620	7,120	(500)
<b>Total culture and recreation</b>	<b>\$ 778,917</b>	<b>\$ 778,917</b>	<b>\$ 673,202</b>	<b>\$ 105,715</b>
<b>Conservation of natural resources</b>				
Extension	\$ 194,738	\$ 194,738	\$ 193,773	\$ 965
Soil and water conservation	186,279	186,279	186,438	(159)
Agricultural inspection	77,308	77,308	78,005	(697)
Redwood-Cottonwood Rivers Control Area	4,050	4,050	4,050	-
Environmental and land use advisory task force	50	50	33	17
Flood control	2,945	2,945	2,945	-
Agricultural society	39,330	39,330	30,796	8,534
Buffer strip riparian protection	15,000	15,000	-	15,000
Aquatic invasive species prevention	57,042	57,042	48,217	8,825
Water planning	168,847	168,847	92,081	76,766
Water quality loan program	150,000	150,000	51,134	98,866
Other conservation	3,200	3,200	2,828	372
<b>Total conservation of natural resources</b>	<b>\$ 898,789</b>	<b>\$ 898,789</b>	<b>\$ 690,300</b>	<b>\$ 208,489</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Other	\$ 2,230	\$ 2,230	\$ 2,230	\$ -
<b>Intergovernmental</b>				
Health	\$ 106,881	\$ 106,881	\$ 106,881	\$ -
<b>Debt service</b>				
Principal	\$ 24,604	\$ 24,604	\$ 27,525	\$ (2,921)
Interest	731	731	895	(164)
<b>Total debt service</b>	\$ 25,335	\$ 25,335	\$ 28,420	\$ (3,085)
<b>Total Expenditures</b>	\$ 7,732,420	\$ 7,732,420	\$ 7,704,406	\$ 28,014
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ 358,343	\$ 358,343	\$ 444,851	\$ 86,508
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 91,000	\$ 91,000	\$ 14,164	\$ (76,836)
Transfers out	(525,558)	(525,558)	(359,777)	165,781
Proceeds from sale of capital assets	-	-	850	850
<b>Total Other Financing Sources (Uses)</b>	\$ (434,558)	\$ (434,558)	\$ (344,763)	\$ 89,795
<b>Net Change in Fund Balance</b>	\$ (76,215)	\$ (76,215)	\$ 100,088	\$ 176,303
<b>Fund Balance – January 1</b>	6,537,514	6,537,514	6,537,514	-
<b>Increase (decrease) in inventories</b>	-	-	2,051	2,051
<b>Fund Balance – December 31</b>	\$ 6,461,299	\$ 6,461,299	\$ 6,639,653	\$ 178,354

