

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Murray County
(Including the Shetek Area Water
and Sewer Commission)
Slayton, Minnesota**

Year Ended December 31, 2019

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, 2019



**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
2019**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	James Jens	January 2021
2nd District	Lori Gunnink	January 2021
3rd District	Dennis Welgraven ²	January 2023
4th District	Jim Kluis	January 2023
5th District	Dave Thiner ¹	January 2021
Officers		
Elected		
Attorney	Travis J. Smith	January 2023
Auditor-Treasurer	Heidi E. Winter	January 2023
County Judge	Christina Wietzema	January 2021
County Recorder	Evelyn C. Larson ³	January 2023
Registrar of Titles	Evelyn C. Larson ³	January 2023
Sheriff	Steven Telkamp	January 2023
Appointed		
Assessor	Marcy Barritt	Indefinite
Administrator	Tom Burke ⁴	Indefinite
Highway Engineer	Randy Groves	Indefinite
Court Administrator	Denise Brandel	Indefinite
Veterans Service Officer	James Reinert	Indefinite
Coroner	Dr. Michael B. McGee	December 2019

¹Chair for 2018

²Chair for 2019

³Evelyn C. Larson retired as of September 1, 2020. Karen Brown was appointed to fill out the remainder of the term.

⁴County replaced the Coordinator position with an Administrator. Tom Burke began on July 22, 2019.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**ORGANIZATION SCHEDULE
SHETEK AREA WATER AND SEWER COMMISSION
2019**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Commissioners		
Jamie Thomazin	Chair	January 2024
Donna Kor	Vice Chair	January 2022
Jon Hoyme	Secretary	January 2023
Harley Wahl	Member	January 2021
Trevor Humphrey	Member	January 2022
David Maguire	Member	January 2022
Greg Grant	Member	January 2021

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Murray County
Slayton, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Murray County, Minnesota, as of and for the year ended December 31, 2019, 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 represents 50 percent, 28 percent, and 93 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. 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 Murray County Medical Center, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Murray County as of December 31, 2019, 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 Reporting Entity

As discussed in Note 1.E. to the financial statements, in 2019, Murray County is reporting the Murray County Medical Center as a discretely presented component unit, rather than a blended component unit in the business-type activities. A portion of the beginning net position of the business-type activities has been restated as the beginning net position of the Murray County Medical Center discretely presented component unit to reflect this change. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Subsequent Event

As discussed in Note 6. to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected the County will experience an increase of expenditures and, as a result, has received grant revenue to reduce the effects of COVID-19. 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 1, 2020, 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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a

required part of the basic financial statements. The SEFA 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 SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

December 1, 2020

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(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, 2019. 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 \$63,840,515, of which \$52,947,997 is the County's net investment in capital assets, and \$2,945,315 is restricted for specific purposes. The unrestricted net position of \$7,947,203 may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's governmental activities' net position increased by \$2,366,792 for the year ended December 31, 2019.
- The net cost of governmental activities for the current fiscal year was \$7,691,994. General revenues and transfers totaling \$10,058,786 funded the net cost.
- The General Fund's fund balance increased by \$386,892, the Road and Bridge Special Revenue Fund's fund balance increased by \$903,799, the Human Services Special Revenue Fund saw no change, the EDA Special Revenue Fund's fund balance decreased by \$116,596, and the Ditch Special Revenue Fund's fund balance decreased by \$1,006,827.
- For the year ended December 31, 2019, the unassigned fund balance of the General Fund was \$2,336,959.

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 Sunrise Terrace, the County's Congregate Housing.
- **Discretely presented 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 County also reports the Murray County Medical Center, a legally separate entity, because a financial benefit/burden relationship exists between the Medical Center and the County.

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. An enterprise fund accounts for the 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 and the Murray County Medical Center as discretely presented component units.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 through 117 of this report.

Other Information

Other information is provided as supplementary information regarding Murray County's intergovernmental revenue, expenditures of federal awards, combining statements, 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 \$63,550,516 at the close of 2019. The largest portion of Murray County's net position (83.4 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 2018 is presented.

	Net Position (in thousands)			2018
	Governmental Activities	Business-Type Activities	Total	
2019				
Assets				
Current and other assets	\$ 20,816	\$ (237)	\$ 20,579	\$ 19,150
Capital assets	53,583	358	53,941	52,387
Total Assets	\$ 74,399	\$ 121	\$ 74,520	\$ 71,537
Deferred Outflows of Resources				
Deferred pension outflows	\$ 1,063	\$ 4	\$ 1,067	\$ 1,553
Deferred other postemployment benefits outflows	11	-	11	6
Deferred charges on bond refunding	-	14	14	21
Total Deferred Outflows of Resources	\$ 1,074	\$ 18	\$ 1,092	\$ 1,580
Liabilities				
Long-term liabilities	\$ 7,904	\$ 402	\$ 8,306	\$ 8,832
Other liabilities	1,991	21	2,012	731
Total Liabilities	\$ 9,895	\$ 423	\$ 10,318	\$ 9,563

	2019			2018
	Governmental Activities	Business-Type Activities	Total	
Deferred Inflows of Resources				
Deferred pension inflows	\$ 1,730	\$ 6	\$ 1,736	\$ 2,348
Prepaid property taxes	-	-	-	35
Deferred other postemployment benefits inflows	8	-	8	-
Total Deferred Inflows of Resources	\$ 1,738	\$ 6	\$ 1,744	\$ 2,383
Net Position				
Net investment in capital assets	\$ 52,948	\$ 47	\$ 52,995	\$ 51,141
Restricted	2,945	-	2,945	3,456
Unrestricted	7,947	(337)	7,610	6,574
Total Net Position	\$ 63,840	\$ (290)	\$ 63,550	\$ 61,171

Unrestricted net position in the amount of \$7,610,299—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 12.0 percent of net position.

Governmental Activities

The County’s governmental activities’ net position increased by 3.9 percent, (\$63,840,515 for 2019 compared to \$61,473,723 for 2018). Key elements in this increase in net position are as follows for 2019, with comparative data for 2018.

Governmental Activities Changes in Net Position (in thousands)

	2019	2018
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 1,732	\$ 2,859
Operating grants and contributions	7,765	6,241
Capital grants and contributions	196	119
General revenues		
Property taxes	7,098	6,746
Other	2,960	2,854
Total Revenues	\$ 19,751	\$ 18,819

	<u>2019</u>	<u>2018</u>
Expenses		
General government	\$ 3,355	\$ 3,022
Public safety	2,390	2,593
Highways and streets	5,855	6,437
Sanitation	297	348
Human services	1,277	1,206
Health	111	107
Culture and recreation	682	699
Conservation of natural resources	2,975	1,245
Economic development	345	242
Interest	98	67
	<u>\$ 17,385</u>	<u>\$ 15,966</u>
Change in Net Position	\$ 2,366	\$ 2,853
Net Position – January 1, as restated	<u>61,474</u>	<u>58,621*</u>
Net Position – December 31, as reported	<u>\$ 63,840</u>	<u>\$ 61,474</u>

*Amount includes a change in accounting principles.

The cost of all governmental activities for 2019 was \$17,384,834 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 \$7,691,994. The amount paid by those who directly benefited from the programs was \$1,732,254, and the amount paid by other governments and organizations to subsidize certain programs with operating grants and contributions was \$7,764,626. Capital grants and contributions were \$195,960. The County paid for the remaining “public benefit” portion of governmental activities with \$860,688 in grants and contributions not restricted to specific programs, \$7,097,932 in property taxes, and \$991,407 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
2019
(in thousands)**

	<u>Total Cost of Services</u>	<u>Net Cost (Revenue) of Services</u>
General government	\$ 3,355	\$ 2,660
Public safety	2,390	1,994
Highways and streets	5,855	(1,023)
Conservation of natural resources	2,975	1,834
All others	2,810	2,227
	<u>\$ 17,385</u>	<u>\$ 7,692</u>

(Unaudited)

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Business-Type Activities

The County's business-type activities include Congregate Housing (Sunrise Terrace). The business-type activities' net position increased by 4.4 percent (a deficit \$303,268 for the beginning of 2019 compared to a deficit \$289,999 for the end of 2019). Key elements in this increase in net position are as follows, with comparative data for 2018.

Business-Type Activities Changes in Net Position (in thousands)		
	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Fees, charges, and other	\$ 299	\$ 257
Transfers	(5)	(3)
Total Revenues	\$ 294	\$ 254
Expenses		
Congregate Housing	281	273
Change in Net Position	\$ 13	\$ (19)
Net Position – January 1, as restated	(303)	(284)
Net Position – December 31, as reported	<u>\$ (290)</u>	<u>\$ (303)</u>

The cost of all business-type activities for 2019 was \$281,423 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 2019, this amount was \$299,677.

The following table presents the cost of the County's business-type activities, and related net cost (revenue) of services.

Business-Type Activities 2019 (in thousands)		
	<u>Total Cost of Services</u>	<u>Net Cost (Revenue) of Services</u>
Congregate Housing	<u>\$ 281,423</u>	<u>\$ (18,328)</u>

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 \$12,305,867, an increase of \$434,942 in comparison with the prior year. Of the combined ending fund balances, \$2,206,150 is nonspendable, \$3,393,015 is restricted, \$1,035,534 is committed, \$4,686,120 is assigned, and \$985,048 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, \$1,978,717 is nonspendable, \$1,743,676 is restricted, \$535,534 is committed, \$431,659 is assigned, and \$2,336,959 is unassigned. Overall fund balance in the General Fund increased by \$386,892 during 2019.

The Road and Bridge Special Revenue Fund had \$227,433 in nonspendable funds and \$3,767,519 in assigned funds. Overall fund balance in the Road and Bridge Special Revenue Fund increased by \$903,799 during 2019.

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 \$898,488 in restricted fund balance and (\$1,351,911) in unassigned fund balance. Overall fund balance decreased by \$1,006,827 during 2019 due to major construction projects on three drainage systems. The deficit fund balance will be reimbursed by future bond proceeds when the projects are completed in 2021.

The EDA Special Revenue Fund had restricted funds of \$339,176 and assigned funds of \$486,942. The EDA Special Revenue Fund's fund balance decreased by \$116,596 during 2019.

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 \$352,899 more than budgeted, and expenditures were \$664 over budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Governmental Activities

The County's capital assets for its governmental activities at December 31, 2019, totaled \$53,583,187 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$1,605,331, or 3.1 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)

	2019	2018
Land, including right-of-way	\$ 834	\$ 834
Works of art and historical treasures	34	34
Construction in progress	860	148
Infrastructure	43,841	43,052
Buildings	4,663	4,752
Improvements other than buildings	386	278
Machinery and equipment	2,965	2,880
Total	<u>\$ 53,583</u>	<u>\$ 51,978</u>

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

Business-Type Activities

The County's capital assets for its business-type activities at December 31, 2019, totaled \$357,847 (net of accumulated depreciation). This investment in capital assets includes buildings. The investment in capital assets decreased by \$51,121, or 12.5 percent, from the previous year. The decrease was due to the depreciation recorded in 2019.

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

	2019	2018
Buildings	<u>\$ 358</u>	<u>\$ 409</u>

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 \$3,862,187, which was backed by the full faith and credit of the government.

	Outstanding Debt (in thousands)	
	<u>2019</u>	<u>2018</u>
General obligation capital improvement plan bond	\$ 635	\$ 834
General obligation ditch bonds	2,885	3,009
General obligation refunding bonds	325	434
Loans payable	<u>17</u>	<u>24</u>
Total	<u>\$ 3,862</u>	<u>\$ 4,301</u>

The County's overall debt decreased by \$438,535 from 2018 to 2019 mainly due to 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 2019, 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 4.8 percent. This is 1.5 percentage points higher than the state unemployment rate of 3.3 percent and 1.1 percentage points lower than the national unemployment rate of 3.7 percent. This is a decrease of 1.5 percentage points from the County's 3.3 percent rate of one year prior.
- Mortgage interest rates have remained relatively consistent with those of 2019, 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 2020 increased \$413,767, from \$7,424,478 to \$7,838,245.

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, 2019**

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission	Murray County Medical Center
Assets					
Current assets					
Cash and pooled investments	\$ 13,691,116	\$ 85,819	\$ 13,776,935	\$ -	\$ 1,114,863
Petty cash and change funds	1,980	-	1,980	-	-
Taxes receivable					
Delinquent	46,011	-	46,011	-	-
Special assessments receivable					
Current	651,929	-	651,929	469,534	-
Delinquent	20,156	-	20,156	9,094	-
Accounts receivable	83,014	-	83,014	40,478	154,789
Internal balances	334,796	(334,796)	-	-	-
Patient receivables – net	-	-	-	-	2,474,756
Accrued interest receivable	131,998	-	131,998	-	-
Due from other governments	2,325,364	-	2,325,364	306,590	-
Due from primary government	-	-	-	-	807,947
Due from component unit	973	-	973	-	-
Advance to component unit	425,000	-	425,000	-	-
Loans receivable	86,802	-	86,802	-	-
Inventories	236,150	-	236,150	68,886	446,346
Prepaid items	-	-	-	-	144,904
Restricted assets					
Cash and pooled investments	-	11,800	11,800	508,773	-
Total current assets	\$ 18,035,289	\$ (237,177)	\$ 17,798,112	\$ 1,403,355	\$ 5,143,605
Noncurrent assets					
Noncurrent cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 2,254,510
Special assessments receivable	2,081,555	-	2,081,555	4,703,311	-
Loans receivable	698,797	-	698,797	-	-
Capital assets					
Non-depreciable	1,728,637	-	1,728,637	421,046	182,513
Depreciable – net of accumulated depreciation	51,854,550	357,847	52,212,397	11,066,411	9,590,557
Investment in Minnesota Rural Health	-	-	-	-	8,750
Physician receivable	-	-	-	-	97,708
Total noncurrent assets	\$ 56,363,539	\$ 357,847	\$ 56,721,386	\$ 16,190,768	\$ 12,134,038
Total Assets	\$ 74,398,828	\$ 120,670	\$ 74,519,498	\$ 17,594,123	\$ 17,277,643

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission	Murray County Medical Center
<u>Deferred Outflows of Resources</u>					
Deferred pension outflows	\$ 1,063,028	\$ 3,814	\$ 1,066,842	\$ -	\$ 363,071
Deferred other postemployment benefits outflows	11,606	243	11,849	-	15,402
Deferred charges on bond refunding	-	14,282	14,282	-	-
Total Deferred Outflows of Resources	\$ 1,074,634	\$ 18,339	\$ 1,092,973	\$ -	\$ 378,473
<u>Liabilities</u>					
Current liabilities					
Accounts payable	\$ 133,572	\$ 3,378	\$ 136,950	\$ 2,093	\$ 630,006
Salaries payable	233,201	3,334	236,535	277	1,359,606
Claims payable	246,484	-	246,484	-	-
Contracts payable	308,908	-	308,908	-	-
Due to other governments	147,982	232	148,214	-	-
Due to primary government	-	-	-	973	-
Advance from primary government	-	-	-	425,000	-
Unearned revenue	75,649	-	75,649	-	-
Due to component unit	807,948	-	807,948	-	-
Accrued interest payable	37,458	1,994	39,452	33,348	2,462
Third-party payor settlements payable	-	-	-	-	696,602
Payable from restricted assets	-	11,800	11,800	-	-
Compensated absences payable – current	100,711	325	101,036	-	-
Special assessments payable – current	-	-	-	-	5,167
Loans payable – current	7,381	-	7,381	-	-
Easement purchase agreement – current	-	-	-	3,000	-
General obligation bonds payable – current	205,000	110,000	315,000	235,000	-
General obligation special assessment debt payable – current	190,000	-	190,000	-	-
Revenue bonds payable – current	-	-	-	493,337	442,587
Capital leases – current	-	-	-	-	31,765
Customer deposits	-	-	-	4,215	-
Total current liabilities	\$ 2,494,294	\$ 131,063	\$ 2,625,357	\$ 1,197,243	\$ 3,168,195

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission	Murray County Medical Center
<u>Liabilities (Continued)</u>					
Noncurrent liabilities					
Compensated absences payable	\$ 542,397	\$ 16,763	\$ 559,160	\$ -	\$ -
Special assessments payable	-	-	-	-	25,837
Loans payable	9,462	-	9,462	-	-
Capital leases	-	-	-	-	173,706
Easement purchase agreement	-	-	-	54,000	-
General obligation bonds payable – net	430,190	215,224	645,414	1,900,000	-
General obligation special assessment debt payable – net	2,694,930	-	2,694,930	-	-
Revenue bonds payable	-	-	-	3,047,000	3,094,628
Other postemployment benefits liability	291,256	4,905	296,161	-	270,022
Net pension liability	3,432,264	54,684	3,486,948	-	5,174,934
Total noncurrent liabilities	\$ 7,400,499	\$ 291,576	\$ 7,692,075	\$ 5,001,000	\$ 8,739,127
Total Liabilities	\$ 9,894,793	\$ 422,639	\$ 10,317,432	\$ 6,198,243	\$ 11,907,322
<u>Deferred Inflows of Resources</u>					
Deferred pension inflows	\$ 1,730,005	\$ 6,232	\$ 1,736,237	\$ -	\$ 1,369,582
Deferred other postemployment benefits inflows	8,149	137	8,286	-	6,873
Total Deferred Inflows of Resources	\$ 1,738,154	\$ 6,369	\$ 1,744,523	\$ -	\$ 1,376,455
<u>Net Position</u>					
Net investment in capital assets	\$ 52,947,997	\$ 46,905	\$ 52,994,902	\$ 5,755,120	\$ 5,999,380
Restricted for					
General government	345,139	-	345,139	-	-
Public safety	329,989	-	329,989	-	-
Highways and streets	1,212,462	-	1,212,462	-	-
Sanitation	313,493	-	313,493	-	-
Economic development	339,176	-	339,176	-	-
Debt service	405,056	-	405,056	325,244	-
Wastewater system replacement	-	-	-	183,529	-
Unrestricted	7,947,203	(336,904)	7,610,299	5,131,987	(1,627,041)
Total Net Position	\$ 63,840,515	\$ (289,999)	\$ 63,550,516	\$ 11,395,880	\$ 4,372,339

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Revenues		
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 3,355,233	\$ 352,446	\$ 342,752
Public safety	2,389,955	117,248	278,509
Highways and streets	5,854,764	148,865	6,532,941
Sanitation	297,015	227,327	68,710
Human services	1,276,472	-	-
Health	111,244	-	-
Culture and recreation	681,566	50,408	145,786
Conservation of natural resources	2,975,109	745,644	395,928
Economic development	345,429	90,316	-
Interest	98,047	-	-
Total governmental activities	\$ 17,384,834	\$ 1,732,254	\$ 7,764,626
Business-type activities			
Congregate Housing	281,423	299,677	74
Total Primary Government	\$ 17,666,257	\$ 2,031,931	\$ 7,764,700
Discretely presented component units			
Shetek Area Water and Sewer Commission	\$ 956,180	\$ 530,501	\$ 408,038
Murray County Medical Center	17,128,244	15,515,710	-
Total Discretely Presented Component Units	\$ 18,084,424	\$ 16,046,211	\$ 408,038

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
Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

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

Net Position – Ending

Net (Expense) Revenue and Changes in Net Position					
Capital Grants and Contributions	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission	Murray County Medical Center
\$ -	\$ (2,660,035)	\$ -	\$ (2,660,035)		
-	(1,994,198)	-	(1,994,198)		
195,960	1,023,002	-	1,023,002		
-	(978)	-	(978)		
-	(1,276,472)	-	(1,276,472)		
-	(111,244)	-	(111,244)		
-	(485,372)	-	(485,372)		
-	(1,833,537)	-	(1,833,537)		
-	(255,113)	-	(255,113)		
-	(98,047)	-	(98,047)		
\$ 195,960	\$ (7,691,994)	\$ -	\$ (7,691,994)		
-	-	18,328	18,328		
\$ 195,960	\$ (7,691,994)	\$ 18,328	\$ (7,673,666)		
\$ 214,109				\$ 196,468	\$ -
-				-	(1,612,534)
\$ 214,109				\$ 196,468	\$ (1,612,534)
	\$ 7,097,932	\$ -	\$ 7,097,932	\$ -	\$ -
	8,684	-	8,684	-	-
	991,407	-	991,407	-	-
	428,914	-	428,914	-	-
	108,508	-	108,508	-	-
	860,688	-	860,688	-	41,187
	368,922	-	368,922	6,952	68,079
	187,954	718	188,672	150	-
	-	-	-	1,750	7,930
	5,777	(5,777)	-	-	-
	\$ 10,058,786	\$ (5,059)	\$ 10,053,727	\$ 8,852	\$ 117,196
	\$ 2,366,792	\$ 13,269	\$ 2,380,061	\$ 205,320	\$ (1,495,338)
	61,473,723	(303,268)	61,170,455	11,190,560	5,867,677
	\$ 63,840,515	\$ (289,999)	\$ 63,550,516	\$ 11,395,880	\$ 4,372,339

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Special Revenue		Other Governmental Funds	Total
		Road and Bridge	Ditch		
<u>Assets</u>					
Cash and pooled investments	\$ 5,385,642	\$ 3,945,041	\$ 919,675	\$ 1,725,237	\$ 11,975,595
Undistributed cash in agency funds	56,319	13,108	9,215	14,002	92,644
Petty cash and change funds	1,980	-	-	-	1,980
Taxes receivable					
Delinquent	28,695	8,337	-	8,979	46,011
Special assessments receivable					
Delinquent	10,243	-	9,913	-	20,156
Noncurrent	533,434	-	2,200,050	-	2,733,484
Accounts receivable	20,329	2,090	-	-	22,419
Loans receivable	-	-	180,000	605,599	785,599
Accrued interest receivable	131,998	-	-	-	131,998
Due from other governments	13,810	2,251,757	59,797	-	2,325,364
Due from component unit	973	-	-	-	973
Advance to component unit	425,000	-	-	-	425,000
Advance to other funds	1,545,000	-	-	-	1,545,000
Inventories	8,717	227,433	-	-	236,150
Total Assets	\$ 8,162,140	\$ 6,447,766	\$ 3,378,650	\$ 2,353,817	\$ 20,342,373
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 81,631	\$ 29,198	\$ 22,743	\$ -	\$ 133,572
Salaries payable	168,111	59,639	2,668	2,783	233,201
Contracts payable	15,588	136,525	156,795	-	308,908
Due to other governments	130,727	5,425	106	11,724	147,982
Advance from other funds	-	-	1,200,000	-	1,200,000
Unearned revenue	75,649	-	-	-	75,649
Total Liabilities	\$ 471,706	\$ 230,787	\$ 1,382,312	\$ 14,507	\$ 2,099,312
Deferred Inflows of Resources					
Unavailable revenue	\$ 663,889	\$ 2,222,027	\$ 2,449,761	\$ 601,517	\$ 5,937,194

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Special Revenue		Other Governmental Funds	Total
		Road and Bridge	Ditch		
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)					
Fund Balances					
Nonspendable					
Inventories	\$ 8,717	\$ 227,433	\$ -	\$ -	\$ 236,150
Advances	1,970,000	-	-	-	1,970,000
Restricted for					
Septic/sewer loans	6,558	-	-	-	6,558
Attorney's forfeitures	1,512	-	-	-	1,512
Law library	3,894	-	-	-	3,894
Debt service	-	-	-	411,675	411,675
EDA revolving loans	-	-	-	333,716	333,716
EDA child care provider grant	-	-	-	5,460	5,460
Recorder's compliance	126,233	-	-	-	126,233
Recorder's technology	213,501	-	-	-	213,501
Supervision fees	24,547	-	-	-	24,547
Sheriff's contingency	6,118	-	-	-	6,118
Permits to carry	67,693	-	-	-	67,693
E-911	231,632	-	-	-	231,632
Ditch maintenance and conservation	-	-	898,488	-	898,488
Unspent grant monies	729,326	-	-	-	729,326
County match	19,169	-	-	-	19,169
Solid waste assessments	313,493	-	-	-	313,493
Committed to					
General Fund contracts	390,674	-	-	-	390,674
911 sign replacement	144,860	-	-	-	144,860
Capital improvement	-	-	-	500,000	500,000
Assigned to					
Parks	22,169	-	-	-	22,169
Sanitation	47,518	-	-	-	47,518
Road and bridge	-	3,767,519	-	-	3,767,519
Economic development	-	-	-	486,942	486,942
Avoca dam replacement	38,750	-	-	-	38,750
Fairgrounds building improvement	85,631	-	-	-	85,631
Sheriff's motor pool	51,107	-	-	-	51,107
General motor pool	37,155	-	-	-	37,155
Ambulance replacement	149,329	-	-	-	149,329
Unassigned	2,336,959	-	(1,351,911)	-	985,048
Total Fund Balances	\$ 7,026,545	\$ 3,994,952	\$ (453,423)	\$ 1,737,793	\$ 12,305,867
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,162,140	\$ 6,447,766	\$ 3,378,650	\$ 2,353,817	\$ 20,342,373

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balance – total governmental funds (Exhibit 3)		\$ 12,305,867
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.		53,583,187
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		1,063,028
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.		11,606
An internal service fund is used by Murray County to charge the costs of self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		618,836
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.		5,937,194
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	\$ (2,884,930)	
General obligation bonds	(635,190)	
Loans payable	(16,843)	
Compensated absences	(643,108)	
Other postemployment benefits liability	(291,256)	
Net pension liability	(3,432,264)	
Accrued interest payable	<u>(37,458)</u>	(7,941,049)
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.		(1,730,005)
Deferred inflows of resources resulting from the other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(8,149)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 63,840,515</u></u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue		Other Governmental Funds	Total
		Road and Bridge	Ditch		
Revenues					
Taxes	\$ 5,464,474	\$ 1,383,761	\$ -	\$ 1,361,703	\$ 8,209,938
Special assessments	285,116	-	1,238,190	-	1,523,306
Licenses and permits	33,727	14,250	-	-	47,977
Intergovernmental	2,160,647	6,443,001	46,381	146,281	8,796,310
Charges for services	391,892	44,925	-	-	436,817
Fines and forfeits	423	-	-	-	423
Gifts and contributions	8,632	-	-	-	8,632
Investment earnings	292,105	-	-	30,501	322,606
Miscellaneous	292,112	114,103	14,745	76,278	497,238
Total Revenues	\$ 8,929,128	\$ 8,000,040	\$ 1,299,316	\$ 1,614,763	\$ 19,843,247
Expenditures					
Current					
General government	\$ 3,604,823	\$ -	\$ -	\$ 645	\$ 3,605,468
Public safety	2,386,783	-	-	-	2,386,783
Highways and streets	-	6,547,858	-	-	6,547,858
Sanitation	289,980	-	-	-	289,980
Culture and recreation	876,083	-	-	-	876,083
Conservation of natural resources	851,066	-	2,151,451	-	3,002,517
Economic development	3,511	-	-	344,116	347,627
Intergovernmental	181,044	523,481	-	1,276,472	1,980,997
Debt service					
Principal	7,236	-	125,000	200,000	332,236
Interest	445	-	61,693	18,500	80,638
Administrative charges	-	-	990	495	1,485
Total Expenditures	\$ 8,200,971	\$ 7,071,339	\$ 2,339,134	\$ 1,840,228	\$ 19,451,672
Excess of Revenues Over (Under) Expenditures	\$ 728,157	\$ 928,701	\$ (1,039,818)	\$ (225,465)	\$ 391,575
Other Financing Sources (Uses)					
Transfers in	\$ 7,013	\$ -	\$ 33,322	\$ 376,543	\$ 416,878
Transfers out	(410,770)	-	(331)	-	(411,101)
Proceeds from sale of capital assets	3,350	-	-	-	3,350
Insurance recoveries	57,620	-	-	-	57,620
Total Other Financing Sources (Uses)	\$ (342,787)	\$ -	\$ 32,991	\$ 376,543	\$ 66,747
Net Change in Fund Balance	\$ 385,370	\$ 928,701	\$ (1,006,827)	\$ 151,078	\$ 458,322
Fund Balance – January 1	6,639,653	3,091,153	553,404	1,586,715	11,870,925
Increase (decrease) in inventories	1,522	(24,902)	-	-	(23,380)
Fund Balance – December 31	\$ 7,026,545	\$ 3,994,952	\$ (453,423)	\$ 1,737,793	\$ 12,305,867