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,436,479	\$ 1,436,479	\$ 1,379,943	\$ (56,536)
Licenses and permits	7,000	7,000	8,500	1,500
Intergovernmental	4,389,628	4,389,628	5,412,771	1,023,143
Charges for services	21,000	21,000	16,683	(4,317)
Miscellaneous	68,100	68,100	103,484	35,384
<b>Total Revenues</b>	<b>\$ 5,922,207</b>	<b>\$ 5,922,207</b>	<b>\$ 6,921,381</b>	<b>\$ 999,174</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 319,461	\$ 319,461	\$ 314,136	\$ 5,325
Maintenance	1,786,484	1,786,484	2,595,930	(809,446)
Engineering	197,525	197,525	227,500	(29,975)
Construction	2,279,000	2,279,000	2,632,968	(353,968)
Maintenance and shop	609,140	609,140	659,963	(50,823)
<b>Total highways and streets</b>	<b>\$ 5,191,610</b>	<b>\$ 5,191,610</b>	<b>\$ 6,430,497</b>	<b>\$ (1,238,887)</b>
<b>Intergovernmental</b>				
Highways and streets	451,618	451,618	528,018	(76,400)
<b>Total Expenditures</b>	<b>\$ 5,643,228</b>	<b>\$ 5,643,228</b>	<b>\$ 6,958,515</b>	<b>\$ (1,315,287)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 278,979</b>	<b>\$ 278,979</b>	<b>\$ (37,134)</b>	<b>\$ (316,113)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	20,000	20,000	7,000	(13,000)
<b>Net Change in Fund Balance</b>	<b>\$ 298,979</b>	<b>\$ 298,979</b>	<b>\$ (30,134)</b>	<b>\$ (329,113)</b>
<b>Fund Balance – January 1</b>	<b>3,165,002</b>	<b>3,165,002</b>	<b>3,165,002</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>25,000</b>	<b>25,000</b>	<b>(43,715)</b>	<b>(68,715)</b>
<b>Fund Balance – December 31</b>	<b>\$ 3,488,981</b>	<b>\$ 3,488,981</b>	<b>\$ 3,091,153</b>	<b>\$ (397,828)</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,120,249	\$ 1,120,249	\$ 1,070,512	\$ (49,737)
Intergovernmental	84,245	84,245	135,372	51,127
<b>Total Revenues</b>	<b>\$ 1,204,494</b>	<b>\$ 1,204,494</b>	<b>\$ 1,205,884</b>	<b>\$ 1,390</b>
<b>Expenditures</b>				
<b>Intergovernmental</b>				
Human services	1,204,494	1,204,494	1,205,884	(1,390)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance – January 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 596,880	\$ 596,880	\$ 604,273	\$ 7,393
Intergovernmental	20,492	20,492	24,145	3,653
Miscellaneous	-	-	50,952	50,952
<b>Total Revenues</b>	<b>\$ 617,372</b>	<b>\$ 617,372</b>	<b>\$ 679,370</b>	<b>\$ 61,998</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	\$ 174,101	\$ 174,101	\$ 509,677	\$ (335,576)
<b>Debt service</b>				
Principal	109,997	109,997	115,000	(5,003)
Interest	44,736	44,736	43,035	1,701
Administrative charges	142	142	990	(848)
Bond issuance costs	-	-	45,010	(45,010)
<b>Total Expenditures</b>	<b>\$ 328,976</b>	<b>\$ 328,976</b>	<b>\$ 713,712</b>	<b>\$ (384,736)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 288,396</b>	<b>\$ 288,396</b>	<b>\$ (34,342)</b>	<b>\$ (322,738)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 54,000	\$ 54,000	\$ 3,794	\$ (50,206)
Transfers out	-	-	(10,840)	(10,840)
Bonds issued	-	-	1,220,000	1,220,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 54,000</b>	<b>\$ 54,000</b>	<b>\$ 1,212,954</b>	<b>\$ 1,158,954</b>
<b>Net Change in Fund Balance</b>	<b>\$ 342,396</b>	<b>\$ 342,396</b>	<b>\$ 1,178,612</b>	<b>\$ 836,216</b>
<b>Fund Balance – January 1</b>	<b>(625,208)</b>	<b>(625,208)</b>	<b>(625,208)</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ (282,812)</b>	<b>\$ (282,812)</b>	<b>\$ 553,404</b>	<b>\$ 836,216</b>



**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT A-5*

**BUDGETARY COMPARISON SCHEDULE  
EDA SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 12,027	\$ 12,027	\$ 20,921	\$ 8,894
Miscellaneous	62,260	62,260	62,924	664
<b>Total Revenues</b>	<b>\$ 74,287</b>	<b>\$ 74,287</b>	<b>\$ 83,845</b>	<b>\$ 9,558</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Economic Development Commission	155,558	155,558	242,090	(86,532)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (81,271)</b>	<b>\$ (81,271)</b>	<b>\$ (158,245)</b>	<b>\$ (76,974)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	130,558	130,558	105,558	(25,000)
<b>Net Change in Fund Balance</b>	<b>\$ 49,287</b>	<b>\$ 49,287</b>	<b>\$ (52,687)</b>	<b>\$ (101,974)</b>
<b>Fund Balance – January 1</b>	<b>995,401</b>	<b>995,401</b>	<b>995,401</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 1,044,688</b>	<b>\$ 1,044,688</b>	<b>\$ 942,714</b>	<b>\$ (101,974)</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFITS  
GOVERNMENTAL ACTIVITIES AND CONGREGATE HOUSING ENTERPRISE FUND  
DECEMBER 31, 2018**

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 24,988
Interest	9,209
Benefit payments	(20,607)
<b>Net change in total OPEB liability</b>	<b>\$ 13,590</b>
<b>Total OPEB Liability – Beginning, as restated</b>	<b>264,308</b>
<b>Total OPEB Liability – Ending</b>	<b>\$ 277,898</b>
Covered-employee payroll	\$ 3,626,858
Total OPEB liability (asset) as a percentage of covered-employee payroll	7.66%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT A-7*

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFITS  
HOSPITAL ENTERPRISE FUND  
DECEMBER 31, 2018**

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 24,521
Interest	8,682
Benefit payments	(36,566)
<b>Net change in total OPEB liability</b>	<b>\$ (3,363)</b>
<b>Total OPEB Liability – Beginning, as restated</b>	<b>256,718</b>
<b>Total OPEB Liability – Ending</b>	<b>\$ 253,355</b>
Covered-employee payroll	\$ 6,123,174
Total OPEB liability (asset) as a percentage of covered-employee payroll	4.14%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT A-8**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2018**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Murray County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2018	0.1457 %	\$ 8,082,838	\$ 264,992	\$ 8,347,830	\$ 9,787,977	82.58 %	79.53 %
2017	0.1502	9,588,670	120,582	9,709,252	9,677,297	99.08	75.90
2016	0.1608	13,056,162	170,623	13,226,785	10,577,661	123.43	68.91
2015	0.1597	8,276,482	N/A	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.

N/A – Not Applicable

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT A-9*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2018**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2018	\$ 765,068	\$ 765,068	\$ -	\$ 10,200,875	7.50 %
2017	790,677	790,677	-	10,542,367	7.50
2016	745,320	745,320	-	9,937,599	7.50
2015	706,218	706,218	-	9,416,245	7.50

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-10*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2018**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2018	0.068 %	\$ 725,876	\$ 717,880	101.11 %	88.84 %
2017	0.067	904,580	689,293	131.23	85.43
2016	0.071	2,849,354	685,787	415.49	63.88
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-11*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2018**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2018	\$ 124,322	\$ 124,322	\$ -	\$ 767,420	16.20 %
2017	112,457	112,457	-	694,179	16.20
2016	111,020	111,020	-	685,306	16.20
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, 2018

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

There were no amendments to the budget in the current year.

4. Excess of Expenditures Over Budget

The following individual funds had expenditures in excess of final budgets for the year ended December 31, 2018:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 6,958,515	\$ 5,643,228	\$ 1,315,287
Human Services Special Revenue Fund	1,205,884	1,204,494	1,390
Ditch Special Revenue Fund	713,712	328,976	384,736
EDA Special Revenue Fund	242,090	155,558	86,532

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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5. Other Postemployment Benefits Funded Status

Governmental Activities and Congregate Housing Enterprise Fund

In 2018, Murray County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

Hospital Enterprise Fund

In 2018, the Hospital Enterprise Fund implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.D. in the notes to the financial statements for additional information regarding the Hospital's other postemployment benefits.

6. Employer Contributions to Other Postemployment Benefits

Governmental Activities and Congregate Housing Enterprise Fund

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

The following changes in actuarial methods and assumptions occurred in 2018:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate used changed from 4.00 percent to 3.30 percent.
- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age, level percentage of pay.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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6. Employer Contributions to Other Postemployment Benefits (Continued)

Hospital Enterprise Fund

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

The following changes in actuarial methods and assumptions occurred in 2018:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate used changed from 4.00 percent to 3.30 percent.
- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age Normal.

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

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

General Employees Retirement Plan

2018

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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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

Public Employees Police and Fire Plan

2018 (Continued)

- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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**SUPPLEMENTARY INFORMATION**

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**GOVERNMENTAL FUNDS**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 356,068	\$ 356,068	\$ 340,142	\$ (15,926)
Intergovernmental	-	-	15,934	15,934
Investment earnings	-	-	224	224
<b>Total Revenues</b>	<b><u>\$ 356,068</u></b>	<b><u>\$ 356,068</u></b>	<b><u>\$ 356,300</u></b>	<b><u>\$ 232</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other general government	\$ -	\$ -	\$ 645	\$ (645)
<b>Debt service</b>				
Principal	312,000	312,000	312,000	-
Interest	23,282	23,282	23,284	(2)
Administrative charges	500	500	495	5
<b>Total Expenditures</b>	<b><u>\$ 335,782</u></b>	<b><u>\$ 335,782</u></b>	<b><u>\$ 336,424</u></b>	<b><u>\$ (642)</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 20,286</u></b>	<b><u>\$ 20,286</u></b>	<b><u>\$ 19,876</u></b>	<b><u>\$ (410)</u></b>
<b>Fund Balance – January 1</b>	<b><u>374,125</u></b>	<b><u>374,125</u></b>	<b><u>374,125</u></b>	<b><u>-</u></b>
<b>Fund Balance – December 31</b>	<b><u><u>\$ 394,411</u></u></b>	<b><u><u>\$ 394,411</u></u></b>	<b><u><u>\$ 394,001</u></u></b>	<b><u><u>\$ (410)</u></u></b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