**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, 2019**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 458,322

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	\$ 5,937,194	
Unavailable revenue – January 1	<u>(6,037,942)</u>	(100,748)

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	\$ 4,503,553	
Net book value of assets disposed of	(24,634)	
Current year depreciation	<u>(2,873,588)</u>	1,605,331

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	\$ 200,000	
Special assessment bonds	125,000	
Loans payable	7,236	
Amortization of discount	<u>(2,110)</u>	330,126

**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, 2019**

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	\$	(11,464)	
Change in compensated absences		11,460	
Change in other postemployment benefits liability		(18,090)	
Change in deferred other postemployment benefits outflows		6,010	
Change in deferred other postemployment benefits inflows		(8,149)	
Change in net pension liability		(152,950)	
Change in deferred pension outflows		(482,921)	
Change in deferred pension inflows		608,522	
Change in inventories		(23,380)	(70,962)

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.

144,723

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 2,366,792

PROPRIETARY FUNDS

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	<u>Business-Type Activities – Enterprise Fund Congregate Housing</u>	<u>Governmental Activities Internal Service Fund Self-Insurance</u>
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 85,819	\$ 1,622,877
Accounts receivable	-	60,595
Total current assets, unrestricted	\$ 85,819	\$ 1,683,472
Restricted assets		
Cash and pooled investments	11,800	-
Total current assets	\$ 97,619	\$ 1,683,472
Noncurrent assets		
Capital assets		
Depreciable – net	\$ 357,847	\$ -
Total Assets	\$ 455,466	\$ 1,683,472
<u>Deferred Outflows of Resources</u>		
Deferred pension outflows	\$ 3,814	\$ -
Deferred other postemployment benefits outflows	243	-
Deferred charges on bond refunding	14,282	-
Total Deferred Outflows of Resources	\$ 18,339	\$ -

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	Business-Type Activities – Enterprise Fund Congregate Housing	Governmental Activities Internal Service Fund Self-Insurance
<u>Liabilities</u>		
Current liabilities payable from current assets		
Accounts payable	\$ 3,378	\$ -
Salaries payable	3,334	-
Claims payable	-	246,484
Compensated absences payable – current	325	-
Due to other governments	232	-
Accrued interest payable	1,994	-
General obligation bonds payable – current	110,000	-
Total current liabilities payable from current assets	\$ 119,263	\$ 246,484
Current liabilities payable from restricted assets		
Accounts payable	11,800	-
Total current liabilities	\$ 131,063	\$ 246,484
Noncurrent liabilities		
Advance from other funds	\$ 345,000	\$ -
Compensated absences payable – long-term	16,763	-
General obligation bonds payable – long-term	215,224	-
Other postemployment benefits liability	4,905	-
Net pension liability	54,684	-
Total noncurrent liabilities	\$ 636,576	\$ -
Total Liabilities	\$ 767,639	\$ 246,484
<u>Deferred Inflows of Resources</u>		
Deferred pension inflows	\$ 6,232	\$ -
Deferred other postemployment benefits inflows	137	-
Total Deferred Inflows of Resources	\$ 6,369	\$ -

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	<u>Business-Type Activities – Enterprise Fund Congregate Housing</u>	<u>Governmental Activities Internal Service Fund Self-Insurance</u>
<u>Net Position</u>		
Net investment in capital assets	\$ 46,905	\$ -
Unrestricted	<u>(347,108)</u>	<u>1,436,988</u>
Total Net Position	\$ (300,203)	\$ <u>1,436,988</u>
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.	<u>10,204</u>	
Net Position of Business-Type Activities	\$ <u>(289,999)</u>	

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Business-Type Activities – Enterprise Fund Congregate Housing</u>	<u>Governmental Activities Internal Service Fund Self-Insurance</u>
Operating Revenues		
Charges for services	\$ 291,978	\$ 2,364,455
Miscellaneous	8,417	-
	<hr/>	<hr/>
Total Operating Revenues	\$ 300,395	\$ 2,364,455
	<hr/>	<hr/>
Operating Expenses		
Personal services	\$ 85,937	\$ -
Professional services	3,178	-
Contracted services	57,484	-
Repairs and maintenance	6,995	-
Administration and fiscal services	495	-
Other services and charges	20,884	-
Supplies	12,841	-
Utilities	28,654	-
Insurance	3,460	-
Depreciation	51,121	-
Cost of service	-	2,078,258
	<hr/>	<hr/>
Total Operating Expenses	\$ 271,049	\$ 2,078,258
	<hr/>	<hr/>
Operating Income (Loss)	\$ 29,346	\$ 286,197
	<hr/>	<hr/>

**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, 2019**

	<u>Business-Type Activities – Enterprise Fund Congregate Housing</u>	<u>Governmental Activities Internal Service Fund Self-Insurance</u>
Nonoperating Revenues (Expenses)		
Grants	\$ 74	\$ -
Interest expense	(12,035)	-
Amortization of bond discount	(1,591)	-
	<u> </u>	<u> </u>
Total Nonoperating Revenues (Expenses)	\$ (13,552)	\$ -
Income (Loss) Before Transfers	\$ 15,794	\$ 286,197
Transfers in	905	-
Transfers out	(6,682)	-
	<u> </u>	<u> </u>
Change in net position	\$ 10,017	\$ 286,197
Net Position – January 1		<u>1,150,791</u>
Net Position – December 31		<u><u>\$ 1,436,988</u></u>
Some amounts for business-type activities in the statement of activities (Exhibit 2) are different because the net revenue (expense) of the Self-Insurance Internal Service Fund is reported with business-type activities.	<u>3,252</u>	
Total Change in Net Position of Business-Type Activities	\$ 13,269	

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type Activities – Enterprise Fund Congregate Housing	Governmental Activities Internal Service Fund Self-Insurance
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 302,825	\$ 2,369,365
Payments to suppliers and contractors	(139,055)	(2,066,659)
Payments to employees	(83,972)	-
	<u>\$ 79,798</u>	<u>\$ 302,706</u>
Net cash provided by (used in) operating activities		
Cash Flows from Noncapital Financing Activities		
Advance from other funds	\$ 95,000	\$ -
Transfers in	905	-
Transfers out	(6,682)	-
	<u>\$ 89,223</u>	<u>\$ -</u>
Net cash provided by (used in) noncapital financing activities		
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	\$ (110,000)	\$ -
Interest paid on long-term debt	(5,418)	-
	<u>\$ (115,418)</u>	<u>\$ -</u>
Net cash provided by (used in) capital and related financing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 53,603	\$ 302,706
Cash and Cash Equivalents at January 1	44,016	1,320,171
Cash and Cash Equivalents at December 31	<u>\$ 97,619</u>	<u>\$ 1,622,877</u>
Cash and Cash Equivalents – Exhibit 7		
Cash and pooled investments	\$ 85,819	\$ 1,622,877
Restricted cash and pooled investments	11,800	-
	<u>\$ 97,619</u>	<u>\$ 1,622,877</u>
Total Cash and Cash Equivalents	<u>\$ 97,619</u>	<u>\$ 1,622,877</u>

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

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Business-Type Activities – Enterprise Fund Congregate Housing</u>	<u>Governmental Activities Internal Service Fund Self-Insurance</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 29,346	\$ 286,197
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 51,121	\$ -
Interest expense	228	-
(Increase) decrease in accounts receivable	-	75,558
(Increase) decrease in deferred pension outflows	3,270	-
(Increase) decrease in deferred other postemployment benefits outflows	(101)	-
Increase (decrease) in accounts payable	(2,844)	-
Increase (decrease) in salaries payable	278	-
Increase (decrease) in claims payable	-	(59,049)
Increase (decrease) in compensated absences payable	1,413	-
Increase (decrease) in due to other governments	55	-
Increase (decrease) in other postemployment benefits liability	173	-
Increase (decrease) in net pension liability	755	-
Increase (decrease) in deferred pension inflows	(4,033)	-
Increase (decrease) in deferred other postemployment benefits inflows	137	-
Total adjustments	\$ 50,452	\$ 16,509
Net Cash Provided by (Used in) Operating Activities	\$ 79,798	\$ 302,706

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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, 2019

Assets

Cash and pooled investments	\$	175,771
Accounts receivable		375
		<hr/>
Total Assets	\$	176,146

Liabilities

Accounts payable	\$	21
Customer deposits		5,335
Due to other governments		170,790
		<hr/>
Total Liabilities	\$	176,146

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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 Administrator, appointed by the Board, serves as the Clerk of the Board but does not vote in its decisions.

Blended Component Unit

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 unit:

<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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

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 units of Murray County are 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.
Murray County Medical Center, hereafter the Medical Center, provides acute inpatient and outpatient care to the County area.	A financial benefit/burden relationship exists.	Separate financial statements can be obtained at: 2042 Juniper Avenue Slayton, Minnesota 56172

Significant accounting policies of the component units do not differ significantly from those of the County.

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 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. 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. All remaining governmental funds are aggregated and reported as nonmajor funds. The County presents one enterprise fund.

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The 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 County reports the following major enterprise fund:

- 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 Human Services Special Revenue Fund accounts for assigned property tax revenues used for economic assistance and community social services programs.
- 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 blended component unit, the Economic Development Authority.
- The Debt Service Fund is used to account for the accumulation of restricted resources used for and the payment of principal, interest, and related costs of general obligation bonds.
- The Capital Projects Fund is used to account for financial resources committed for acquisition, construction, or improvement of capital facilities.
- The Internal Service Fund accounts for health insurance premiums and payments.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- 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 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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 Shetek Area Water and Sewer Commission component unit. Murray County and the Shetek Area Water and Sewer Commission 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 Shetek Area Water and Sewer Commission 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 Shetek Area Water and Sewer Commission 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, 2019. 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 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 2019 were \$358,760.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by 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.

Special assessments receivable consist of delinquent special assessments payable in the years 1999 through 2019 and noncurrent special assessments payable in 2020 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.

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 reported in proprietary funds and in the statement of net position are recorded as expenses when consumed.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items (Continued)

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements 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 Congregate Housing Enterprise Fund had no capitalized interest.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

Property, plant, and equipment of the County 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**

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, Ditch Special Revenue Fund, and EDA Special Revenue Fund. For the business-type activities, the net pension liability is liquidated by the Congregate Housing Enterprise Fund.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 two types of deferred inflows that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, interest receivable, EDA revolving loans receivable, loans receivable for bond payments in the Ditch Special Revenue Fund, 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 inflows of resources 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**

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, 2019, 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 Shetek Area Water and Sewer Commission 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 not 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**

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**

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, 2019, 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 Reporting Entity

The activity of the Murray County Medical Center was previously reported as a blended component unit of Murray County. Beginning in 2019, this activity is now reported as a discretely presented component unit. As a result of this change, the activity from the Self-Insurance Fund is now presented as part of governmental activities with a due to component unit and due from primary government for the Medical Center's share of the Self-insurance Fund. The following table summarizes the restatement:

**MURRAY COUNTY
SLAYTON, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Net Position for Change in Reporting Entity (Continued)

	<u>Business-Type Activities</u>
Net Position, January 1, 2019, as previously reported	\$ 5,564,409
Restatement of net position Change in reporting entity	<u>(5,867,677)</u>
Net Position, January 1, 2019, as restated	<u>\$ (303,268)</u>

2. Stewardship, Compliance, and Accountability

Deficit Net Position

The Ditch Special Revenue Fund reports a deficit fund balance of \$453,423. The deficit will be eliminated by the future issuance of General Obligation Drainage Bonds. The following is a summary of the individual ditch systems:

99 ditches with positive fund balances	\$ 898,488
1 ditch with deficit fund balance	<u>(1,351,911)</u>
Total Fund Balance	<u>\$ (453,423)</u>

The Congregate Housing Enterprise Fund had a deficit fund net position for the year ended December 31, 2019, of \$300,203. The County expects future excess of revenues over expenses will eliminate the deficit.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 13,691,116
Petty cash and change funds	1,980
Business-type activities	
Cash and pooled investments	85,819
Restricted assets – cash and pooled investments	11,800
Component unit – Shetek Area Water and Sewer Commission	
Restricted assets – cash and pooled investments	508,773
Component unit – Murray County Medical Center	
Cash and pooled investments	1,114,863
Noncurrent cash and investments	2,254,510
Statement of fiduciary net position	
Cash and pooled investments	175,771
Total Cash and Investments	\$ 17,844,632
Deposits	
Checking	\$ 964,877
Non-negotiable certificates of deposit	9,359,000
Invested in MAGIC Fund	7,518,775
Petty cash and change funds	1,980
Total Deposits, Cash on Hand, and Investments	\$ 17,844,632

a. Deposits

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2019, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2019, 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.