*EXHIBIT B-2*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
<b>Net Change in Fund Balance</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ -</b>
<b>Fund Balance – January 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance – December 31</b>	<u><u>\$ 250,000</u></u>	<u><u>\$ 250,000</u></u>	<u><u>\$ 250,000</u></u>	<u><u>\$ -</u></u>

**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, 2018**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>LIME CREEK SUBORDINATE SERVICE DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 6,803	\$ 2,810	\$ 3,681	\$ 5,932
Accounts receivable	90	-	90	-
<b>Total Assets</b>	<b>\$ 6,893</b>	<b>\$ 2,810</b>	<b>\$ 3,771</b>	<b>\$ 5,932</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 22	\$ 20	\$ 22	\$ 20
Customer deposits	6,871	2,832	3,791	5,912
<b>Total Liabilities</b>	<b>\$ 6,893</b>	<b>\$ 2,852</b>	<b>\$ 3,813</b>	<b>\$ 5,932</b>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 300,123</b>	<b>\$ 17,726,434</b>	<b>\$ 17,872,614</b>	<b>\$ 153,943</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 300,123</b>	<b>\$ 17,726,434</b>	<b>\$ 17,872,614</b>	<b>\$ 153,943</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT C-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 306,926	\$ 17,729,244	\$ 17,876,295	\$ 159,875
Accounts receivable	90	-	90	-
	<b>\$ 307,016</b>	<b>\$ 17,729,244</b>	<b>\$ 17,876,385</b>	<b>\$ 159,875</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 22	\$ 20	\$ 22	\$ 20
Customer deposits	6,871	2,832	3,791	5,912
Due to other governments	300,123	17,726,434	17,872,614	153,943
	<b>\$ 307,016</b>	<b>\$ 17,729,286</b>	<b>\$ 17,876,427</b>	<b>\$ 159,875</b>

**OTHER SCHEDULE**

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT D-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Governmental Funds</b>
<b>Appropriations and Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 5,018,317
Market value credit	292,694
PERA rate reimbursement	11,609
Disparity reduction aid	25,685
Police aid	104,401
County program aid	502,874
Local performance aid	1,168
Enhanced 911	79,559
Aquatic invasive species aid	88,825
Riparian aid	163,208
Select Committee on Recycling and the Environment (SCORE)	67,729
<b>Total appropriations and shared revenue</b>	<b>\$ 6,356,069</b>
<b>Reimbursement for Services</b>	
<b>Local</b>	
Red Rock Rural Water System	\$ 24,145
Townships	22,995
<b>Total reimbursement for services</b>	<b>\$ 47,140</b>
<b>Payments</b>	
<b>Local</b>	
Local grants	\$ 63,250
Payments in lieu of taxes	403,442
<b>Total payments</b>	<b>\$ 466,692</b>
<b>Grants</b>	
<b>State</b>	
Minnesota Department/Board/Office of	
Corrections	\$ 13,856
Natural Resources	70,554
Secretary of State	44,963
Transportation	213,965
Water and Soil Resources	54,189
Veterans Affairs	7,500
Historical Society	31,617
Peace Officer Standards and Training Board	11,484
Pollution Control Agency	53,806
Supreme Court	39,157
<b>Total state</b>	<b>\$ 541,091</b>

MURRAY COUNTY  
SLAYTON, MINNESOTA

*EXHIBIT D-1*  
*(Continued)*

SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Governmental Funds</u>
<b>Grants (Continued)</b>	
<b>Federal</b>	
Department of Homeland Security	<u>\$          42,199</u>
<b>Total state and federal grants</b>	<u>\$          583,290</u>
<b>Total Intergovernmental Revenue</b>	<u><u>\$          7,453,191</u></u>



**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, 2018**

**Assets**

**Current assets**

Special assessments receivable	
Current	\$ 455,052
Delinquent	4,873
Interest receivable – special assessments	2,127
Accounts receivable	40,893
Due from other governments	812
Inventory	59,989
	<hr/>

**Total current assets, unrestricted** **\$ 563,746**

**Restricted assets**

Cash and pooled investments	487,318
	<hr/>

**Total current assets** **\$ 1,051,064**

**Noncurrent assets**

Special assessments receivable	\$ 5,199,650
Capital assets	
Non-depreciable	361,046
Depreciable – net	11,455,161
	<hr/>

**Total noncurrent assets** **\$ 17,015,857**

**Total Assets** **\$ 18,066,921**

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT E-1  
(Continued)**

**SHETEK AREA WATER AND SEWER COMMISSION  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**Liabilities**

**Current liabilities**

Accounts payable	\$	2,635
Due to primary government		951
Advance from primary government		325,000
Accrued interest payable		37,799
Customer deposits		2,466
General obligation bonds payable – current		230,000
Revenue notes payable – current		582,149
		582,149

**Total current liabilities** **\$ 1,181,000**

**Noncurrent liabilities**

General obligation bonds payable – long-term	\$	2,135,000
Revenue notes payable – long-term		3,560,361
		3,560,361

**Total noncurrent liabilities** **\$ 5,695,361**

**Total Liabilities** **\$ 6,876,361**

**Net Position**

Net investment in capital assets	\$	5,308,697
Restricted for		
Debt service		328,722
Wastewater system replacement		158,596
Unrestricted		5,394,545
		5,394,545

**Total Net Position** **\$ 11,190,560**

**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, 2018**

<b>Operating Revenues</b>	
Sewer utility charges	\$ 523,688
Charges for services	750
Miscellaneous	7,740
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 532,178</b>
<b>Operating Expenses</b>	
Personal services	\$ 7,536
Professional services	232,262
Other services and charges	61,707
Supplies	84,373
Insurance	4,801
Depreciation	387,297
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 777,976</b>
<b>Operating Income (Loss)</b>	<b>\$ (245,798)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest earnings	\$ 3,054
Loss on sale of capital assets	(19,000)
Administrative charges	(495)
Interest expense	(97,200)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (113,641)</b>
<b>Income (Loss) Before Contributions</b>	<b>\$ (359,439)</b>
Capital contributions	<hr/> 220,117
<b>Change in net position</b>	<b>\$ (139,322)</b>
<b>Net Position – January 1</b>	<hr/> <b>11,329,882</b>
<b>Net Position – December 31</b>	<b>\$ 11,190,560</b>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT E-3**

**SHETEK AREA WATER AND SEWER COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 554,684
Cash paid to employees	(7,827)
Cash paid for supplies and professional services	(418,400)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 128,457</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Advance received from primary government	\$ 250,000
Interest paid on advance	(2,665)
	<hr/>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 247,335</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Special assessments	\$ 701,146
Principal paid on long-term debt	(913,038)
Interest paid on bonds	(48,179)
Interest paid on revenue notes	(51,623)
Proceeds from sale of capital assets	6,000
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (305,694)</b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	\$ 3,054
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 73,152</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>414,166</b>
	<hr/>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 487,318</b>
	<hr/>
<b>Cash and Cash Equivalents – Exhibit E-1</b>	
Restricted cash and pooled investments	\$ 487,318
	<hr/>

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**EXHIBIT E-3  
(Continued)**

**SHETEK AREA WATER AND SEWER COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Reconciliation of Operating Income (Loss) to Net Cash Provided by  
(Used in) Operating Activities**

<b>Operating income (loss)</b>	<b><u>\$ (245,798)</u></b>
 <b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 387,297
(Increase) decrease in accounts receivable	24,000
(Increase) decrease in due from other governments	(162)
(Increase) decrease in inventory	(10,078)
Increase (decrease) in accounts payable	(22,811)
Increase (decrease) in due to other governments	(1,727)
Increase (decrease) in due to primary government	951
Increase (decrease) in salaries payable	(291)
Increase (decrease) in customer deposits payable	<u>(2,924)</u>
 <b>Total adjustments</b>	 <b><u>\$ 374,255</u></b>
 <b>Net Cash Provided by (Used in) Operating Activities</b>	 <b><u><u>\$ 128,457</u></u></b>

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**MURRAY COUNTY**

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JULIE BLAHA  
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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 6, 2019. 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 the County's financial statements. This report does not include the results of the other auditors' 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 the Management and Compliance Section.

### **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 did identify a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. 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 2015-001 to be a material weakness.