The following table presents the County's deposit and investment balances at December 31, 2019, 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	\$ 7,518,775
Checking					964,877
Non-negotiable certificates of deposit					9,359,000
Petty cash and change funds					1,980
					\$ 17,844,632
Total Cash and Investments					\$ 17,844,632

N/A – Not Applicable

N/R – Not Rated

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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.

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities, including amounts not scheduled for collection during the subsequent year, follow.

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Receivables		
Taxes	\$ 46,011	\$ -
Special assessments	2,753,640	2,081,555
Accounts receivable	83,014	-
Loans receivable	785,599	698,797
Accrued interest receivable	131,998	-
Due from other governments	2,325,364	-
Due from component unit	973	-
	<u>\$ 6,126,599</u>	<u>\$ 2,780,352</u>
Total Receivables		

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

Loans Receivable – Ditch Special Revenue Fund

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 \$180,000 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, 2019.

Loans Receivable – Other Governmental Funds

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	\$	587,077
Loans issued		100,000
Loan forgiven		(10,000)
Loan repayments		<u>(71,478)</u>
Ending Balance	\$	<u>605,599</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, 2019, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 406,357	\$ -	\$ -	\$ 406,357
Works of art and historical treasures	34,376	-	-	34,376
Right-of-way	427,690	-	-	427,690
Construction in progress	148,400	755,889	44,075	860,214
Total capital assets not depreciated	\$ 1,016,823	\$ 755,889	\$ 44,075	\$ 1,728,637
Capital assets depreciated				
Land improvements	\$ 577,077	\$ 134,237	\$ -	\$ 711,314
Buildings	8,334,697	194,491	-	8,529,188
Machinery and equipment	7,972,161	709,828	396,561	8,285,428
Infrastructure	74,903,210	2,753,183	-	77,656,393
Total capital assets depreciated	\$ 91,787,145	\$ 3,791,739	\$ 396,561	\$ 95,182,323
Less: accumulated depreciation for				
Land improvements	\$ 299,485	\$ 26,154	\$ -	\$ 325,639
Buildings	3,582,585	283,415	-	3,866,000
Machinery and equipment	5,092,517	600,094	371,927	5,320,684
Infrastructure	31,851,525	1,963,925	-	33,815,450
Total accumulated depreciation	\$ 40,826,112	\$ 2,873,588	\$ 371,927	\$ 43,327,773
Total capital assets depreciated, net	\$ 50,961,033	\$ 918,151	\$ 24,634	\$ 51,854,550
Governmental Activities Capital Assets, Net	\$ 51,977,856	\$ 1,674,040	\$ 68,709	\$ 53,583,187

Construction in progress at December 31, 2019, consists of amounts completed on open road projects 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	\$		296,794
Public safety			164,195
Highways and streets, including depreciation of infrastructure assets			2,302,505
Sanitation			19,768
Culture and recreation, including depreciation of infrastructure assets			85,722
Conservation of natural resources			4,604
			4,604
Total Depreciation Expense – Governmental Activities	\$		2,873,588

Business-Type Activities

	Beginning Balance, as restated	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 1,533,630	\$ -	\$ -	\$ 1,533,630
Less: accumulated depreciation for				
Buildings	1,124,662	51,121	-	1,175,783
Business-Type Activities				
Capital Assets, Net	\$ 408,968	\$ (51,121)	\$ -	\$ 357,847

Depreciation of \$51,121 for business-type activities was charged to Congregate Housing.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Advance To/From Other Funds

The Congregate Housing Enterprise Fund has a balance due to the General Fund of \$345,000 resulting from a shortfall in operations in the Congregate Housing Enterprise Fund. There is no repayment schedule set.

The Ditch Special Revenue Fund has a balance due to the General Fund of \$1,200,000 resulting from improvement projects on Judicial Ditch No. 3. The advance will be repaid with the future issuance of General Obligation Drainage Bonds.

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, 2019, of \$425,000 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, 2019, consisted of the following:

Transfer to Ditch Special Revenue Fund from General Fund	\$ 33,322	Interest and appropriation
Transfer to EDA Special Revenue Fund from General Fund	126,543	Appropriation
Transfer to Capital Projects Fund from General Fund	250,000	Commitment
Transfer to General Fund from Congregate Housing Enterprise Fund	6,682	Interest
Transfer to General Fund from Ditch Special Revenue Fund	331	Interest
Transfer to Congregate Housing Enterprise Fund from General Fund	<u>905</u>	Interest
Total Interfund Transfers	<u>\$ 417,783</u>	

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2019, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 133,572	\$ 3,378
Salaries payable	233,201	3,334
Claims payable	246,484	-
Contracts payable	308,908	-
Due to other governments	147,982	232
Payable from restricted assets	-	11,800
	<u> </u>	<u> </u>
Total Payables	<u>\$ 1,070,147</u>	<u>\$ 18,744</u>

2. Construction Commitments

The County has active construction projects and other commitments as of December 31, 2019. The projects and commitments include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Pictometry – General Fund	\$ 128,633	\$ 68,823
Fairgrounds Sheep Barn Project – General Fund	-	139,893
911 Equipment Upgrade – General Fund	-	106,939
HVAC System Upgrade – General Fund	41,982	75,018
Judicial Ditch 3 Improvement – Ditch Special Revenue Fund	<u>1,567,948</u>	<u>108,675</u>
	<u> </u>	<u> </u>
Total Construction Commitments	<u>\$ 1,738,563</u>	<u>\$ 499,348</u>

Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2019.

**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

Unavailable revenue consists of special assessments, taxes, state grants, loans and other long-term receivables, and accrued interest receivable not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2019, are summarized below by fund:

	Special Assessments	Taxes	Grants	Loans and Other Long-Term Receivables	Interest	Total
Governmental funds						
General Fund	\$ 543,677	\$ 28,695	\$ -	\$ -	\$ 91,517	\$ 663,889
Special Revenue Funds						
Road and Bridge	-	8,337	2,213,690	-	-	2,222,027
Human Services	-	7,416	-	-	-	7,416
Ditch	2,209,964	-	59,797	180,000	-	2,449,761
EDA	-	-	-	592,538	-	592,538
Debt Service Fund	-	1,563	-	-	-	1,563
 Total Unavailable Revenue	 \$ 2,753,641	 \$ 46,011	 \$ 2,273,487	 \$ 772,538	 \$ 91,517	 \$ 5,937,194

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, 2019
General obligation bonds					
2011A G.O. Capital Improvement Plan Bonds	2022	\$180,000 - \$220,000	0.60 - 2.75	\$ 1,965,000	\$ 640,000
Less: unamortized discount					(4,810)
Net G.O. Capital Improvement Plan Bonds					<u>\$ 635,190</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, 2019
Special assessment bonds with government commitment					
2007A G.O. Refunding Bonds	2029	\$25,000 - \$195,000	4.00 - 4.25	\$ 1,625,000	\$ 180,000
2016A G.O. Ditch Bonds	2032	\$100,000 - \$130,000	2.00 - 2.45	1,695,000	1,490,000
2018A G.O. Ditch Bonds	2034	\$65,000 - \$100,000	2.30 - 3.30	1,220,000	1,220,000
Less: unamortized discount					(5,070)
Net G.O. Special Assessment Bonds					<u>\$ 2,884,930</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, \$180,000, 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, 2019
G.O. 2012A Housing Development Refunding Bonds	2022	\$100,000 - \$110,000	1.00 - 1.60	<u>\$ 960,000</u>	\$ 330,000
Less: unamortized discount					<u>(4,776)</u>
Total G.O. Refunding Bonds, Net					<u>\$ 325,224</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 (Continued)

Governmental Activities – Loans Payable

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2019</u>
Cottonwood River CWP Project	2022	\$ 6,633	2.00	\$ 59,847	\$ 13,316
Rock River CWP Project	2023	1,048	2.00	9,459	3,527
Total Loans Payable				<u>\$ 69,306</u>	<u>\$ 16,843</u>

In 1998, the County agreed to act as loan and project sponsor for a loan agreement made under the Clean Water Partnership (CWP) Law with the State of Minnesota through its Pollution Control Agency. The County makes loans to residents to be used for the control and abatement of water pollution. The loans are to be repaid at interest rates of 2.00 percent, with repayment terms from 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.

In 2004, the County Board authorized County funds to be used for a County septic loan program. As of December 31, 2019, the County has issued \$1,532,996 to Murray County residents for the control and abatement of water pollution. As of December 31, 2019, \$431,330 of the \$533,434 special assessments receivable balance reported in the General Fund represents outstanding septic system loans.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Governmental Activities

Year Ending December 31	G.O. Capital Improvement Plan Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
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	-	-	200,000	49,061
2025 - 2029	-	-	1,075,000	180,094
2030 - 2034	-	-	850,000	53,068
Total	<u>\$ 640,000</u>	<u>\$ 25,757</u>	<u>\$ 2,890,000</u>	<u>\$ 517,140</u>

Year Ending December 31	Loans Payable	
	Principal	Interest
2020	\$ 7,381	\$ 300
2021	4,427	167
2022	4,515	78
2023	520	5
Total	<u>\$ 16,843</u>	<u>\$ 550</u>

Business-Type Activities

Year Ending December 31	G.O. Bonds	
	Principal	Interest
2020	\$ 110,000	\$ 4,070
2021	110,000	2,557
2022	110,000	880
Total	<u>\$ 330,000</u>	<u>\$ 7,507</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Obligations

Long-term liability activity for the year ended December 31, 2019, 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	\$ 840,000	\$ -	\$ 200,000	\$ 640,000	\$ 205,000
Special assessment debt with government commitment	3,015,000	-	125,000	2,890,000	190,000
Less: unamortized discounts	<u>(11,990)</u>	<u>-</u>	<u>(2,110)</u>	<u>(9,880)</u>	<u>-</u>
Net bonds payable	\$ 3,843,010	\$ -	\$ 322,890	\$ 3,520,120	\$ 395,000
Loans payable	24,079	-	7,236	16,843	7,381
Compensated absences	<u>654,568</u>	<u>358,598</u>	<u>370,058</u>	<u>643,108</u>	<u>100,711</u>
Governmental Activities Long-Term Liabilities	<u>\$ 4,521,657</u>	<u>\$ 358,598</u>	<u>\$ 700,184</u>	<u>\$ 4,180,071</u>	<u>\$ 503,092</u>

Business-Type Activities

	<u>Beginning Balance, as restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Housing Development Refunding Bond	\$ 440,000	\$ -	\$ 110,000	\$ 330,000	\$ 110,000
Compensated absences	<u>15,675</u>	<u>7,506</u>	<u>6,093</u>	<u>17,088</u>	<u>325</u>
Total long-term liabilities	\$ 455,675	\$ 7,506	\$ 116,093	\$ 347,088	\$ 110,325
Less: unamortized discounts	<u>(6,367)</u>	<u>-</u>	<u>(1,591)</u>	<u>(4,776)</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 449,308</u>	<u>\$ 7,506</u>	<u>\$ 114,502</u>	<u>\$ 342,312</u>	<u>\$ 110,325</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Prior Years' Debt Defeasance – Business-Type Activities

In prior years, the County has defeased the G.O. Housing Development Bonds, Series 1996, for the City of Slayton Economic Development Authority. The debt and defeasement were accounted for in the Congregate Housing Enterprise Fund as a capital lease, with payments made by 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, 2019, the amount of defeased debt outstanding but removed from financial statements amounted to \$365,000.

D. Other Postemployment Benefits (OPEB)

1. 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.

2. 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 Statement 75. The OPEB plan does not issue a stand-alone financial report.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Funding Policy (Continued)

As of the January 1, 2018, actuarial valuation, there were 74 active plan participants covered by the benefit terms.

3. Total OPEB Liability

The County's total OPEB liability of \$296,161 was measured as of January 1, 2018, and was determined by an actuarial valuation as of January 1, 2018, and was rolled forward to a measurement date of January 1, 2019. A portion of the year-end OPEB liability, \$4,905, is reported in the Congregate Housing Enterprise Fund business-type activity. The remaining \$291,256 year-end OPEB liability is reported in governmental activities. For the governmental activities, the OPEB liability is 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, the OPEB liability is liquidated by the Congregate Housing Enterprise Fund.

The total OPEB liability for the fiscal year-end December 31, 2019, 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	6.25 percent, decreasing to 5.00 percent over five 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**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

3. Total OPEB Liability (Continued)

The current year discount rate is 3.80 percent. For the current valuation, the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due.

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.

4. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2019	\$ 277,898
Changes for the year	
Service cost	\$ 23,807
Interest	9,862
Assumption changes	(9,668)
Benefit payments	(5,738)
Net change	\$ 18,263
Balance at December 31, 2019	\$ 296,161

5. 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 one percentage point lower or one percentage point higher than the current discount rate:

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

5. OPEB Liability Sensitivity (Continued)

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	\$ 319,854
Current	3.80	296,161
1% Increase	4.80	273,995

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 one percentage point lower or one percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 260,855
Current	6.25% Decreasing to 5.00%	296,161
1% Increase	7.25% Decreasing to 6.00%	338,127

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

For the year ended December 31, 2019, the County recognized OPEB expense of \$32,287. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ -	\$ 8,286
Contributions subsequent to the measurement Date	11,849	-
Total	\$ 11,849	\$ 8,286

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The \$11,849 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2020	\$ (1,382)
2021	(1,382)
2022	(1,382)
2023	(1,382)
2024	(1,382)
Thereafter	(1,376)

7. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Murray County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement 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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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. 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 Murray County 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 five 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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 members, 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.

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 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019.

In 2019, 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	16.95

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$	263,808
Police and Fire Plan		141,362

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

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$2,670,399 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0483 percent. It was 0.0470 percent measured as of June 30, 2018. The County recognized pension expense of \$277,365 for its proportionate share of the General Employees Plan's pension expense.

**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 also recognized \$6,216 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 annually.

The County's proportionate share of the net pension liability	\$	2,670,399
State of Minnesota's proportionate share of the net pension liability associated with the County		82,996
Total	\$	2,753,395

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	\$ 74,089	\$ -
Changes in actuarial assumptions	-	208,616
Difference between projected and actual investment earnings	-	255,515
Changes in proportion	54,089	125,014
Contributions paid to PERA subsequent to the measurement date	109,248	-
Total	\$ 237,426	\$ 589,145

**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 \$109,248 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (212,270)
2021	(219,074)
2022	(33,925)
2023	4,302

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$816,549 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0767 percent. It was 0.0681 percent measured as of June 30, 2018. The County recognized pension expense of \$133,062 for its proportionate share of the Police and Fire Plan's pension expense.

**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)

The County also recognized \$10,354 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 both this plan and the State Patrol Retirement Plan are 90 percent funded. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 31,616	\$ 112,839
Changes in actuarial assumptions	627,249	802,720
Difference between projected and actual investment earnings	-	144,070
Changes in proportion	109,015	87,463
Contributions paid to PERA subsequent to the measurement date	61,536	-
Total	\$ 829,416	\$ 1,147,092

**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)

The \$61,536 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (33,326)
2021	(84,525)
2022	(293,310)
2023	17,362
2024	14,587

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$410,427.

e. Actuarial Assumptions

The total pension liability in the June 30, 2019, 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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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, 2019, 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. Inflation and investment assumptions for both plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

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 geometric 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 equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. 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 positions 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.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

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

Police and Fire Plan

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

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 one percentage point lower or one percentage point higher than the current discount rate:

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

h. Pension Liability Sensitivity (Continued)

	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%	\$ 4,389,992	6.50%	\$ 1,250,533
Current	7.50	2,670,399	7.50	816,549
1% Increase	8.50	1,784,824	8.50	15,801

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; 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.

2. Defined Contribution Plan

Five County Commissioners 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 five 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 two percent of employer contributions and 0.25 percent of the assets in each member account annually.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

2. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Murray County during the year ended December 31, 2019, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,335	\$ 7,335
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 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 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

4. Risk Management (Continued)

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

The County established a limited risk management program for health coverage in 2014. Premiums are paid into the 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, 2019, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through February 29, 2020. Changes in the balances of claims liabilities during 2018 and 2019 are as follows:

	2018	2019
Unpaid claims, January 1	\$ 409,226	\$ 305,533
Incurred claims	2,740,362	2,225,386
Claims payments	(2,844,055)	(2,284,435)
Unpaid claims, December 31	\$ 305,533	\$ 246,484

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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

Lincoln-Pipestone Rural Water System

At December 31, 2019, the Lincoln-Pipestone Rural Water System had \$37,305,119 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

B. Joint Ventures

Murray County has an ongoing financial interest or responsibility in the following joint ventures:

Southwest Health and Human Services

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

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Health and Human Services (Continued)

Financing is provided by state and federal grants and appropriations from member counties. Murray County's contribution in 2019 for the human services function was \$1,276,472, and its contribution to the health services function was \$111,244.

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

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2019, were \$37,305,119.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Red Rock Rural Water System

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

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.

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 2019, Murray County provided \$69,800 to the Plum Creek Library System.

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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 2019, Murray County made contributions of \$29,404 to the A.C.E. of Southwest Minnesota.

Buffalo Ridge Drug Task Force

The Buffalo Ridge Drug Task Force was established in 2005 under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 299A.642, and included Murray, Nobles, Pipestone, and Rock Counties, and the Cities of Adrian, Fulda, Slayton, and Worthington. Rock County has since withdrawn from the Task Force. On December 9, 2019, the City of Worthington approved the withdrawal from the Task Force as of December 31, 2019, and will no longer act as the fiscal agent. Pipestone County will assume fiscal agent responsibilities for the Task Force effective January 8, 2020. The Task Force provides drug enforcement services for member organizations.

Each County provides an agent to the Task Force; in addition, Murray County provides the Commander to the Task Force. The Cities of Adrian, Fulda, and Slayton are members of the Task Force, but do not provide an agent.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of the Sheriff (or appointed representative) and one peace officer appointed by the County Sheriff from each county with personnel assigned to actively participate in the Task Force and the Chief of Police (or appointed representative) of each city with personnel assigned to actively participate on the Task Force. The Board will also include

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Buffalo Ridge Drug Task Force (Continued)

non-voting members such as the Sheriff or Chief of Police of each city or county that does not have personnel actively assigned to participate in the Task Force. The Murray County Attorney, or designee, also serves as a non-voting member of the Board and serves as legal advisor to Board.

Funding for the Task Force is provided by grants and per capita contributions by county participants. During 2019, Murray County provided \$32,283 to the Task Force.

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.

6. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021.

The Minnesota Department of Public Safety Driver and Vehicle Services Division closed all driver exam stations and license centers across the state, including the Murray County License Center, starting March 27, 2020, through April 10, 2020, in response to the Minnesota Governor's executive order for Minnesotans to stay home resulting from the COVID-19 pandemic.

The County received \$1.0 million in funding under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act in July 2020. The CARES Act requires the County use the funding to cover eligible expenses incurred due to the COVID-19 public health emergency.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

6. Subsequent Events (Continued)

On October 27, 2020, the County Board approved the sale of \$10,900,000 General Obligation State Aid Bonds, Series 2020A, dated November 25, 2020, for construction of a new County Highway Department facility and for costs associated with the issuance of the bonds. The County will use its state-aid allotments to repay the principal and interest on the bonds over 20 years, with the first principal payment due on April 1, 2022.

7. Shetek Area Water and Sewer Commission Component Unit

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 Shetek Area Water and Sewer Commission 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 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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Shetek Area Water and Sewer Commission Component Unit

A. Summary of Significant Accounting Policies

2. Measurement Focus and Basis of Accounting (Continued)

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 held with Murray County as part of its pooled cash and investments account; therefore, the fair value hierarchy is not applicable. Investments are included in an external investment pool, which is measured at net asset value provided by the pool (Murray County).

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, 2019.

Special assessments receivable consist of delinquent special assessments payable in the year 2019 and noncurrent special assessments payable in 2020 and after. Unpaid special assessments at December 31, 2019, are classified in the financial statements as delinquent special assessments.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Shetek Area Water and Sewer Commission Component Unit

A. Summary of Significant Accounting Policies

3. Assets and Liabilities

Accounts and Special Assessments Receivable (Continued)

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.

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. Special assessments levied are 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Shetek Area Water and Sewer Commission Component Unit

A. Summary of Significant Accounting Policies

3. Assets and Liabilities

Capital Assets (Continued)

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.

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,

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Shetek Area Water and Sewer Commission Component Unit

B. Detailed Notes

1. Deposits (Continued)

surety bond, or collateral, a requirement for which Murray County was in compliance at December 31, 2019. As of December 31, 2019, the Water and Sewer Commission had \$508,773 on deposit with Murray County.

2. Receivables

The Water and Sewer Commission's noncurrent special assessments receivable balance at December 31, 2019, of \$4,703,311 is not scheduled for collection during the subsequent year.

3. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2019, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 361,046	\$ 60,000	\$ -	\$ 421,046
Capital assets depreciated				
Land improvements	\$ 1,718,495	\$ -	\$ -	\$ 1,718,495
Buildings and structures	57,450	-	-	57,450
Machinery and equipment	497,215	-	5,815	491,400
Infrastructure	13,104,082	-	-	13,104,082
Total capital assets depreciated	\$ 15,377,242	\$ -	\$ 5,815	\$ 15,371,427
Less: accumulated depreciation for				
Land improvements	\$ 265,408	\$ 22,913	\$ -	\$ 288,321
Building and structures	12,325	1,436	-	13,761
Machinery and equipment	333,861	33,522	4,293	363,090
Infrastructure	3,310,487	329,357	-	3,639,844
Total accumulated depreciation	\$ 3,922,081	\$ 387,228	\$ 4,293	\$ 4,305,016
Total capital assets depreciated, net	\$ 11,455,161	\$ (387,228)	\$ 1,522	\$ 11,066,411
Total Capital Assets, Net	\$ 11,816,207	\$ (327,228)	\$ 1,522	\$ 11,487,457

Depreciation expense for 2019 was \$387,228.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Shetek Area Water and Sewer Commission Component Unit

B. Detailed Notes (Continued)

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, 2019, of \$425,000 for a shortfall in cash due to greater than expected operations and flood disaster costs. There is no repayment schedule set.

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, 2019, of \$973 for postage and billing costs. The balance is expected to be repaid in 2020.

6. Long-Term Obligations

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
General obligation bonds					
2013A Sewer Revenue Crossover Refunding Bonds	2028	\$150,000 - \$265,000	2.00 - 2.35	\$ 2,590,000	\$ 2,135,000

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
2020	\$ 235,000	\$ 41,928
2021	235,000	37,227
2022	240,000	32,478
2023	245,000	27,628
2024	250,000	22,678
2025 - 2028	930,000	38,179
Total	\$ 2,135,000	\$ 200,118

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Shetek Area Water and Sewer Commission Component Unit

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, 2019, 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, 2019, 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>
2020	\$ 493,337	\$ 35,651
2021	483,000	30,774
2022	493,000	25,896
2023	503,000	20,917
2024	513,000	15,837
2025 - 2026	1,055,000	16,029
Total	<u>\$ 3,540,337</u>	<u>\$ 145,104</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
SLAYTON, MINNESOTA**

7. Shetek Area Water and Sewer Commission Component Unit

B. Detailed Notes

6. Long-Term Obligations (Continued)

Easement Purchase Agreement

The Shetek Area Water and Sewer Commission entered into an agreement with the City of Curry for the purchase of an easement for access to the Shetek Area Water and Sewer Commission's pond outlet. Principal payments are made annually through 2038.

Debt service requirements at December 31, 2019, are as follows:

Year Ended December 31	Easement Purchase Agreement	
	Principal	Interest
2020	\$ 3,000	\$ -
2021	3,000	-
2022	3,000	-
2023	3,000	-
2024	3,000	-
2025 – 2029	15,000	-
2030 – 2034	15,000	-
2035 – 2038	12,000	-
Total	<u>\$ 57,000</u>	<u>\$ -</u>

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	\$ 4,142,510	\$ -	\$ 602,173	\$ 3,540,337	\$ 493,337
Easement purchase agreement	-	60,000	3,000	57,000	3,000
General obligation bonds	<u>2,365,000</u>	<u>-</u>	<u>230,000</u>	<u>2,135,000</u>	<u>235,000</u>
Total Long-Term Liabilities	<u>\$ 6,507,510</u>	<u>\$ 60,000</u>	<u>\$ 835,173</u>	<u>\$ 5,732,337</u>	<u>\$ 731,337</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

7. Shetek Area Water and Sewer Commission Component Unit

B. Detailed Notes (Continued)

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.

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

A. Summary of Significant Accounting Policies

The accounting policies of the Murray County Medical Center conform with accounting principles generally accepted in the United States of America. In addition to those policies identified in Note 1, the Murray County Medical Center discretely presented component unit has the following significant accounting policies.

1. Financial Reporting Entity

The Murray County Medical Center was formed to own, maintain, and operate health care and related facilities, and to furnish medical and surgical care to the sick, infirmed, aged, or injured. The Medical Center provides acute inpatient, outpatient, and physician clinic services. Physician clinic services are provided through rural health clinics and a surgery clinic located in Slayton and Fulda, Minnesota. The Medical Center is governed by a five member board consisting of two members of the County Board of Commissioners and three members appointed by the County Board of Commissioners. The Medical Center is reported in a separate column in the financial statements to emphasize that it is legally separate from the County. Separate financial statements are issued.

The Medical Center has no component units for which it is financially accountable.

2. Measurement Focus and Basis of Accounting

The Medical Center 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 result from transactions associated with providing health care services – the Medical Center’s principal activity. Other revenues, including interest income, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, including interest expense.

**MURRAY COUNTY
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8. Murray County Medical Center Component Unit

A. Summary of Significant Accounting Policies (Continued)

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

Cash and Cash Equivalents

Cash and cash equivalents consist of interest bearing cash accounts and certificates of deposit that are pooled with Murray County. For the purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The Medical Center's investment earnings for the year ended December 31, 2019, were \$68,079 and are included in nonoperating revenues.

Patient Receivables

The Medical Center provides an allowance for uncollectible accounts based on the allowance method using management's judgment. 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 payments have been received are written off using management's judgment on a per account basis. In addition, an allowance is estimated for other accounts based on historical experience of the Medical Center.

Inventories

Inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Capital Assets

The Medical Center records its property and equipment at cost or, if donated, at fair market value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. Useful lives are assigned based on estimated useful lives of depreciable assets recommended by the American Hospital Association. It is the Medical Center's policy to include amortization expenses on assets acquired under capital leases with depreciation on owned assets. Maintenance repairs and minor renewals are charged to expense as incurred. During 2019, the Medical Center had no capitalized interest.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

A. Summary of Significant Accounting Policies

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

Long-Term Obligations

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

4. Revenues and Expenses

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, residents, 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.

Gifts, Grants, and Bequests

Gifts that are not restricted by donors are subject to designation by the Medical Center and are reflected in nonoperating revenue when received. Gifts and grants for a specific operating purpose are reflected in nonoperating revenues in the period when the restrictions are complied with by disbursement of funds.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit (Continued)

B. Detailed Notes

1. Net Patient/Resident Service Revenue

The Medical Center 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 Medical Center 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 charity care policy was \$64,140 in 2019. The estimated costs of the charges forgone, based upon the Medical Center's overall costs-to-charge ratio calculation, were approximately \$45,400 for 2019.

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

- Medicare – The Medical Center has elected Critical Access Hospital (CAH) designation for Medicare. As a CAH, the Medical Center is reimbursed for inpatient, swing bed, and outpatient services to Medicare patients on a reasonable cost basis. Medicare reimburses the Medical Center for these services using interim rates, with a final settlement determined based on the annual cost report that is filed by the Medical Center. This cost report is subject to audit by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2015.
- 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**

8. Murray County Medical Center Component Unit

B. Detailed Notes

1. Net Patient/Resident Service Revenue (Continued)

- Other Payors – The Medical Center also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Medical Center under these agreements are discounts from established charges, fee schedules, and prospectively determined rates per discharge.

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.

2. Receivables

Receivables as of December 31, 2019, for the Medical Center, including amounts not scheduled for collection during the subsequent year, follow.

	Total Receivables	Less: Allowance for Uncollectibles	Total Receivables – Net	Amounts Not Scheduled for Collection During the Subsequent Year
Murray County Medical Center				
Receivables				
Accounts receivable	\$ 154,789	\$ -	\$ 154,789	\$ -
Patient receivables	3,216,556	(741,800)	2,474,756	-
Physician receivables	97,708	-	97,708	-
	<u>\$ 3,469,053</u>	<u>\$ (741,800)</u>	<u>\$ 2,727,253</u>	<u>\$ -</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes (Continued)

3. Capital Assets

	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	18,681,977	55,127	-	18,737,104
Fixed equipment	1,307,996	47,925	-	1,355,921
Major movable equipment	9,622,026	240,845	-	9,862,871
Total capital assets depreciated	\$ 30,445,356	\$ 343,897	-	\$ 30,789,253
Less: accumulated depreciation for				
Land improvements	\$ 458,568	\$ 40,584	-	\$ 499,152
Buildings	9,596,055	943,572	-	10,539,627
Fixed equipment	1,195,848	39,040	-	1,234,888
Major movable equipment	8,631,700	293,329	-	8,925,029
Total accumulated depreciation	\$ 19,882,171	\$ 1,316,525	-	\$ 21,198,696
Total capital assets depreciated, net	\$ 10,563,185	\$ (972,628)	-	\$ 9,590,557
Capital Assets, Net	\$ 10,745,698	\$ (972,628)	-	\$ 9,773,070

Depreciation expense for 2019 was \$1,316,525.

4. Long Term Liabilities

Bonds Payable

Type of Indebtedness	Final Maturity	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
Health Care Facilities Gross Revenue Bonds, Series 2012A	2028	3.000 - 3.125	\$ 8,100,000	\$ 3,537,215

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes

4. Long Term Liabilities

Bonds Payable (Continued)

In 2012, the Medical Center 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 Medical Center 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 Medical Center is required to maintain certain financial and operational covenants in relation to the Health Care Facilities Gross Revenue Bonds.

Special Assessments

The Medical Center 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, 2019, is \$31,004.

Capital Leases

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Average Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2019</u>
X-Ray lease	2024	4.000	\$ 119,995	\$ 105,350
TMS system lease	2025	4.000	100,121	100,121
Total			<u>\$ 220,116</u>	<u>\$ 205,471</u>

During the year ended December 31, 2019, the Medical Center entered into a capital lease agreement with Canon for the lease of an X-Ray for \$119,995 at an interest rate of 4.00 percent. The lease payments began in 2019 and will be completed in 2024. Ownership will transfer upon expiration of the lease.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes

4. Long Term Liabilities

Capital Leases (Continued)

During the year ended December 31, 2019, the Medical Center entered into a capital lease agreement with NeuroStar for the lease of a TMS system for \$100,121 at an interest rate of 4.00 percent. The lease payments will begin in 2020 and will be completed in 2025. Ownership will transfer upon expiration of the lease.

Debt Service Requirements

Debt service requirements at December 31, 2019, are as follows:

Year Ending December 31	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 442,589	\$ 121,411	\$ 31,766	\$ 11,208
2020	459,277	104,723	42,130	9,068
2021	476,228	87,772	44,526	6,672
2022	493,804	70,196	47,072	4,126
2023	511,867	52,133	31,879	1,635
2024 - 2027	1,153,450	46,863	8,098	127
Total	\$ 3,537,215	\$ 483,098	\$ 205,471	\$ 32,836

Changes in Long-Term Obligations

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Hospital Revenue Bonds, 2012	\$ 3,964,374	\$ -	\$ 427,159	\$ 3,537,215	\$ 442,587
Special assessment	36,171	-	5,167	31,004	5,167
X-Ray lease	-	119,995	14,645	105,350	22,712
TMS system lease	-	100,121	-	100,121	9,053
Total Long-Term Liabilities	\$ 4,000,545	\$ 220,116	\$ 446,971	\$ 3,773,690	\$ 479,519

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes (Continued)

5. Functional Expenses

The Medical Center provides general health care services to residents within its geographic location. Expenses related to providing these services for the year ended December 31, 2019, are:

Health care services	\$ 7,111,602
General and administrative	<u>10,154,863</u>
Total	<u>\$ 17,266,465</u>

6. Concentrations of Credit Risk

The Medical Center 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, 2019, follows:

Medicare	57%
Medicaid	5
Other third-party payors	25
Private pay	<u>13</u>
Total	<u>100%</u>

7. Other Postemployment Benefits (OPEB)

Certain employees of the Murray County Medical Center are eligible to participate in a health insurance plan provided by Murray County. The Medical Center 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 Medical Center. The Medical Center 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 Medical Center's health plan.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes

7. Other Postemployment Benefits (OPEB) (Continued)

a. OPEB Benefits

Individuals who are employed by the Medical Center 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, 2019, there were 117 active participants covered by the benefit terms.

b. Total OPEB Liability

The Medical Center's total OPEB liability of \$270,022 was measured as of January 1, 2019, 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	3.80 percent, compounded annually, including inflation
Health care cost trend	6.50 percent, decreasing to 5.00 percent over six years

c. Discount Rate

The discount rate used to measure the total OPEB liability was 3.80 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**

8. Murray County Medical Center Component Unit

B. Detailed Notes

7. Other Postemployment Benefits (OPEB)

c. Discount Rate (Continued)

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Annual retirement probabilities are based on varying rates by age.

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, 2019	\$ 253,355
Changes for the year	
Service cost	\$ 23,531
Interest	9,012
Change in assumptions	(8,249)
Benefit payments	(7,627)
Net change	\$ 16,667
Balance at December 31, 2019	\$ 270,022

Change of assumptions reflect a change in the discount rate from 3.30 percent to 3.80 percent.

e. OPEB Liability Sensitivity

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes

7. Other Postemployment Benefits (OPEB)

e. OPEB Liability Sensitivity (Continued)

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	\$ 290,448
Current	3.80	270,022
1% Increase	4.80	251,076

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 240,560
Current	6.25% Decreasing to 5.00%	270,022
1% Increase	7.25% Decreasing to 6.00%	305,134

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

For the year ended December 31, 2019, the Medical Center recognized OPEB expense of \$31,167. The Medical Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ -	\$ 6,873
Contributions subsequent to the measurement date	15,402	-
Total	\$ 15,402	\$ 6,873

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes

7. Other Postemployment Benefits (OPEB)

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

The \$15,402 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2020	\$ (1,375)
2021	(1,375)
2022	(1,375)
2023	(1,375)
2024	(1,375)

g. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.

8. Pension Plan

a. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of the Murray County Medical Center are covered by defined benefit pension plans administered by PERA. All Medical Center employees are part of the Coordinated plan of the General Employees Retirement Fund.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes

8. Pension Plan

a. Defined Benefit Pension Plan (Continued)

2. Contributions

In 2019, the Medical Center was required to contribute 7.50 percent of annual covered salary. The employee and employer rates did not change from the previous year.

The Medical Center's contribution for the General Employees Plan for the year ended December 31 2019, was \$505,426. The contributions are equal to the statutorily required contributions as set by state statute.

3. Pension Costs

At December 31, 2019, the Medical Center reported a liability of \$5,174,934 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Medical Center's proportion of the net pension liability was based on the Medical Center's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Medical Center's proportion was 0.0936 percent. It was 0.0987 percent measured as of June 30, 2018. The Medical Center recognized pension expense of \$431,980 for its proportionate share of the General Employees Plan's pension expense.

The Medical Center also recognized \$12,044 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 annually.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes

8. Pension Plan

a. Defined Benefit Pension Plan

3. Pension Costs (Continued)

The Medical Center's proportionate share of the net pension liability	\$ 5,174,934
State of Minnesota's proportionate share of the net pension liability associated with the Medical Center	<u>160,826</u>
Total	<u>\$ 5,335,760</u>

The Medical Center 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	\$ 143,412	\$ -
Changes in actuarial assumptions	-	406,759
Difference between projected and actual investment earnings	-	524,541
Changes in proportion	-	438,282
Contributions paid to PERA subsequent to the measurement date	219,659	-
Total	\$ 363,071	\$ 1,369,582

The \$219,659 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit

B. Detailed Notes

8. Pension Plan

a. Defined Benefit Pension Plan

3. Pension Costs (Continued)

Year Ended December 31	Pension Expense Amount
2020	\$ (507,374)
2021	(544,195)
2022	(182,940)
2023	8,339

4. Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 8,507,313
Current	7.50	5,174,934
1% Increase	8.50	2,423,393

C. Related-Party Transactions

The Medical Center 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, 2019, were \$44,810. The original management agreement was effective through May 1, 2016, and automatically renewed an additional year.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

8. Murray County Medical Center Component Unit (Continued)

D. Risk Management

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.

E. Subsequent Event

The Medical Center received a loan of approximately \$1,277,000 to fund payroll, rent, and utilities through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

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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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,789,488	\$ 5,789,488	\$ 5,464,474	\$ (325,014)
Special assessments	259,186	259,186	285,116	25,930
Licenses and permits	29,500	29,500	33,727	4,227
Intergovernmental	1,852,288	1,823,787	2,160,647	336,860
Charges for services	365,595	365,595	391,892	26,297
Fines and forfeits	-	-	423	423
Gifts and contributions	1,300	1,300	8,632	7,332
Investment earnings	30,750	30,750	292,105	261,355
Miscellaneous	276,623	276,623	292,112	15,489
Total Revenues	\$ 8,604,730	\$ 8,576,229	\$ 8,929,128	\$ 352,899
Expenditures				
Current				
General government				
Commissioners	\$ 274,213	\$ 274,213	\$ 246,547	\$ 27,666
Community relations/web page development	68,772	68,772	58,810	9,962
Courts	28,000	28,000	15,188	12,812
Law library	5,000	5,000	690	4,310
Auditor/Treasurer	407,152	407,152	401,599	5,553
Accounting and auditing	50,000	50,000	70,426	(20,426)
County assessor	357,064	357,064	379,923	(22,859)
Elections	8,880	8,880	11,017	(2,137)
Assistive voting grant	45,000	45,000	-	45,000
Data processing and computer networking	299,500	299,500	229,465	70,035
Machines room	61,000	61,000	53,804	7,196
Motor pool	21,475	21,475	8,098	13,377
Human resources	230,783	230,783	167,422	63,361
Attorney	261,417	261,417	253,391	8,026
Recorder	261,468	261,468	264,666	(3,198)
Planning and zoning	131,550	131,550	149,428	(17,878)
Buildings and plant	751,617	751,617	1,044,531	(292,914)
Veterans services officer	45,065	45,065	50,081	(5,016)
License center	126,616	126,616	144,869	(18,253)
Other general government	16,500	16,500	54,868	(38,368)
Total general government	\$ 3,451,072	\$ 3,451,072	\$ 3,604,823	\$ (153,751)

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,264,171	\$ 2,264,171	\$ 2,142,195	\$ 121,976
E-911 system	137,926	137,926	127,261	10,665
Probation	63,392	63,392	66,406	(3,014)
Civil defense	62,442	62,442	36,073	26,369
Other public safety	12,500	12,500	14,848	(2,348)
Total public safety	\$ 2,540,431	\$ 2,540,431	\$ 2,386,783	\$ 153,648
Sanitation				
Solid waste	\$ 318,518	\$ 318,518	\$ 289,980	\$ 28,538
Culture and recreation				
Historical society	\$ 251,006	\$ 251,006	\$ 228,183	\$ 22,823
Senior citizens – Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota	15,924	15,924	16,404	(480)
Transportation	34,280	34,280	13,000	21,280
Parks	470,342	470,342	577,362	(107,020)
Minnesota trails	34,662	34,662	33,752	910
Other	7,382	7,382	7,382	-
Total culture and recreation	\$ 813,596	\$ 813,596	\$ 876,083	\$ (62,487)
Conservation of natural resources				
Extension	\$ 201,001	\$ 201,001	\$ 196,568	\$ 4,433
Soil and water conservation	186,279	186,279	195,057	(8,778)
Agricultural inspection	80,211	80,211	75,950	4,261
Redwood-Cottonwood Rivers Control Area	4,050	4,050	4,050	-
Environmental and land use advisory task force	50	50	34	16
Flood control	2,945	2,945	2,945	-
Agricultural society	39,330	39,330	37,963	1,367
Buffer strip riparian protection	20,000	20,000	-	20,000
Aquatic invasive species prevention	56,739	56,739	55,762	977
Water planning	146,667	146,667	66,118	80,549
Water quality loan program	150,000	150,000	207,665	(57,665)
Other conservation	4,000	4,000	8,954	(4,954)
Total conservation of natural resources	\$ 891,272	\$ 891,272	\$ 851,066	\$ 40,206

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Other	\$ 2,445	\$ 2,445	\$ 3,511	\$ (1,066)
Intergovernmental				
Health	\$ 111,244	\$ 111,244	\$ 111,244	\$ -
Library	64,045	64,045	69,800	(5,755)
Total intergovernmental	\$ 175,289	\$ 175,289	\$ 181,044	\$ (5,755)
Debt service				
Principal	\$ 7,237	\$ 7,237	\$ 7,236	\$ 1
Interest	447	447	445	2
Total debt service	\$ 7,684	\$ 7,684	\$ 7,681	\$ 3
Total Expenditures	\$ 8,200,307	\$ 8,200,307	\$ 8,200,971	\$ (664)
Excess of Revenues Over (Under)				
Expenditures	\$ 404,423	\$ 375,922	\$ 728,157	\$ 352,235
Other Financing Sources (Uses)				
Transfers in	\$ 50,000	\$ 50,000	\$ 7,013	\$ (42,987)
Transfers out	(196,543)	(446,543)	(410,770)	35,773
Proceeds from sale of capital assets	-	-	3,350	3,350
Insurance recoveries	-	-	57,620	57,620
Total Other Financing Sources (Uses)	\$ (146,543)	\$ (396,543)	\$ (342,787)	\$ 53,756
Net Change in Fund Balance	\$ 257,880	\$ (20,621)	\$ 385,370	\$ 405,991
Fund Balance – January 1	6,639,653	6,639,653	6,639,653	-
Increase (decrease) in inventories	-	-	1,522	1,522
Fund Balance – December 31	\$ 6,897,533	\$ 6,619,032	\$ 7,026,545	\$ 407,513

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,436,479	\$ 1,436,479	\$ 1,383,761	\$ (52,718)
Licenses and permits	7,000	7,000	14,250	7,250
Intergovernmental	5,357,372	5,357,372	6,443,001	1,085,629
Charges for services	24,000	24,000	44,925	20,925
Miscellaneous	68,700	68,700	114,103	45,403
Total Revenues	\$ 6,893,551	\$ 6,893,551	\$ 8,000,040	\$ 1,106,489
Expenditures				
Current				
Highways and streets				
Administration	\$ 327,835	\$ 327,835	\$ 332,276	\$ (4,441)
Maintenance	1,693,870	1,693,870	1,775,731	(81,861)
Engineering	205,464	205,464	301,989	(96,525)
Construction	2,962,400	2,962,400	3,421,917	(459,517)
Maintenance and shop	578,310	578,310	715,945	(137,635)
Total highways and streets	\$ 5,767,879	\$ 5,767,879	\$ 6,547,858	\$ (779,979)
Intergovernmental				
Highways and streets	528,018	528,018	523,481	4,537
Total Expenditures	\$ 6,295,897	\$ 6,295,897	\$ 7,071,339	\$ (775,442)
Excess of Revenues Over (Under) Expenditures	\$ 597,654	\$ 597,654	\$ 928,701	\$ 331,047
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,000	2,000	-	(2,000)
Net Change in Fund Balance	\$ 599,654	\$ 599,654	\$ 928,701	\$ 329,047
Fund Balance – January 1	3,091,153	3,091,153	3,091,153	-
Increase (decrease) in inventories	-	-	(24,902)	(24,902)
Fund Balance – December 31	\$ 3,690,807	\$ 3,690,807	\$ 3,994,952	\$ 304,145

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 724,676	\$ 724,676	\$ 1,238,190	\$ 513,514
Intergovernmental	28,435	28,435	46,381	17,946
Miscellaneous	-	-	14,745	14,745
Total Revenues	\$ 753,111	\$ 753,111	\$ 1,299,316	\$ 546,205
Expenditures				
Current				
Conservation of natural resources				
Other	\$ 163,067	\$ 163,067	\$ 2,151,451	\$ (1,988,384)
Debt service				
Principal	125,000	125,000	125,000	-
Interest	40,275	40,275	61,693	(21,418)
Administrative charges	495	495	990	(495)
Total Expenditures	\$ 328,837	\$ 328,837	\$ 2,339,134	\$ (2,010,297)
Excess of Revenues Over (Under) Expenditures	\$ 424,274	\$ 424,274	\$ (1,039,818)	\$ (1,464,092)
Other Financing Sources (Uses)				
Transfers in	\$ 20,000	\$ 20,000	\$ 33,322	\$ 13,322
Transfers out	-	-	(331)	(331)
Total Other Financing Sources (Uses)	\$ 20,000	\$ 20,000	\$ 32,991	\$ 12,991
Net Change in Fund Balance	\$ 444,274	\$ 444,274	\$ (1,006,827)	\$ (1,451,101)
Fund Balance – January 1	553,404	553,404	553,404	-
Fund Balance – December 31	\$ 997,678	\$ 997,678	\$ (453,423)	\$ (1,451,101)

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019**

	2019	2018*
Total OPEB Liability		
Service cost	\$ 23,807	\$ 24,988
Interest	9,862	9,209
Changes of assumption or other inputs	(9,668)	-
Benefit payments	(5,738)	(20,607)
Net change in total OPEB liability	\$ 18,263	\$ 13,590
Total OPEB Liability – Beginning	277,898	264,308
Total OPEB Liability – Ending	\$ 296,161	\$ 277,898
Covered-employee payroll	\$ 3,735,664	\$ 3,626,858
Total OPEB liability (asset) as a percentage of covered-employee payroll	7.93%	7.66%

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

*The 2018 Total OPEB Liability – Beginning was restated.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Murray County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0483 %	\$ 2,670,399	\$ 82,996	\$ 2,753,395	\$ 3,255,667	82.02 %	80.23 %
2018	0.0470	2,607,367	85,453	2,692,820	3,156,631	82.60	79.53
2017	0.0485	3,096,209	38,926	3,135,135	3,124,004	99.11	75.90
2016	0.0523	4,246,500	55,479	4,301,979	3,246,057	130.82	68.91
2015	0.0523	2,710,457	N/A	2,710,457	3,075,342	88.14	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-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 263,808	\$ 263,808	\$ -	\$ 3,517,438	7.50 %
2018	245,477	245,477	-	3,273,016	7.50
2017	230,044	230,044	-	3,067,260	7.50
2016	240,203	240,203	-	3,202,706	7.50
2015	227,588	227,588	-	3,034,512	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-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0767 %	\$ 816,549	\$ 777,944	104.96 %	89.26 %
2018	0.0681	725,876	717,880	101.11	88.84
2017	0.0670	904,580	689,293	131.23	85.43
2016	0.0710	2,849,354	685,787	415.49	63.88
2015	0.0650	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-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 141,362	\$ 141,362	\$ -	\$ 833,996	16.95 %
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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

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 the major special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendments

Over the course of the year, the County Board revised the revenue and expenditure budget. The budget amendments fall into three categories: new information changing the original budget estimates, greater than anticipated revenues or costs, and new grant awards.

Revenue budgets were amended in the General Fund as follows:

Fund	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 8,604,730	\$ (28,501)	\$ 8,576,229

4. Excess of Expenditures Over Budget

The following individual funds had expenditures in excess of final budgets for the year ended December 31, 2019:

Fund	Expenditures	Final Budget	Excess
General Fund	\$ 8,200,971	\$ 8,200,307	\$ 664
Road and Bridge Special Revenue Fund	7,071,339	6,295,897	775,442
Ditch Special Revenue Fund	2,339,134	328,837	2,010,297

**MURRAY COUNTY
SLAYTON, MINNESOTA**

5. Other Postemployment Benefits Funded Status

Governmental Activities and Congregate Housing Enterprise Fund

See Note 3.D. in the notes to the financial statements for additional information regarding the County'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.

2019

The following change in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.

2018

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**

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

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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.
- 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

General Employees Retirement Plan

2016 (Continued)

- 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

2019

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

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.
- 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

Public Employees Police and Fire Plan

2018 (Continued)

- 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 load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- 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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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.

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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**MURRAY COUNTY
SLAYTON, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Human Services Special Revenue Fund accounts for assigned property tax revenues used for economic assistance and community social service programs.

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 the activity of the blended component unit, the Economic Development Authority.

DEBT SERVICE FUND

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.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources committed for acquisition, construction, or improvement of capital facilities.

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>Special Revenue</u>				<u>Total</u>
	<u>Human Services</u>	<u>EDA</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<u>Assets</u>					
Cash and pooled investments	\$ -	\$ 815,840	\$ 409,397	\$ 500,000	\$ 1,725,237
Undistributed cash in agency funds	11,724	-	2,278	-	14,002
Taxes receivable					
Delinquent	7,416	-	1,563	-	8,979
Loans receivable	-	605,599	-	-	605,599
Total Assets	\$ 19,140	\$ 1,421,439	\$ 413,238	\$ 500,000	\$ 2,353,817
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Salaries payable	\$ -	\$ 2,783	\$ -	\$ -	\$ 2,783
Due to other governments	11,724	-	-	-	11,724
Total Liabilities	\$ 11,724	\$ 2,783	\$ -	\$ -	\$ 14,507
Deferred Inflows of Resources					
Unavailable revenue	\$ 7,416	\$ 592,538	\$ 1,563	\$ -	\$ 601,517
Fund Balances					
Restricted for					
Debt service	\$ -	\$ -	\$ 411,675	\$ -	\$ 411,675
EDA revolving loans	-	333,716	-	-	333,716
EDA child care provider grant	-	5,460	-	-	5,460
Committed to					
Capital improvement	-	-	-	500,000	500,000
Assigned to					
Economic development	-	486,942	-	-	486,942
Total Fund Balances	\$ -	\$ 826,118	\$ 411,675	\$ 500,000	\$ 1,737,793
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 19,140	\$ 1,421,439	\$ 413,238	\$ 500,000	\$ 2,353,817

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Human Services</u>	<u>EDA</u>			
Revenues					
Taxes	\$ 1,139,987	\$ -	\$ 221,716	\$ -	\$ 1,361,703
Intergovernmental	136,485	-	9,796	-	146,281
Investment earnings	-	24,699	5,802	-	30,501
Miscellaneous	-	76,278	-	-	76,278
Total Revenues	\$ 1,276,472	\$ 100,977	\$ 237,314	\$ -	\$ 1,614,763
Expenditures					
Current					
General government	\$ -	\$ -	\$ 645	\$ -	\$ 645
Economic development	-	344,116	-	-	344,116
Intergovernmental	1,276,472	-	-	-	1,276,472
Debt service					
Principal	-	-	200,000	-	200,000
Interest	-	-	18,500	-	18,500
Administrative charges	-	-	495	-	495
Total Expenditures	\$ 1,276,472	\$ 344,116	\$ 219,640	\$ -	\$ 1,840,228
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (243,139)	\$ 17,674	\$ -	\$ (225,465)
Other Financing Sources (Uses)					
Transfers in	-	126,543	-	250,000	376,543
Net Change in Fund Balance	\$ -	\$ (116,596)	\$ 17,674	\$ 250,000	\$ 151,078
Fund Balance – January 1	-	942,714	394,001	250,000	1,586,715
Fund Balance – December 31	\$ -	\$ 826,118	\$ 411,675	\$ 500,000	\$ 1,737,793

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,196,441	\$ 1,196,441	\$ 1,139,987	\$ (56,454)
Intergovernmental	84,425	84,425	136,485	52,060
Total Revenues	\$ 1,280,866	\$ 1,280,866	\$ 1,276,472	\$ (4,394)
Expenditures				
Intergovernmental				
Human services	1,280,866	1,280,866	1,276,472	4,394
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance – January 1	-	-	-	-
Fund Balance – December 31	\$ -	\$ -	\$ -	\$ -

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
EDA SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 15,743	\$ 15,743	\$ 24,699	\$ 8,956
Miscellaneous	66,214	66,214	76,278	10,064
Total Revenues	\$ 81,957	\$ 81,957	\$ 100,977	\$ 19,020
Expenditures				
Current				
Economic development				
Economic Development Commission	339,951	343,967	344,116	(149)
Excess of Revenues Over (Under)				
Expenditures	\$ (257,994)	\$ (262,010)	\$ (243,139)	\$ 18,871
Other Financing Sources (Uses)				
Transfers in	126,543	126,543	126,543	-
Net Change in Fund Balance	\$ (131,451)	\$ (135,467)	\$ (116,596)	\$ 18,871
Fund Balance – January 1	942,714	942,714	942,714	-
Fund Balance – December 31	\$ 811,263	\$ 807,247	\$ 826,118	\$ 18,871

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 232,418	\$ 232,418	\$ 221,716	\$ (10,702)
Intergovernmental	-	-	9,796	9,796
Investment earnings	-	-	5,802	5,802
Total Revenues	\$ 232,418	\$ 232,418	\$ 237,314	\$ 4,896
Expenditures				
Current				
General government				
Other general government	\$ 645	\$ 645	\$ 645	\$ -
Debt service				
Principal	200,000	200,000	200,000	-
Interest	18,500	18,500	18,500	-
Administrative charges	500	500	495	5
Total Expenditures	\$ 219,645	\$ 219,645	\$ 219,640	\$ 5
Net Change in Fund Balance	\$ 12,773	\$ 12,773	\$ 17,674	\$ 4,901
Fund Balance – January 1	394,001	394,001	394,001	-
Fund Balance – December 31	\$ 406,774	\$ 406,774	\$ 411,675	\$ 4,901

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 250,000	\$ 250,000	\$ -
Fund Balance – January 1	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 250,000</u></u>	<u><u>\$ 500,000</u></u>	<u><u>\$ 500,000</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, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>LIME CREEK SUBORDINATE SERVICE DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,932	\$ 8,570	\$ 9,521	\$ 4,981
Accounts receivable	-	375	-	375
Total Assets	\$ 5,932	\$ 8,945	\$ 9,521	\$ 5,356
<u>Liabilities</u>				
Accounts payable	\$ 20	\$ 21	\$ 20	\$ 21
Customer deposits	5,912	8,966	9,543	5,335
Total Liabilities	\$ 5,932	\$ 8,987	\$ 9,563	\$ 5,356
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 153,943	\$ 18,305,669	\$ 18,288,822	\$ 170,790
<u>Liabilities</u>				
Due to other governments	\$ 153,943	\$ 18,305,669	\$ 18,288,822	\$ 170,790

**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, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 159,875	\$ 18,314,239	\$ 18,298,343	\$ 175,771
Accounts receivable	-	375	-	375
Total Assets	<u>\$ 159,875</u>	<u>\$ 18,314,614</u>	<u>\$ 18,298,343</u>	<u>\$ 176,146</u>
<u>Liabilities</u>				
Accounts payable	\$ 20	\$ 21	\$ 20	\$ 21
Customer deposits	5,912	8,966	9,543	5,335
Due to other governments	153,943	18,305,669	18,288,822	170,790
Total Liabilities	<u>\$ 159,875</u>	<u>\$ 18,314,656</u>	<u>\$ 18,298,385</u>	<u>\$ 176,146</u>

OTHER SCHEDULES

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Shetek Area Water and Sewer Commission</u>
Appropriations and Shared Revenue		
State		
Highway users tax	\$ 5,672,132	\$ -
Market value credit	298,180	-
PERA rate reimbursement	28,105	-
Disparity reduction aid	25,685	-
Police aid	93,885	-
County program aid	506,045	-
Local performance aid	1,161	-
Disaster credit	1,512	-
Enhanced 911	79,559	-
Aquatic invasive species aid	87,820	-
Riparian aid	134,707	-
Minnesota licensing and registration system (MNLARS)	30,710	-
Select Committee on Recycling and the Environment (SCORE)	68,710	-
	\$ 7,028,211	\$ -
Total appropriations and shared revenue		
Reimbursement for Services		
Local		
Red Rock Rural Water System	\$ 28,435	\$ -
Southwest Health and Human Services	37,796	-
Townships	20,000	-
	\$ 86,231	\$ -
Total reimbursement for services		
Payments		
Local		
Local grants	\$ 80,167	\$ -
Payments in lieu of taxes	428,914	-
	\$ 509,081	\$ -
Total payments		

**MURRAY COUNTY
SLAYTON, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Shetek Area Water and Sewer Commission</u>
Grants		
State		
Minnesota Department/Board of		
Corrections	\$ 14,410	\$ -
Public Safety	223,143	102,009
Natural Resources	129,320	-
Water and Soil Resources	58,292	-
Veterans Affairs	7,500	-
Historical Society	10,000	-
Peace Officer Standards and Training Board	9,942	-
Pollution Control Agency	50,752	-
	<hr/>	<hr/>
Total state	\$ 503,359	\$ 102,009
	<hr/>	<hr/>
Federal		
Department of		
Homeland Security	\$ 669,428	\$ 306,029
	<hr/>	<hr/>
Total state and federal grants	\$ 1,172,787	\$ 408,038
	<hr/>	<hr/>
Total Intergovernmental Revenue	\$ 8,796,310	\$ 408,038
	<hr/> <hr/>	<hr/> <hr/>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	Not provided	\$ 542,896
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20190904-1628	\$ 187,803
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20191114-1758	23,023
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20190829-1623	34,125
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20191021-1713	411,018
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20191121-1776	13,459
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20200414-2432	44,848
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20190912-1666	155,110
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20191114-1759	150,919
(Total Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 \$1,020,305)			\$ 1,020,305
Total U.S. Department of Homeland Security			\$ 1,020,305
Total Federal Awards			\$ 1,563,201

Murray County did not pass any federal awards through to subrecipients during the year ended December 31, 2019.

Totals by Cluster			
Total expenditures for Highway Planning and Construction Cluster			\$ 542,896

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Murray County and the Shetek Area Water and Sewer Commission, a component unit of the County. For the year ended December 31, 2019, the level of federal funding for the Shetek Area Water and Sewer Commission did not require that a separate single audit be performed for the component unit. The County's reporting entity is defined in Note 1 to the basic financial statements.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Murray County and the Shetek Area Water and Sewer Commission under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Murray County and the Shetek Area Water and Sewer Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of Murray County or the Shetek Area Water and Sewer Commission.

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of Murray County and the Shetek Area Water and Sewer Commission. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

Murray County and the Shetek Area Water and Sewer Commission have elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 669,428
Grants received more than 60 days after year-end, considered unavailable revenue in 2019	
Highway Planning and Construction (CFDA No. 20.205)	542,896
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	44,848
Expenditures for the Shetek Area Water and Sewer Commission	
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	<u>306,029</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,563,201</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, 2019**

Assets

Current assets

Special assessments receivable	
Current	\$ 469,534
Delinquent	9,094
Accounts receivable	40,478
Due from other governments	306,590
Inventory	68,886
	<hr/>

Total current assets, unrestricted **\$ 894,582**

Restricted assets

Cash and pooled investments	508,773
	<hr/>

Total current assets **\$ 1,403,355**

Noncurrent assets

Special assessments receivable	\$ 4,703,311
Capital assets	
Non-depreciable	421,046
Depreciable – net	11,066,411
	<hr/>

Total noncurrent assets **\$ 16,190,768**

Total Assets **\$ 17,594,123**

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT E-1
(Continued)**

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Liabilities

Current liabilities

Accounts payable	\$ 2,093
Due to primary government	973
Advance from primary government	425,000
Accrued interest payable	33,348
Customer deposits	4,215
Easement purchase agreement – current	3,000
General obligation bonds payable – current	235,000
Revenue notes payable – current	493,337
	493,337

Total current liabilities

\$ 1,197,243

Noncurrent liabilities

Easement purchase agreement – long-term	\$ 54,000
General obligation bonds payable – long-term	1,900,000
Revenue notes payable – long-term	3,047,000
	3,047,000

Total noncurrent liabilities

\$ 5,001,000

Total Liabilities

\$ 6,198,243

Net Position

Net investment in capital assets	\$ 5,755,120
Restricted for	
Debt service	325,244
Wastewater system replacement	183,529
Unrestricted	5,131,987
	5,131,987

Total Net Position

\$ 11,395,880

**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, 2019**

Operating Revenues	
Sewer utility charges	\$ 529,751
Charges for services	750
Miscellaneous	150
	<hr/>
Total Operating Revenues	\$ 530,651
Operating Expenses	
Personal services	\$ 8,028
Professional services	290,278
Other services and charges	53,085
Supplies	118,824
Insurance	5,647
Advertising	48
Depreciation	387,228
	<hr/>
Total Operating Expenses	\$ 863,138
Operating Income (Loss)	\$ (332,487)
Nonoperating Revenues (Expenses)	
Interest earnings	\$ 6,952
Intergovernmental	408,038
Gain on sale of capital assets	1,750
Administrative charges	(495)
Interest expense	(92,547)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 323,698
Income (Loss) Before Contributions	\$ (8,789)
Capital contributions	214,109
	<hr/>
Change in net position	\$ 205,320
Net Position – January 1	11,190,560
	<hr/>
Net Position – December 31	\$ 11,395,880
	<hr/> <hr/>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

EXHIBIT E-3

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities	
Cash received from customers	\$ 532,171
Cash paid to employees	(7,752)
Cash paid for supplies and professional services	<u>(475,048)</u>
Net cash provided by (used in) operating activities	<u>\$ 49,371</u>
Cash Flows from Noncapital Financing Activities	
Advance received from primary government	\$ 100,000
Intergovernmental	102,259
Interest paid on advance	<u>(8,738)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 193,521</u>
Cash Flows from Capital and Related Financing Activities	
Special assessments	\$ 693,789
Principal paid on long-term debt	(835,173)
Interest paid on bonds	(41,682)
Interest paid on revenue notes	(47,073)
Proceeds from sale of capital assets	<u>1,750</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (228,389)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 6,952</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 21,455
Cash and Cash Equivalents at January 1	<u>487,318</u>
Cash and Cash Equivalents at December 31	<u>\$ 508,773</u>
Cash and Cash Equivalents – Exhibit E-1	
Restricted cash and pooled investments	<u>\$ 508,773</u>

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**EXHIBIT E-3
(Continued)**

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Operating income (loss)	<u>\$ (332,487)</u>
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 387,228
(Increase) decrease in accounts receivable	415
(Increase) decrease in due from primary government	126
(Increase) decrease in inventory	(8,897)
Increase (decrease) in accounts payable	1,215
Increase (decrease) in due to primary government	22
Increase (decrease) in customer deposits payable	<u>1,749</u>
 Total adjustments	 <u>\$ 381,858</u>
 Net Cash Provided by (Used in) Operating Activities	 <u><u>\$ 49,371</u></u>

**Noncash Investing, Capital, and Financing
Activities**

Easement acquired by purchase agreement	\$ 60,000
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MURRAY COUNTY

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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 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Murray County, Minnesota, as of and for the year ended December 31, 2019, 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 1, 2020. 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's internal control over financial reporting or compliance and other matters that are reported on separately within this audit report.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, 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 Questioned Costs as item 2019-001 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

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as items 2019-002, 2019-003, and 2019-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 1, 2020

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JULIE BLAHA
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Murray County
Slayton, Minnesota

Report on Compliance for the Major Federal Program

We have audited Murray County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2019. Murray County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Murray County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Murray County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Murray County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

December 1, 2020

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

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**MURRAY COUNTY
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Disaster Grants – Public Assistance
(Presidentially Declared Disasters)

CFDA No. 97.036

The threshold for distinguishing between Types A and B programs was \$750,000.

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 2015-001

Repeat Finding Since: 2015

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:

General Fund

- Decreased transfers out and increased advance to other funds by \$1,200,000 to properly record transactions related to advances made to the Ditch Special Revenue Fund.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Ditch Special Revenue Fund

- Decreased transfers in and increased advance from other funds by \$1,200,000 to properly record transactions related to advances made from the General Fund.

Cause: The County did not use the correct accounts when recording advances and transfers between funds.

Recommendation: We recommend County staff review and update the financial statement closing procedures to include a detailed review of trial balances and journal entries 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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-002

Prior Year Finding Number: 2013-002

Repeat Finding Since: 2013

Publication of Financial Statements

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

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 2018.

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 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: 2019-003

Prior Year Finding Number: 2014-001

Repeat Finding Since: 2014

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.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Effect: Noncompliance with Minn. Stat. § 375.12.

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

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

View of Responsible Official: Acknowledged

Finding Number: 2019-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Withholding Affidavit for Contractors (Form IC-134)

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

Condition: Final payment to four contractors for contracts involving the employment of individuals for wages by the contractor were tested. Final payment was made on three of the contracts before Form IC-134, which certifies withholding compliance, was received from the contractor and approved by the Minnesota Department of Revenue.

**MURRAY COUNTY
SLAYTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and purchases, and for obtaining the required certificate prior to submitting the final payment for processing.

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

Cause: Staff from the County's individual departments were not aware of all of the contract requirements. Additionally, the County Auditor-Treasurer believed an IC-134 Form was required only on contracts using a subcontractor.

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

View of Responsible Official: Acknowledged



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REPRESENTATION OF MURRAY COUNTY SLAYTON, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Heidi E. Winter, County Auditor-Treasurer

Corrective Action Planned:

The County staff has the appropriate codes set up and will use them 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:

12-1-2020

Finding Number: 2019-002
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 put the full financial statement and audit report on the Murray County website and have it available by hard copy in the Auditor-Treasurer's Office. They will 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.

Anticipated Completion Date:

1-5-2021

Finding Number: 2019-003

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 review a complete audit listing of claims paid at each Commissioner Meeting and approve totals paid by fund. The listing will be part of the Commissioner board packets that are emailed to the large circulation list (board members, employees, media partners and members of the public who have requested to receive all board meeting materials). The Board will 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 keeps the public adequately informed.

Anticipated Completion Date:

1-5-2021

Finding Number: 2019-004

Finding Title: Withholding Affidavit for Contractors (Form IC-134)

Name of Contact Person Responsible for Corrective Action:

Heidi E. Winter, Auditor-Treasurer

Corrective Action Planned:

Murray County will ensure that IC-134 affidavits are received before releasing final payment on any contract where a contractor or subcontractor pays wages to employees.

Anticipated Completion Date:

12-1-2020

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**REPRESENTATION OF MURRAY COUNTY
SLAYTON, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 Road and Bridge Special Revenue Fund and the Self-Insurance Internal Service 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 through 2017.

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, 2019, 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 1, 2020.

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 opinions 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

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 contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. These categories were tested in conjunction with our audit of the financial statements of Murray County. 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, insofar as they relate to accounting matters.

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

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 1, 2020