### **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 the County administers no tax increment financing districts.

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 and 2014-001. 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 are described in the Corrective Action Plan. 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/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 6, 2019

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**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-001

Audit Adjustments

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

**Condition:** Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

**Context:** The inability to make all necessary adjustments or to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** The following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

Road and Bridge Special Revenue Fund

- Decreased due from other governments by \$319,631, increased shared intergovernmental revenue—highway users tax by \$215,210, and decreased related deferred inflows of resources—unavailable revenue by \$534,841.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Self-Insurance Internal Service Fund

- Increased accounts payable and accounts receivable to eliminate \$131,349 reductions in the balance of each account.

**Cause:** The County did not properly calculate the highway allotment receivable and related unavailable revenue in the Road and Bridge Special Revenue Fund, and did not properly consider payables and receivables for the Self-Insurance Internal Service Fund.

**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 accounting principles generally accepted in the United States of America.

**View of Responsible Official:** Acknowledged

**II. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 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 through 2017.

**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, through 2017.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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.

**View of Responsible Official:** Acknowledged

Finding Number 2014-001

Publishing Claims Paid

**Criteria:** Pursuant to Minn. Stat. § 375.12, County Board minutes must 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.

**MURRAY COUNTY  
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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.

**View of Responsible Official:** Acknowledged



Murray County Auditor/Treasurer  
Heidi E. Winter  
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Slayton, MN 56172-0057  
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Fax: 507-836-6114  
[hwinter@co.murray.mn.us](mailto:hwinter@co.murray.mn.us)

## REPRESENTATION OF MURRAY COUNTY SLAYTON, MINNESOTA

### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

**Finding Number: 2015-001**

**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Heidi E. Winter – County Auditor/Treasurer

Corrective Action Planned:

The County staff will set up the appropriate codes when inputting initial journal entries. They will also review the end of the year closing procedures and trial balances and journal entries in detail to ensure that all significant adjustments have been made according to generally accepted accounting principles.

Anticipated Completion Date:

Ongoing

**Finding Number: 2013-002**

**Finding Title: Publication of Financial Statements**

Name of Contact Person Responsible for Corrective Action:

Heidi E. Winter – County Auditor/Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

Ongoing

**Finding Number: 2014-001**

**Finding Title: Publishing Claims Paid**

Name of Contact Person Responsible for Corrective Action:

Heidi E. Winter – County Auditor/Treasurer

Corrective Action Planned:

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 M.S. § 375.12 and make the most fiscally responsible decision that keeps the public adequately informed.

Anticipated Completion Date:

Ongoing



Murray County Auditor/Treasurer  
Heidi E. Winter  
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**REPRESENTATION OF MURRAY COUNTY  
SLAYTON, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Finding Number: 2015-001**

**Finding Title: Audit Adjustments**

**Summary of Condition:** Material adjustments were identified that resulted in significant changes to the County's financial statements in the General Fund, Ditch Special Revenue Fund, and the Congregate Housing Enterprise Fund.

**Summary of Corrective Action Previously Reported:** The County staff will set up the appropriate codes when inputting initial journal entries. They will also review the end of the year closing procedures and trial balances and journal entries in detail to ensure that all significant adjustments have been made according to generally accepted accounting principles.

**Status:** Not Corrected. Please see Corrective Action Plan for explanation.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X  

**Finding Number: 2013-002**

**Finding Title: Publication of Financial Statements**

**Summary of 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, 2014, 2015, or 2016.

**Summary of Corrective Action Previously Reported:** 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.



**Status:** Not Corrected. Please see Corrective Action Plan for explanation.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2014-001**  
**Finding Title: Publishing Claims Paid**

**Summary of 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.

**Summary of Corrective Action Previously Reported:** 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.

**Status:** Not Corrected. Please see Corrective Action Plan for explanation.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X



**SHETEK AREA WATER AND SEWER COMMISSION**

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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE 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 Commissioners  
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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 6, 2019.

### **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 Water and Sewer Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water and Sewer 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 Water and

Sewer 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 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 Water and Sewer Commission'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 the Shetek Area Water and Sewer Commission administers no tax increment financing districts. The provisions for contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions were tested in connection with our audit of Murray County, Minnesota.

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 Counties*. 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 Water and Sewer 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 Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the Water and Sewer 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 Water and Sewer Commission's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

December 6, 2019

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR