STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

MURRAY COUNTY
SLAYTON, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

MURRAY COUNTY
SLAYTON, MINNESOTA

Year Ended December 31, 2014

Audit Practice Division
Office of the State Auditor
State of Minnesota

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

TABLE OF CONTENTS

MURRAY COUNTY
SLAYTON, MINNESOTA

TABLE OF CONTENTS

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

ORGANIZATION SCHEDULE
2014

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

[1] Chair for 2015
[2] Chair for 2014
[3] Glenn Kluis was appointed on December 2, 2014, to fill the vacancy that occurred upon the death of John M. Geise.
[4] Steven Schulze was replaced by Denise Brandel on September 24, 2014.

MURRAY COUNTY
SLAYTON, MINNESOTA

ORGANIZATION SCHEDULE
SHETEK AREA WATER AND SEWER COMMISSION
2014

Name	Position	Term Expires
Commissioners		
Jamie Thomazin	President	December 2015
Donna Kor	Vice President	December 2017
Jon Hoyme	Secretary	December 2014
Darwin Patzlaff	Member	December 2016
Steve Zens	Member	December 2017

Financial Section

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

REBECCA OTTO
STATE AUDITOR

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Murray County
Slayton, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Murray County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Murray County Medical Center, a major fund (Hospital Enterprise Fund) and 97 percent, 100 percent, and 99 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Murray County as of December 31, 2014, 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.

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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of Murray County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Murray County's internal control over financial reporting and compliance. It does not include the Murray County Medical Center, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 13, 2015

This page was left blank intentionally.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. 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 $59,397,396, of which $48,709,532 is the County's net investment in capital assets and $2,959,300 is restricted for specific purposes. The unrestricted net position of $7,728,564 may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's governmental activities' net position increased by $955,877 for the year ended December 31, 2014. A large part of the increase is attributable to the County's investing in infrastructure assets without increasing long-term debt, as well as an increase in receivables.

- The net cost of governmental activities for the current fiscal year was $6,700,228. General revenues totaling $7,656,105 funded the net cost.

- The General Fund's fund balance increased by $228,257, the Road and Bridge Special Revenue Fund's fund balance decreased by $227,129, the Human Services Special Revenue Fund saw no change, the EDA Special Revenue Fund's fund balance increased by $162,741, and the Ditch Special Revenue Fund's fund balance decreased by $467,722.

- For the year ended December 31, 2014, the unassigned fund balance of the General Fund was $3,122,835.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Governmental activities--Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- Business-type activities--The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Murray County Medical Center and Congregate Housing.

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

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

Fund Level Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

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

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, EDA Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided as either required or other supplementary information for each of these funds to demonstrate compliance with this budget.

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

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

The basic proprietary fund financial statements are Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are presented in a separate Statement of Fiduciary Net Position on Exhibit 10.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 through 105 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by $74,904,789 at the close of 2014. The largest portion of Murray County's net position (79.0 percent) reflects the net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2013 is presented.

Net Position
(in thousands)

	Governmental Activities	Business-Type Activities	Total 2014	Total 2013
Assets				
Current and other assets	$ 13,048	$ 7,286	$ 20,334	$ 20,871
Capital assets	50,643	17,109	67,752	68,769
Total Assets	$ 63,691	$ 24,395	$ 88,086	$ 89,640
Deferred Outflows of Resources	$ -	$ 50	$ 50	$ 57
Liabilities				
Long-term liabilities	$ 3,530	$ 7,071	$ 10,601	$ 11,016
Other liabilities	764	1,867	2,631	3,063
Total Liabilities	$ 4,294	$ 8,938	$ 13,232	$ 14,079
Net Position				
Net investment in capital assets	$ 48,709	$ 10,467	$ 59,176	$ 60,052
Restricted	2,959	-	2,959	3,074
Unrestricted	7,729	5,040	12,769	12,491
Total Net Position	$ 59,397	$ 15,507	$ 74,904	$ 75,617

Unrestricted net position in the amount of $7,728,564--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 13.0 percent of net position.

Governmental Activities

The County's governmental activities' net position increased by 1.6 percent ($59,397,396 for 2014 compared to $58,441,519 for 2013). Key elements in this increase in net position are as follows for 2014, with comparative data for 2013.

Governmental Activities
Changes in Net Position
(in thousands)

	2014	2013
Revenues		
Program revenues		
Charges for services	$ 1,240	$ 1,313
Operating grants and contributions	4,741	4,648
Capital grants and contributions	203	1,456
General revenues		
Property taxes	5,873	5,651
Other	1,783	1,755
Total Revenues	$ 13,840	$ 14,823
Expenses		
General government	$ 2,421	$ 2,283
Public safety	2,326	2,390
Highways and streets	4,506	4,634
Sanitation	369	394
Human services	1,094	1,100
Health	52	52
Culture and recreation	766	796
Conservation of natural resources	1,173	816
Economic development	105	226
Interest	73	116
Total Expenses	$ 12,885	$ 12,807
Revenues Over Expenses	$ 955	$ 2,016
Transfers to business-type activities	-	(1)
Increase in Net Position	$ 955	$ 2,015
Net Position - January 1	58,442	56,427
Net Position - December 31	$ 59,397	$ 58,442

The cost of all governmental activities for 2014 was $12,884,578 and, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only $6,700,228. The amount paid by those who directly benefited from the programs was $1,239,906, and the amount paid by other governments and organizations to subsidize certain programs with grants and contributions was $4,741,351. Capital grants and contributions were $203,093. The County paid for the remaining “public benefit” portion of governmental activities with $370,277 in grants and contributions not restricted to specific programs, $5,873,322 in property taxes, and $1,000,564 in wind production tax.

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

Governmental Activities
2014
(in thousands)

	Total Cost of Services	Net Cost of Services
General government	$ 2,421	$ 2,107
Public safety	2,326	1,846
Highways and streets	4,506	108
Human services	1,094	1,094
All others	2,538	1,545
Total	$ 12,885	$ 6,700

Business-Type Activities

The County’s business-type activities include Congregate Housing (Sunrise Terrace) and the Hospital (Murray County Medical Center). The business-type activities net position decreased by 9.7 percent ($15,507,393 for 2014 compared to $17,175,764 for 2013). Key elements in this decrease in net position are as follows, with comparative data for 2013.

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

	2014	2013
Revenues		
Program revenues		
Charges for services	$ 16,466	$ 17,839
Capital grants and contributions	1	-
General revenues		
Other	9	110
Total Revenues	$ 16,476	$ 17,949
Expenses		
Hospital	$ 17,928	$ 17,799
Congregate Housing	217	260
Total Expenses	$ 18,145	$ 18,059
Revenues Over (Under) Expenses	$ (1,669)	$ (110)
Transfers from governmental activities	-	1
Increase in Net Position	$ (1,669)	$ (109)
Net Position - January 1	17,176	17,285
Net Position - December 31	$ 15,507	$ 17,176

The cost of all business-type activities for 2014 was $18,144,223 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 2014, this amount was $16,465,885.

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

Business-Type Activities
2014
(in thousands)

	Total Cost of Services	Net Profit (Cost) for Services
Hospital	$ 17,928	$ (1,649)
Congregate Housing	217	(28)
Total	$ 18,145	$ (1,677)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of $9,106,927, a decrease of $29,980 in comparison with the prior year. Of the combined ending fund balances, $319,325 is nonspendable, $2,084,757 is restricted, $143,463 is committed, $3,436,547 is assigned, and $3,122,835 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, $9,116 is nonspendable, $772,634 is restricted, $143,275 is committed, $856,644 is assigned, and $3,122,835 is unassigned. Overall fund balance in the General Fund increased by $228,257 during 2014.

The Road and Bridge Special Revenue Fund had $310,209 in nonspendable funds, $188 in committed, and $2,122,577 in assigned funds. Overall fund balance in the Road and Bridge Special Revenue Fund decreased by $227,129 during 2014.

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

The Ditch Special Revenue Fund had a restricted fund balance of $320,786, a decrease of $467,722 during 2014.

The EDA Special Revenue Fund had restricted funds of $321,897 and assigned funds of $457,326. The EDA Special Revenue Fund's fund balance increased by $162,741 during 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, there were positive budget variances in the General Fund, Road and Bridge Special Revenue Fund, and EDA Special Revenue Fund. The actual revenues over expenditures in the General Fund were $373,245 more than budgeted. The actual expenditures over revenues in the Road and Bridge Special Revenue Fund were $27,057 more than budgeted. The actual revenues over expenditures in the EDA Special Revenue Fund were $134,273 more than budgeted. Over the course of the year, the budget for the General Fund was changed. The revenues budget in the General Fund increased $81,169. The expenditures budget in the General Fund increased $250,361.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Government Activities

The County's capital assets for its governmental activities at December 31, 2014, totaled $50,642,707 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased $816,377, or 1.64 percent, from the previous year. The major capital asset events were: construction of highways and streets, continued construction of a new addition and renovation to the Sheriff's Office, and the purchase of highway and other miscellaneous equipment.

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

	2014	2013
Land, including right-of-way	$ 720	$ 754
Construction in progress	75	99
Infrastructure	42,129	41,554
Buildings	4,790	4,622
Improvements other than buildings	328	331
Machinery and equipment	2,601	2,466
Total	$ 50,643	$ 49,826

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, 2014, totaled $17,109,424 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and land improvements. The investment in capital assets decreased $1,833,472, or 9.68 percent, from the previous year. The major capital asset events were: renovation and construction of a new medical center facility, the purchase of new medical equipment, and other miscellaneous non-medical equipment.

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

	2014	2013
Land, including right-of-way	$ 182	$ 182
Land improvements	532	483
Buildings	13,820	14,961
Fixed equipment	258	285
Major movable equipment	2,317	3,032
Total	$ 17,109	$ 18,943

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

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of $9,404,551, which was backed by the full faith and credit of the government.

Outstanding Debt
(in thousands)

	2014	2013
General obligation capital improvement plan bond	$ 1,587	$ 1,771
General obligation ditch bonds	622	802
General obligation refunding bonds	847	946
MRI capital lease	295	640
Hospital revenue note	5,551	5,495
General obligation promissory notes	-	46
Loans payable	157	213
Capital improvement note	346	-
Total	$ 9,405	$ 9,913

The County's overall debt decreased by $508,186 from 2013 to 2014 mainly due to scheduled principal payments, offset by the issuance of the 2014 General Obligation Capital Improvement Note.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2014, the County's outstanding debt was 0.23 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 2015 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Murray County at the end of 2014 was 3.1 percent. This is 0.5 percentage points lower than the state unemployment rate of 3.6 percent and 3.2 percentage points lower than the national unemployment rate of 6.3 percent. This is a decrease of 28 percent from the County's 4.3 percent rate of one year ago.

- Mortgage interest rates have remained relatively consistent with those of 2013, 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 2014 increased from $5,786,582 to $6,014,632. This is a net increase of $228,050, or 3.94 percent.

REQUESTS FOR INFORMATION

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

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
Assets				
Current assets				
Cash and pooled investments	$ 9,174,520	$ 3,788,847	$ 12,963,367	$ 236,414
Petty cash and change funds	5,000	-	5,000	-
Cash with fiscal agent	-	-	-	2,508,946
Taxes receivable				
Delinquent	54,718	-	54,718	-
Special assessments receivable				
Current	391,856	-	391,856	418,251
Delinquent	10,559	-	10,559	6,767
Accounts receivable	67,447	19,186	86,633	25,432
Patient receivables - net	-	2,410,094	2,410,094	-
Estimated third-party settlements	-	262,760	262,760	-
Accrued interest receivable	35,103	-	35,103	4,065
Due from other governments	1,472,172	-	1,472,172	2,923
Due from component unit	1,646	-	1,646	-
Loans receivable	142,252	-	142,252	-
Inventories	316,416	533,915	850,331	77,047
Prepaid items	2,809	215,059	217,868	-
Restricted assets				
Cash and pooled investments	-	6,400	6,400	354,125
Total current assets	**$ 11,674,498**	**$ 7,236,261**	**$ 18,910,759**	**$ 3,633,970**
Noncurrent assets				
Noncurrent cash and investments	$ -	$ 675	$ 675	$ -
Special assessments receivable	491,803	-	491,803	7,210,286
Loans receivable	636,874	-	636,874	-
Long-term receivable	245,000	-	245,000	-
Capital assets				
Non-depreciable	794,725	182,513	977,238	386,046
Depreciable - net of accumulated depreciation	49,847,982	16,926,911	66,774,893	13,004,349
Other assets	-	49,103	49,103	-
Total noncurrent assets	**$ 52,016,384**	**$ 17,159,202**	**$ 69,175,586**	**$ 20,600,681**
Total Assets	**$ 63,690,882**	**$ 24,395,463**	**$ 88,086,345**	**$ 24,234,651**
Deferred Outflows of Resources				
Deferred charge on bond refunding	**$ -**	**$ 50,002**	**$ 50,002**	**$ -**

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, 2014

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Shetek Area Water and Sewer Commission
Liabilities				
Current liabilities				
Accounts payable	$ 185,396	$ 519,799	$ 705,195	$ 2,929
Salaries payable	130,597	1,051,840	1,182,437	-
Contracts payable	30,719	-	30,719	1,771
Due to other governments	91,992	94	92,086	-
Due to primary government	-	-	-	1,646
Unearned revenue	107,479	-	107,479	-
Internal balances	190,408	(190,408)	-	-
Accrued interest payable	26,466	8,066	34,532	101,520
Payable from restricted assets	-	6,400	6,400	-
Losses from joint ventures in excess of earnings	-	471,739	471,739	-
MRI capital lease - current	-	295,102	295,102	-
Compensated absences payable - current	66,620	822	67,442	-
Loans payable - current	38,405	-	38,405	-
General obligation bonds payable - current	185,000	105,000	290,000	165,000
General obligation special assessment debt payable - current	165,000	-	165,000	-
Revenue notes payable - current	-	381,661	381,661	529,000
Customer deposits - current	-	-	-	4,622
Total current liabilities	**$ 1,218,082**	**$ 2,650,115**	**$ 3,868,197**	**$ 806,488**
Noncurrent liabilities				
Compensated absences payable	$ 551,110	$ 4,062	$ 555,172	$ -
Loans payable	117,763	-	117,763	-
General obligation bonds payable - net	1,402,175	742,269	2,144,444	5,384,796
General obligation special assessment debt payable	457,397	-	457,397	-
Revenue notes payable	-	5,168,779	5,168,779	6,000,078
General obligation notes payable	346,000	-	346,000	-
Other postemployment benefits payable	200,959	372,847	573,806	-
Total noncurrent liabilities	**$ 3,075,404**	**$ 6,287,957**	**$ 9,363,361**	**$ 11,384,874**
Total Liabilities	**$ 4,293,486**	**$ 8,938,072**	**$ 13,231,558**	**$ 12,191,362**

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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
Net Position				
Net investment in capital assets	$ 48,709,532	$ 10,466,614	$ 59,176,146	$ 1,321,317
Restricted for				
General government	323,523	-	323,523	-
Public safety	171,993	-	171,993	-
Highways and streets	874,541	-	874,541	-
Sanitation	153,487	-	153,487	-
Conservation of natural resources	444,419	-	444,419	-
Economic development	321,897	-	321,897	-
Debt service	669,440	-	669,440	278,035
Wastewater system replacement	-	-	-	76,090
Unrestricted	7,728,564	5,040,779	12,769,343	10,367,847
Total Net Position	**$ 59,397,396**	**$ 15,507,393**	**$ 74,904,789**	**$ 12,043,289**

MURRAY COUNTY
SLAYTON, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

		Program Revenues	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 2,421,289	$ 276,252	$ 28,389
Public safety	2,325,805	98,930	381,109
Highways and streets	4,505,769	114,898	4,089,210
Sanitation	369,267	292,482	63,803
Human services	1,093,900	-	-
Health	52,350	-	-
Culture and recreation	765,634	95,696	128,638
Conservation of natural resources	1,172,911	345,950	50,202
Economic development	104,852	15,698	-
Interest	72,801	-	-
Total governmental activities	**$ 12,884,578**	**$ 1,239,906**	**$ 4,741,351**
Business-type activities			
Hospital	$ 17,927,626	$ 16,278,309	$ -
Congregate Housing	216,597	187,576	1,000
Total business-type activities	**$ 18,144,223**	**$ 16,465,885**	**$ 1,000**
Total Primary Government	**$ 31,028,801**	**$ 17,705,791**	**$ 4,742,351**
Component unit			
Shetek Area Water and Sewer Commission	**$ 918,766**	**$ 346,055**	**$ -**

General Revenues
Property taxes
Mortgage registry and deed tax
Wind production tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous
Transfers
Special Item
Minnesota Public Facilities Authority Wastewater Infrastructure Fund loan to grant conversion

Total general revenues, transfers, and special item

Change in net position

Net Position - Beginning

Net Position - Ending

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

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			**Component Unit**
Capital Grants and Contributions	**Governmental Activities**	**Business-Type Activities**	**Total**	**Shetek Area Water and Sewer Commission**
$ 9,000	$ (2,107,648)	$ -	$ (2,107,648)	
-	(1,845,766)	-	(1,845,766)	
194,093	(107,568)	-	(107,568)	
-	(12,982)	-	(12,982)	
-	(1,093,900)	-	(1,093,900)	
-	(52,350)	-	(52,350)	
-	(541,300)	-	(541,300)	
-	(776,759)	-	(776,759)	
-	(89,154)	-	(89,154)	
-	(72,801)	-	(72,801)	
$ 203,093	**$ (6,700,228)**	**$ -**	**(6,700,228)**	
$ -	$ -	$ (1,649,317)	$ (1,649,317)	
-	-	(28,021)	(28,021)	
$ -	**$ -**	**$ (1,677,338)**	**$ (1,677,338)**	
$ 203,093	**$ (6,700,228)**	**$ (1,677,338)**	**$ (8,377,566)**	
$ 263,652				**$ (309,059)**
	$ 5,873,322	$ -	$ 5,873,322	$ -
	7,280	-	7,280	-
	1,000,564	-	1,000,564	-
	234,626	-	234,626	-
	370,277	120,460	490,737	-
	55,352	(113,683)	(58,331)	27,476
	115,104	1,770	116,874	1,220
	(420)	420	-	-
	-	-	-	3,589,451
	$ 7,656,105	**$ 8,967**	**$ 7,665,072**	**$ 3,618,147**
	$ 955,877	**$ (1,668,371)**	**$ (712,494)**	**$ 3,309,088**
	58,441,519	**17,175,764**	**75,617,283**	**8,734,201**
	$ 59,397,396	**$ 15,507,393**	**$ 74,904,789**	**$ 12,043,289**

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

MURRAY COUNTY
SLAYTON, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Road and Bridge	Human Services
Assets			
Cash and pooled investments	$ 5,023,361	$ 1,916,634	$ -
Undistributed cash in agency funds	47,638	11,185	11,159
Petty cash and change funds	5,000	-	-
Taxes receivable			
Delinquent	35,068	8,620	9,983
Special assessments receivable			
Delinquent	10,511	-	-
Noncurrent	546,384	-	-
Accounts receivable	66,039	1,408	-
Loans receivable	-	-	-
Accrued interest receivable	35,103	-	-
Due from other funds	-	652	-
Due from other governments	133,790	1,325,988	-
Due from component units	1,646	-	-
Inventories	6,707	309,709	-
Prepaid items	2,309	500	-
Total Assets	**$ 5,913,556**	**$ 3,574,696**	**$ 21,142**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 72,603	$ 10,993	$ -
Salaries payable	98,874	29,867	-
Contracts payable	3,808	26,911	-
Due to other funds	652	-	-
Due to other governments	74,595	1,323	11,159
Unearned revenue	107,479	-	-
Total Liabilities	**$ 358,011**	**$ 69,094**	**$ 11,159**
Deferred Inflows of Resources			
Unavailable revenue	**$ 651,041**	**$ 1,072,628**	**$ 9,983**

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

EXHIBIT 3

Ditch	EDA	Debt Service	Capital Projects	Total
$ 332,034	$ 756,057	$ 667,070	$ -	$ 8,695,156
3,323	-	2,370	-	75,675
-	-	-	-	5,000
-	-	1,047	-	54,718
48	-	-	-	10,559
337,275	-	-	-	883,659
-	-	-	-	67,447
-	779,126	-	-	779,126
-	-	-	-	35,103
-	-	-	-	652
12,394	-	-	-	1,472,172
-	-	-	-	1,646
-	-	-	-	316,416
-	-	-	-	2,809
$ 685,074	**$ 1,535,183**	**$ 670,487**	**$ -**	**$ 12,400,138**

Ditch	EDA	Debt Service	Capital Projects	Total
$ 22,046	$ 246	$ -	$ -	$ 105,888
-	1,856	-	-	130,597
-	-	-	-	30,719
-	-	-	-	652
4,915	-	-	-	91,992
-	-	-	-	107,479
$ 26,961	**$ 2,102**	**$ -**	**$ -**	**$ 467,327**
$ 337,327	**$ 753,858**	**$ 1,047**	**$ -**	**$ 2,825,884**

MURRAY COUNTY
SLAYTON, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Road and Bridge	Human Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Inventories	$ 6,707	$ 309,709	$ -
Prepaid items	2,309	500	-
Missing heirs	100	-	-
Restricted for			
Septic/sewer loans	76,436	-	-
Debt service	-	-	-
EDA revolving loans	-	-	-
Recorder's compliance	104,754	-	-
Recorder's technology	209,225	-	-
Supervision fees	16,893	-	-
Sheriff's contingency	3,326	-	-
Permits to carry	25,138	-	-
E-911	126,635	-	-
Election equipment	9,543	-	-
Ditch maintenance and conservation	-	-	-
Unspent grant monies	42,354	-	-
County match	4,843	-	-
Solid waste assessments	153,487	-	-
Committed to			
General Fund contracts	38,904	-	-
Flexible spending	-	188	-
911 sign replacement	104,000	-	-
Retiree health insurance	371	-	-
Assigned to			
County septic system loans	123,598	-	-
Parks	30,070	-	-
Sanitation	230,581	-	-
Road and bridge	-	1,932,267	-
Economic development	-	-	-
Compensated absences	422,605	190,310	-
Heartland bus replacement	9,000	-	-
Motor pool	10,000	-	-
Ambulance replacement	10,790	-	-
Government center roof	20,000	-	-
Unassigned	3,122,835	-	-
Total Fund Balances	**$ 4,904,504**	**$ 2,432,974**	**$ -**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 5,913,556**	**$ 3,574,696**	**$ 21,142**

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

EXHIBIT 3
(Continued)

Ditch	EDA	Debt Service	Capital Projects	Total
$ -	$ -	$ -	$ -	$ 316,416
-	-	-	-	2,809
-	-	-	-	100
-	-	-	-	76,436
-	-	669,440	-	669,440
-	321,897	-	-	321,897
-	-	-	-	104,754
-	-	-	-	209,225
-	-	-	-	16,893
-	-	-	-	3,326
-	-	-	-	25,138
-	-	-	-	126,635
-	-	-	-	9,543
320,786	-	-	-	320,786
-	-	-	-	42,354
-	-	-	-	4,843
-	-	-	-	153,487
-	-	-	-	38,904
-	-	-	-	188
-	-	-	-	104,000
-	-	-	-	371
-	-	-	-	123,598
-	-	-	-	30,070
-	-	-	-	230,581
-	-	-	-	1,932,267
-	452,511	-	-	452,511
-	4,815	-	-	617,730
-	-	-	-	9,000
-	-	-	-	10,000
-	-	-	-	10,790
-	-	-	-	20,000
-	-	-	-	3,122,835
$ 320,786	**$ 779,223**	**$ 669,440**	**$ -**	**$ 9,106,927**
$ 685,074	**$ 1,535,183**	**$ 670,487**	**$ -**	**$ 12,400,138**

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Fund balance - total governmental funds (Exhibit 3)			**$**	**9,106,927**
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.				50,642,707
An internal service fund is used by the County to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.				133,773
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.				2,825,884
A long-term receivable is not due in the current period and, therefore, is not reported in the governmental funds.				245,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.				
Special assessment general obligation bonds	$	(622,397)		
General obligation bonds		(1,587,175)		
Capital notes payable		(346,000)		
Loans payable		(156,168)		
Compensated absences		(617,730)		
Net OPEB obligation		(200,959)		
Accrued interest payable		(26,466)		(3,556,895)
Net Position of Governmental Activities (Exhibit 1)			**$**	**59,397,396**

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

MURRAY COUNTY
SLAYTON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Road and Bridge	Human Services
Revenues			
Taxes	$ 4,577,331	$ 1,042,625	$ 1,037,296
Special assessments	281,796	-	-
Licenses and permits	34,446	3,550	-
Intergovernmental	1,087,134	4,052,693	56,604
Charges for services	420,889	14,079	-
Fines and forfeits	1,089	-	-
Gifts and contributions	16,681	-	-
Investment earnings	20,358	-	-
Miscellaneous	251,224	79,833	-
Total Revenues	**$ 6,690,948**	**$ 5,192,780**	**$ 1,093,900**
Expenditures			
Current			
General government	$ 2,412,345	$ -	$ -
Public safety	2,199,469	-	-
Highways and streets	-	5,221,690	-
Sanitation	356,342	-	-
Culture and recreation	782,474	-	-
Conservation of natural resources	609,456	-	-
Economic development	3,730	-	-
Intergovernmental	52,350	414,332	1,093,900
Debt service			
Principal	57,241	-	-
Interest	4,031	-	-
Administrative charges	-	-	-
Total Expenditures	**$ 6,477,438**	**$ 5,636,022**	**$ 1,093,900**
Excess of Revenues Over (Under) Expenditures	**$ 213,510**	**$ (443,242)**	**$ -**
Other Financing Sources (Uses)			
Transfers in	$ 38,000	$ 76,607	$ -
Transfers out	(28,014)	-	-
Proceeds from the sale of capital assets	3,627	45,252	-
Notes issued	-	-	-
Total Other Financing Sources (Uses)	**$ 13,613**	**$ 121,859**	**$ -**
Net Change in Fund Balance	**$ 227,123**	**$ (321,383)**	**$ -**
Fund Balance - January 1	**4,676,247**	**2,660,103**	**-**
Increase (decrease) in inventories	**1,134**	**94,254**	**-**
Fund Balance - December 31	**$ 4,904,504**	**$ 2,432,974**	**$ -**

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

Ditch	EDA	Debt Service	Capital Projects	Total
$ -	$ -	$ 221,919	$ -	$ 6,879,171
240,969	-	-	-	522,765
-	-	-	-	37,996
20,515	-	5,938	-	5,222,884
-	-	-	-	434,968
-	-	-	-	1,089
-	-	-	-	16,681
-	28,688	197	-	49,243
34,000	258,725	-	-	623,782
$ 295,484	**$ 287,413**	**$ 228,054**	**$ -**	**$ 13,788,579**
$ -	$ -	$ 435	$ -	$ 2,412,780
-	-	-	-	2,199,469
-	-	-	-	5,221,690
-	-	-	-	356,342
-	-	-	-	782,474
556,154	-	-	-	1,165,610
-	103,158	-	-	106,888
-	-	-	-	1,560,582
180,000	46,514	185,000	-	468,755
29,150	-	32,884	-	66,065
496	-	5,255	-	5,751
$ 765,800	**$ 149,672**	**$ 223,574**	**$ -**	**$ 14,346,406**
$ (470,316)	**$ 137,741**	**$ 4,480**	**$ -**	**$ (557,827)**
$ 2,594	$ 25,000	$ -	$ -	$ 142,201
-	-	-	(76,607)	(104,621)
-	-	-	-	48,879
-	-	346,000	-	346,000
$ 2,594	**$ 25,000**	**$ 346,000**	**$ (76,607)**	**$ 432,459**
$ (467,722)	**$ 162,741**	**$ 350,480**	**$ (76,607)**	**$ (125,368)**
788,508	**616,482**	**318,960**	**76,607**	**9,136,907**
-	-	-	-	**95,388**
$ 320,786	**$ 779,223**	**$ 669,440**	**$ -**	**$ 9,106,927**

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, 2014

Net change in fund balance - total governmental funds (Exhibit 5)		**$ (125,368)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred inflows of resources - December 31	$ 2,825,884	
Deferred inflows of resources - January 1	(2,822,467)	3,417
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$ 3,513,197	
Net book value of assets disposed of	(236,761)	
Current year depreciation	(2,460,059)	816,377
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction 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	$ 180,000	
Special assessment bonds	185,000	
Loans payable	57,241	
Promissory notes	46,479	468,720
Capital notes issued (see Note 3.C.5. for more information)		(346,000)

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

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, 2014

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Change in accrued interest payable	$ 1,170	
Change in compensated absences	(11,611)	
Change in long-term receivable	(10,000)	
Discount amortization	(2,109)	
Change in OPEB obligation	(29,880)	
Change in inventories	95,388	42,958
An internal service fund is used by the County to charge the cost of the self-funded insurance programs to functions. A portion of the increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.		95,773
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 955,877**

This page was left blank intentionally.

PROPRIETARY FUNDS

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Hospital	Congregate Housing	Totals	Self-Insurance
Assets				
Current assets				
Cash and pooled investments	$ 3,706,625	$ 82,222	$ 3,788,847	$ 403,689
Accounts receivable	19,067	119	19,186	-
Patient receivables - net	2,410,094	-	2,410,094	-
Estimated third-party settlements	262,760	-	262,760	-
Inventories	533,915	-	533,915	-
Prepaid items	215,059	-	215,059	-
Total current assets, unrestricted	**$ 7,147,520**	**$ 82,341**	**$ 7,229,861**	**$ 403,689**
Restricted assets				
Cash and pooled investments	-	6,400	6,400	-
Total current assets	**$ 7,147,520**	**$ 88,741**	**$ 7,236,261**	**$ 403,689**
Noncurrent assets				
Noncurrent cash and investments	$ 675	$ -	$ 675	$ -
Capital assets				
Nondepreciable	182,513	-	182,513	-
Depreciable - net	16,313,459	613,452	16,926,911	-
Total noncurrent assets	**$ 16,496,647**	**$ 613,452**	**$ 17,110,099**	**$ -**
Other assets				
Investment in Minnesota Rural Health	$ 8,750	$ -	$ 8,750	$ -
Physician receivables	40,353	-	40,353	-
Total other assets	**$ 49,103**	**$ -**	**$ 49,103**	**$ -**
Total Assets	**$ 23,693,270**	**$ 702,193**	**$ 24,395,463**	**$ 403,689**
Deferred Outflows of Resources				
Deferred charge on bond refunding	**$ -**	**$ 50,002**	**$ 50,002**	**$ -**

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 7
(Continued)

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Hospital	**Congregate Housing**	**Totals**	**Self-Insurance**
Liabilities				
Current liabilities payable from current assets				
Accounts payable	$ 515,797	$ 4,002	$ 519,799	$ 79,508
Salaries payable	1,050,069	1,771	1,051,840	-
Compensated absences payable - current	-	822	822	-
Losses from joint ventures in excess of earnings	471,739	-	471,739	-
Due to other governments	-	94	94	-
Accrued interest payable	3,795	4,271	8,066	-
MRI capital lease - current	295,102	-	295,102	-
General obligation bonds payable - current	-	105,000	105,000	-
Revenue notes payable - current	381,661	-	381,661	-
Total current liabilities payable from current assets	**$ 2,718,163**	**$ 115,960**	**$ 2,834,123**	**$ 79,508**
Current liabilities payable from restricted assets				
Accounts payable	-	6,400	6,400	-
Total current liabilities	**$ 2,718,163**	**$ 122,360**	**$ 2,840,523**	**$ -**
Noncurrent liabilities				
Compensated absences payable - long-term	$ -	$ 4,062	$ 4,062	$ -
General obligation bonds payable - long-term	-	742,269	742,269	-
Revenue notes payable - long-term	5,168,779	-	5,168,779	-
Other postemployment benefits payable	369,737	3,110	372,847	-
Total noncurrent liabilities	**$ 5,538,516**	**$ 749,441**	**$ 6,287,957**	**$ -**
Total Liabilities	**$ 8,256,679**	**$ 871,801**	**$ 9,128,480**	**$ 79,508**
Net Position				
Net investment in capital assets	$ 10,650,430	$ (183,816)	$ 10,466,614	$ -
Unrestricted	4,786,161	64,210	4,850,371	324,181
Total Net Position	**$ 15,436,591**	**$ (119,606)**	**$ 15,316,985**	**$ 324,181**

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.	190,408
Net Position of Business-Type Activities	**$ 15,507,393**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Hospital	Congregate Housing	Totals	Self-Insurance
Operating Revenues				
Charges for services	$ -	$ 184,926	$ 184,926	$ 2,088,078
Patient services revenues	15,977,277	-	15,977,277	-
Miscellaneous	301,032	2,650	303,682	-
Total Operating Revenues	**$ 16,278,309**	**$ 187,576**	**$ 16,465,885**	**$ 2,088,078**
Operating Expenses				
Personal services	$ -	$ 71,308	$ 71,308	$ -
Professional services	3,858,761	1,791	3,860,552	-
Nursing services	3,058,765	-	3,058,765	-
Contracted services	-	28,033	28,033	-
Repairs and maintenance	1,087,639	3,700	1,091,339	-
Administration and fiscal services	5,298,777	495	5,299,272	-
Other services and charges	-	7,194	7,194	-
Supplies	-	6,917	6,917	-
Utilities	-	25,231	25,231	-
Insurance	-	3,692	3,692	-
Massage therapy	28,246	-	28,246	-
Wellness center	12,193	-	12,193	-
Professional building	3,156	-	3,156	-
Surgery clinic	948,493	-	948,493	-
Slayton clinic	1,415,175	-	1,415,175	-
Fulda clinic	142,498	-	142,498	-
Interest expense	192,925	-	192,925	-
Depreciation	2,069,453	51,121	2,120,574	-
Cost of service	-	-	-	1,763,897
Total Operating Expenses	**$ 18,116,081**	**$ 199,482**	**$ 18,315,563**	**$ 1,763,897**
Operating Income (Loss)	**$ (1,837,772)**	**$ (11,906)**	**$ (1,849,678)**	**$ 324,181**

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

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, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Hospital	Congregate Housing	Totals	Self-Insurance
Nonoperating Revenues (Expenses)				
Gifts and contributions	$ -	$ 1,000	$ 1,000	$ -
Investment income	22,549	-	22,549	-
Grants	120,460	-	120,460	-
Gain on disposal of assets	1,770	-	1,770	-
Gain (loss) on investments	(136,232)	-	(136,232)	-
Interest expense	-	(17,477)	(17,477)	-
Amortization of deferred charge	-	(1,591)	(1,591)	-
Total Nonoperating Revenues (Expenses)	**$ 8,547**	**$ (18,068)**	**$ (9,521)**	**$ -**
Income (Loss) Before Transfers	**$ (1,829,225)**	**$ (29,974)**	**$ (1,859,199)**	**$ 324,181**
Transfers in	-	420	420	-
Transfers out	-	-	-	(38,000)
Change in net position	**$ (1,829,225)**	**$ (29,554)**	**$ (1,858,779)**	**$ 286,181**
Net Position - January 1	**17,265,816**	**(90,052)**		**38,000**
Net Position - December 31	**$ 15,436,591**	**$ (119,606)**		**$ 324,181**

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.	190,408
Total Change in Net Position of Business-Type Activities	**$ (1,668,371)**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in Cash and Cash Equivalents

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Hospital	Congregate Housing	Totals	Self-Insurance
Cash Flows from Operating Activities				
Receipts from customers and users	$ 16,684,925	$ 189,840	$ 16,874,765	$ 2,088,078
Other receipts and payments, net	301,032	-	301,032	-
Payments to suppliers and contractors	(6,055,968)	(77,289)	(6,133,257)	(1,646,389)
Payments to employees	(9,996,074)	(72,820)	(10,068,894)	-
Net cash provided by (used in) operating activities	**$ 933,915**	**$ 39,731**	**$ 973,646**	**$ 441,689**
Cash Flows from Noncapital Financing Activities				
Noncapital grants	$ 120,460	$ -	$ 120,460	$ -
Gifts and contributions	-	1,000	1,000	-
Transfers out	-	420	420	(38,000)
Net cash provided by (used in) noncapital financing activities	**$ 120,460**	**$ 1,420**	**$ 121,880**	**$ (38,000)**
Cash Flows from Capital and Related Financing Activities				
Principal paid on long-term debt	$ (811,085)	$ (100,000)	$ (911,085)	$ -
Interest paid on long-term debt	-	(10,750)	(10,750)	-
Proceeds from the issuance of long-term debt	521,919	-	521,919	-
Gain on disposal of capital assets	1,770	-	1,770	-
Purchases of capital assets	(470,857)	-	(470,857)	-
Net cash provided by (used in) capital and related financing activities	**$ (758,253)**	**$ (110,750)**	**$ (869,003)**	**$ -**
Cash Flows from Investing Activities				
Investment earnings received	$ 22,549	$ -	$ 22,549	$ -
Loss on investments	(136,232)	-	(136,232)	-
Increase in noncurrent cash and investments	(4)	-	(4)	-
Decrease in investment in joint ventures	346,714	-	346,714	-
Decrease in physician receivables	(14,925)	-	(14,925)	-
Net cash provided by (used in) investing activities	**$ 218,102**	**$ -**	**$ 218,102**	**$ -**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 514,224**	**$ (69,599)**	**$ 444,625**	**$ 403,689**
Cash and Cash Equivalents at January 1	**3,192,401**	**158,221**	**3,350,622**	**-**
Cash and Cash Equivalents at December 31	**$ 3,706,625**	**$ 88,622**	**$ 3,795,247**	**$ 403,689**

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in Cash and Cash Equivalents

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Hospital	Congregate Housing	Totals	Self-Insurance
Cash and Cash Equivalents - Exhibit 7				
Cash and pooled investments	$ 3,706,625	$ 82,222	$ 3,788,847	$ 403,689
Restricted cash and pooled investments	-	6,400	6,400	-
Total Cash and Cash Equivalents	**$ 3,706,625**	**$ 88,622**	**$ 3,795,247**	**$ 403,689**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	**$ (1,837,772)**	**$ (11,906)**	**$ (1,849,678)**	**$ 324,181**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	$ 2,069,453	$ 51,121	$ 2,120,574	$ -
Provision for bad debt expense	200,546	-	200,546	-
(Increase) decrease in accounts receivable	529,900	77	529,977	-
(Increase) decrease in inventories	(10,805)	-	(10,805)	-
(Increase) decrease in prepaid items	12,976	-	12,976	38,000
Increase (decrease) in accounts payable	109,168	246	109,414	79,508
Increase (decrease) in salaries payable	(189,690)	(2,138)	(191,828)	-
Increase (decrease) in compensated absences payable	-	2,085	2,085	-
Increase (decrease) in due to other governments	-	(86)	(86)	-
Increase (decrease) in OPEB	50,139	332	50,471	-
Total adjustments	**$ 2,771,687**	**$ 51,637**	**$ 2,823,324**	**$ 117,508**
Net Cash Provided by (Used in) Operating Activities	**$ 933,915**	**$ 39,731**	**$ 973,646**	**$ 441,689**
Noncash Investing, Capital, and Financing Activities				
Cash paid for interest	$ 193,532	$ -	$ 193,532	$ -

FIDUCIARY FUNDS

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014

Assets		
Cash and pooled investments	**$**	**128,854**
Liabilities		
Accounts payable	$	68
Customer deposits		11,952
Due to other governments		116,834
Total Liabilities	**$**	**128,854**

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

This page was left blank intentionally.

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Murray County was established May 23, 1857, and is an organized County having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Murray County and its component units for which the County is financially accountable. The County is financially accountable if it appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body, or if the organization could potentially provide specific financial benefits or impose specific burdens on the County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Units

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

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Units (Continued)

Component Unit	Included in Reporting Entity Because	Separate Financial Statements
Murray County Economic Development Authority	The Authority's governing body is substantively the same as the governing body of the County, and a financial benefit/burden relationship exists.	Separate financial statements are not issued for the Murray County Economic Development Authority.

Discretely Presented Component Unit

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

Component Unit	Included in Reporting Entity Because	Separate Financial Statements
The Shetek Area Water and Sewer Commission is responsible for constructing and operating a sanitary water and sewer district within Murray County.	The County appoints Commission members and must approve any debt.	Separate financial statements are not issued for the Shetek Area Water and Sewer Commission.

Joint Ventures and Jointly-Governed Organizations

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

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

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

The County reports the following major governmental funds:

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

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

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

- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

- The EDA Special Revenue Fund accounts for restricted revenue resources from the state and an appropriation from the General Fund for the costs relating to activity of the Economic Development Authority.

- The Debt Service Fund is used to account for the accumulation of restricted resources used for and the payment of principal, interest, and related costs of general obligation bonds.

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

         The County reports the following major enterprise funds:

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

         - The Congregate Housing Fund is used to account for the operation of the Murray County Congregate Housing facility.

         Additionally, the County reports the following fund types:

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

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

   C. Measurement Focus and Basis of Accounting

      The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

1. Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary funds and the discretely presented component unit. Murray County and its discretely presented component unit have defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's or the discretely presented component unit's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds 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, 2014, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2014 were $42,592.

1. Summary of Significant Accounting Policies

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

2. Deposits and Investments (Continued)

The Hospital's investment income for the year ended December 31, 2014, was $22,549 and is included in nonoperating revenues.

Murray County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool which would approximate fair value.

3. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Special assessments receivable consist of delinquent special assessments payable in the year 2014 and deferred special assessments payable in 2015 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

1. Summary of Significant Accounting Policies

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

      3. Receivables and Payables (Continued)

         No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

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

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

      4. Inventories and Prepaid Items

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

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

1. Summary of Significant Accounting Policies

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an estimated useful life in excess of two years and an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

1. Summary of Significant Accounting Policies

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

7. Hospital's Investments in Equity

a. Investment in Shetek Medical Services, LLC

The Hospital was a 40-percent owner in Shetek Medical Services, LLC. This venture provided various home healthcare services to the surrounding area and was dissolved during 2014. The Hospital's investment in the clinic was reported on the equity method of accounting. The net gain (loss) on the investment, ($45,438) for the year ended December 31, 2014, is included in nonoperating income.

b. Investment in Southwest Minnesota Radiation, LLC

The Hospital was a 14-percent owner in Southwest Minnesota Radiation, LLC. This venture provided radiation therapy services to residents in southwest Minnesota and was dissolved during 2014. The Hospital's investment was reported on the equity method of accounting. The net gain (loss) on the investment, ($91,040) for the year ended December 31, 2014, is included in nonoperating income.

8. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability 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, proprietary, and fiduciary fund financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and vested sick leave.

1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has only one item that qualifies for reporting in this category. It is the deferred charge on bond refunding reported in the Congregate Housing Enterprise Fund in the business-type activities 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 will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item which arises only

1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources (Continued)

under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Unearned/Unavailable Revenue

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

12. Classification of Net Position

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

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

- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position - the amount of net position that do not meet the definition of restricted or net investment in capital assets.

1. Summary of Significant Accounting Policies

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

      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.

          - 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 but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer who has been delegated that authority by Board resolution.

          - Unassigned - the residual classification for the General Fund, and includes all spendable amounts not contained in the other 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.

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)

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.

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, 2014, 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Hospital Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates of discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including

1. Summary of Significant Accounting Policies

   E. Hospital Net Patient Service Revenue (Continued)

estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated $100,409 in 2014 and $169,080 in 2013.

Revenue from the Medicare and Medicaid programs accounted for approximately 42 and 10 percent and 39 and 6 percent of the Hospital's net patient revenue for the years ended December 31, 2014 and 2013, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

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

- Medicare - The Hospital has elected Critical Access Hospital (CAH) designation for Medicare. As a CAH, the Hospital is reimbursed for inpatient, swing bed, and outpatient services to Medicare patients on a reasonable cost basis. Medicare reimburses the Hospital for these services using interim rates, with a final settlement determined based on the annual cost report that is filed by the Hospital. This cost report is subject to audits by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2011.

1. Summary of Significant Accounting Policies

   E. Hospital Net Patient Service Revenue (Continued)

      - Medicaid - Inpatient acute care services provided to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to the Medicaid program beneficiaries are reimbursed on a cost basis under the CAH program.

   F. Future Change in Accounting Standards

      GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

2. Stewardship, Compliance, and Accountability

   Deficit Fund Balance/Net Position

   The Congregate Housing Enterprise Fund had a deficit fund net position for the year ended December 31, 2014, of $119,606. The County expects an excess of revenues over expenses in the future will eliminate the deficit.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	9,174,520
Petty cash and change funds		5,000
Business-type activities		
Cash and pooled investments		3,788,847
Restricted assets - cash and pooled investments		6,400
Noncurrent cash and investments		675
Component unit - Shetek Area Water and Sewer Commission		
Cash and pooled investments		2,745,360
Restricted assets - cash and pooled investments		354,125
Statement of fiduciary net position		
Cash and pooled investments		128,854
Total Cash and Investments	$	16,203,781

Deposits		
Checking	$	2,104,148
Certificates of deposit		2,020,000
Invested in MAGIC Fund		4,091,687
Invested in Federal National Mortgage Association Bonds		2,506,135
Invested in Treasury Notes		2,811
Invested in negotiable certificates of deposit		5,474,000
Petty cash and change funds		5,000
Total Deposits, Cash on Hand, and Investments	$	16,203,781

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.

3. Detailed Notes on All Funds

A. Assets

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2014, 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 that are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries rated in the highest quality category by two nationally recognized rating agencies and maturing in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, 2014, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Market Value
U.S. government agency securities					
Federal National Mortgage Association Bonds	N/A	N/A		01/16/2015	$ 10,000
Federal National Mortgage Association Bonds	N/A	N/A		07/28/2015	12,149
Federal National Mortgage Association Bonds	N/A	N/A		12/21/2015	12,003
Federal National Mortgage Association Bonds	N/A	N/A		07/15/2016	12,885
Federal National Mortgage Association Bonds	N/A	N/A		01/15/2017	166,741
Federal National Mortgage Association Bonds	N/A	N/A		01/30/2017	2,292,357
Total Federal National Mortgage Association Bonds			>5%		$ 2,506,135
U.S. Treasury Note	N/A	N/A	<5%	1/31/2014	$ 2,811
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	>5%	N/A	$ 4,091,687

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Market Value
Negotiable certificates of deposit					
Western Alliance Bank, AZ	N/A	N/A	<5%	01/08/2015	$ 248,000
Farmers & Merchants Union Bank, WI	N/A	N/A	<5%	02/23/2015	94,000
First Chatham Bank, GA	N/A	N/A	<5%	02/23/2015	94,000
Sonabank, VA	N/A	N/A	<5%	02/23/2015	94,000
Bank of the Ozarks, AR	N/A	N/A	<5%	06/02/2015	248,000
Far East National Bank, CA	N/A	N/A	<5%	06/02/2015	248,000
Affiliated Bank, TX	N/A	N/A	<5%	06/02/2015	248,000
Mainstreet Bank, VA	N/A	N/A	<5%	06/02/2015	248,000
Fieldpoint Private Bank & Trust, CT	N/A	N/A	<5%	12/09/2015	248,000
First Capital Bank, TN	N/A	N/A	<5%	12/09/2015	248,000
Bridgewater Bank, MN	N/A	N/A	<5%	12/09/2015	248,000
GBC International Bank, CA	N/A	N/A	<5%	12/09/2015	248,000
Onewest Bank, N.A., CA	N/A	N/A	<5%	12/09/2015	247,000
Bank of East Asia Ltd., (The), NY	N/A	N/A	<5%	12/09/2015	248,000
First National Bank of McGregor, TX	N/A	N/A	<5%	12/09/2015	248,000
NOA Bank, GA	N/A	N/A	<5%	12/09/2015	248,000
Modern Bank, N.A., NY	N/A	N/A	<5%	12/09/2015	248,000
Israel Discount Bank of New York, NY	N/A	N/A	<5%	12/09/2015	248,000
Bank of China, NY	N/A	N/A	<5%	12/09/2015	248,000
Needham Bank, MA	N/A	N/A	<5%	12/09/2015	248,000
EnerBank USA, UT	N/A	N/A	<5%	12/08/2016	244,000
Hometown Bank, VA	N/A	N/A	<5%	12/08/2016	245,000
Stearns Bank N.A., MN	N/A	N/A	<5%	12/08/2016	244,000
Texas Republic Bank, N.A., TX	N/A	N/A	<5%	12/08/2016	244,000
Total negotiable certificates of deposit					$ 5,474,000
Total investments					$ 12,074,633
Checking					2,104,148
Certificates of deposit					2,020,000
Petty cash					5,000
Total Cash and Investments					$ 16,203,781

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

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities and business-type activities, including amounts not scheduled for collection during the subsequent year, follow. Receivables for business-type activities include the applicable allowances for uncollectible accounts.

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Receivables		
Taxes	$ 54,718	$ -
Special assessments	894,218	491,803
Accounts receivable	67,447	-
Loans receivable	779,126	636,874
Accrued interest receivable	35,103	-
Due from other governments	1,472,126	-
Due from component unit	1,646	-
Long-term receivable	245,000	245,000
Total Receivables	$ 3,549,384	$ 1,373,677

	Total Receivables	Less: Allowance for Uncollectibles	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities				
Receivables				
Accounts receivable	$ 19,186	$ -	$ 19,186	$ -
Patient receivables	2,740,194	(330,100)	2,410,094	-
Estimated third-party settlements	262,760	-	262,760	-
Total Receivables	$ 3,022,140	$ (330,100)	$ 2,692,040	$ -

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Long-Term Receivable

On January 1, 2007, the County issued $1,625,000 General Obligation (G.O.) Refunding Bonds, Series 2007A, which included refunding G.O. Water Revenue Bonds of 1999 in the amount of $315,000. The portion of the bond for refunding of the Water Revenue Bonds is to be repaid from net revenues of the Red Rock Rural Water System as well as special assessments within Murray County against all benefitted property. The $245,000 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, 2014.

Loans Receivable

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

Loan Agreements	
Beginning balance	$ 996,848
Loans issued	15,000
Loan repayments	(232,722)
Ending Balance	$ 779,126

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 292,166	$ -	$ -	$ 292,166
Right-of-way	462,247	73,532	108,089	427,690
Construction in progress	99,320	74,869	99,320	74,869
Total capital assets not depreciated	$ 853,733	$ 148,401	$ 207,409	$ 794,725
Capital assets depreciated				
Land improvements	$ 513,205	$ 19,021	$ -	$ 532,226
Buildings	7,104,354	369,934	-	7,474,288
Machinery and equipment	6,215,220	660,499	322,300	6,553,419
Infrastructure	64,210,613	2,315,342	-	66,525,955
Total capital assets depreciated	$ 78,043,392	$ 3,364,796	$ 322,300	$ 81,085,888
Less: accumulated depreciation for				
Land improvements	$ 182,001	$ 22,484	$ -	$ 204,485
Buildings	2,483,036	201,173	-	2,684,209
Machinery and equipment	3,749,164	496,208	292,948	3,952,424
Infrastructure	22,656,594	1,740,194	-	24,396,788
Total accumulated depreciation	$ 29,070,795	$ 2,460,059	$ 292,948	$ 31,237,906
Total capital assets depreciated, net	$ 48,972,597	$ 904,737	$ 29,352	$ 49,847,982
Governmental Activities Capital Assets, Net	$ 49,826,330	$ 1,053,138	$ 236,761	$ 50,642,707

Construction in progress at December 31, 2014, consists of a new restroom project at Current Lake Park.

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 182,513	$ -	$ -	$ 182,513
Capital assets depreciated				
Land improvements	$ 734,030	$ 90,096	$ -	$ 824,126
Buildings	20,135,798	-	-	20,135,798
Fixed equipment	1,280,664	11,722	-	1,292,386
Major movable equipment	8,305,721	185,093	-	8,490,814
Total capital assets depreciated	$ 30,456,213	$ 286,911	$ -	$ 30,743,124
Less: accumulated depreciation for				
Land improvements	$ 250,810	$ 41,443	$ -	$ 292,253
Buildings	5,175,457	1,140,329	-	6,315,786
Fixed equipment	995,858	38,303	-	1,034,161
Major movable equipment	5,273,705	900,308	-	6,174,013
Total accumulated depreciation	$ 11,695,830	$ 2,120,383	$ -	$ 13,816,213
Total capital assets depreciated, net	$ 18,760,383	$ (1,833,472)	$ -	$ 16,926,911
Business-Type Activities Capital Assets, Net	$ 18,942,896	$ (1,833,472)	$ -	$ 17,109,424

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

Governmental Activities	
General government	$ 227,944
Public safety	165,946
Highways and streets, including depreciation of infrastructure assets	1,990,440
Sanitation	14,786
Culture and recreation, including depreciation of infrastructure assets	60,943
Total Depreciation Expense - Governmental Activities	$ 2,460,059
Business-Type Activities	
Hospital	$ 2,069,262
Congregate Housing	51,121
Total Depreciation Expense - Business-Type Activities	$ 2,120,383

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due to/From Other Funds

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue	General	$ 652

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer to Ditch Special Revenue Fund from General Fund	$ 2,594	Interest
Transfer to EDA Special Revenue Fund from General Fund	25,000	Appropriation
Transfer to General Fund from Self-Insurance Internal Service Fund	38,000	Return temporary transfer
Transfer to Road and Bridge Special Revenue Fund from Capital Projects Fund	76,607	Construction of salt shed
Transfer to Congregate Housing Enterprise Fund from General Fund	420	Interest
Total Interfund Transfers	$ 142,201	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2014, were as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	$ 185,396	$ 519,799
Salaries payable	130,597	1,051,840
Contracts payable	30,719	-
Due to other governments	91,992	94
Total Payables	$ 438,704	$ 1,571,733

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Construction Commitments

The County has two active construction projects as of December 31, 2014, including:

	Spent to Date	Remaining Commitment
Governmental Activities		
Current Lake Park Bathroom	$ 72,361	$ 25,188
End-O-Line Park Roofing	-	13,716
Total Construction Commitments	$ 72,361	$ 38,904

Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2014.

3. Unearned Revenues/Deferred Inflows of Resources

Deferred inflows of resources consist of special assessments, taxes, state grants, loans receivable, and accrued interest receivable not collected soon enough after year-end to pay liabilities of the current period. Unearned revenues and deferred inflows of resources at December 31, 2014, are summarized below by fund:

	Special Assessments	Taxes	Grants	Loans Receivable	Interest	Total
Governmental funds						
General Fund	$ 556,891	$ 35,068	$ 141,015	$ -	$ 25,546	$ 758,520
Special Revenue Funds						
Road and Bridge	-	8,620	1,064,008	-	-	1,072,628
Human Services	-	9,983	-	-	-	9,983
EDA	-	-	-	753,858	-	753,858
Ditch	337,327	-	-	-	-	337,327
Debt Service Fund	-	1,047	-	-	-	1,047
Total	$ 894,218	$ 54,718	$ 1,205,023	$ 753,858	$ 25,546	$ 2,933,363
Liability						
Unearned revenue	$ -	$ -	$ 107,479	$ -	$ -	$ 107,479
Deferred inflows of resources						
Unavailable revenue	894,218	54,718	1,097,544	753,858	25,546	2,825,884
Total	$ 894,218	$ 54,718	$ 1,205,023	$ 753,858	$ 25,546	$ 2,933,363

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Leases

Operating Leases

Total equipment rental expense for the Hospital for the year ended December 31, 2014, was $26,500.

5. Long-Term Debt

Governmental Activities - Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
General obligation bonds					
2011A G.O. Capital Improvement Plan Bonds	2022	$180,000 - $220,000	0.60 - 2.75	$ 1,965,000	$ 1,600,000
Less: unamortized discount					(12,825)
Net G.O. Capital Improvement Plan Bonds					$ 1,587,175
Special assessment bonds with government commitment					
2007A G.O. Refunding Bonds	2029	$25,000 - $195,000	4.00 - 4.25	$ 1,625,000	$ 630,000
Less: unamortized discount					(7,603)
Net G.O. Special Assessment Bonds					$ 622,397

The Series 2007A General Obligation Refunding Bonds include an amount to refund the 1999A G.O. Water Revenue Bonds of the Red Rock Rural Water System (RRRWS). RRRWS is levying special assessments to pay for these bonds. The County has pledged its full faith and credit for the repayment of principal and interest on these refunding bonds should RRRWS special assessment revenue be insufficient. The County has recognized a long-term receivable in the governmental activities for the current principal amount, $245,000, due from RRRWS, which will decrease as principal payments are made.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Long-Term Debt

Governmental Activities - Bonds Payable (Continued)

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

Business-Type Activities - Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
G.O. 2012A Housing Development Refunding Bonds	2022	$100,000 - $110,000	1.00 - 1.60	$ 960,000	$ 860,000
Less: unamortized discount					(12,731)
Total General Obligation Refunding Bonds, Net					$ 847,269
Health Care Facilities Gross Revenue Bonds, Series 2012A	2028		3.0 - 3.125	$ 8,100,000	$ 5,550,440

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.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Long-Term Debt

Business-Type Activities - Bonds Payable (Continued)

In 2012, the Hospital entered into an agreement with Minnwest Bank South for the issuance of Health Care Facilities Gross Revenue Bonds, Series 2012A, to a maximum of $8,100,000. The Hospital approved a bond resolution that includes an annual rate of 3.125 percent through the first 60 payments. On the 60th and the 120th payment dates, the interest rate will be adjusted to a rate per annum equal to 3.000 percent plus the Federal Home Loan Bank Advance Rate provided, however, in no event shall the interest rate on the bond be less than 2.625 percent, nor shall an increase in the annual rate exceed 1.5 percent. The Hospital is required to maintain certain financial and operational covenants in relation to the Health Care Facilities Gross Revenue Bonds.

Governmental Activities - Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
Cottonwood River CWP Project	2022	$ 11,470	2.00	$ 206,987	$ 68,664
Beaver Creek CWP Project	2018	20,314	2.00	366,567	79,347
Rock River CWP Project	2023	524	2.00	9,459	8,157
Total Loans Payable				$ 583,013	$ 156,168

In 1998, the County agreed to act as loan and project sponsor for a loan agreement made under the Clean Water Partnership (CWP) Law with the State of Minnesota through its Pollution Control Agency. The County makes loans to residents to be used for the control and abatement of water pollution. The loans are to be repaid at interest rates of 2.00 percent, with repayment terms from 5 to 20 years, and are secured by special assessments placed on the individual parcels requesting funding of a project. Loan payments are reported in the General Fund.

In 2004, the County Board authorized $1,100,000 to be used for a County septic loan program. As of December 31, 2014, the County has issued $976,402 to Murray County residents for the control and abatement of water pollution.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Long-Term Debt (Continued)

Governmental Activities - G.O. Promissory Note Payable

The County had a noninterest-bearing G.O. Promissory Note with the Minnesota Department of Employment and Economic Development (DEED). The original issue amount was $400,000, which was distributed to Monogram Meat Snacks and was recognized as a loan receivable in the County's EDA Special Revenue Fund. Monogram Meat Snacks was to repay the County the full amount with three percent interest. The County was to repay DEED $359,903 with installment amounts of $785 to $4,229. As of December 31, 2014, the County had repaid the outstanding promissory note balance in full.

Governmental Activities - G.O. Capital Notes Payable

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

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

6. Business-Type Activities - Capital Lease

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Governmental Activities

Year Ending	G.O. Capital Improvement Plan Bonds		Special Assessment Bonds	
December 31	Principal	Interest	Principal	Interest
2015	$ 185,000	$ 31,219	$ 165,000	$ 22,250
2016	190,000	28,917	165,000	15,650
2017	190,000	26,020	85,000	10,650
2018	195,000	22,551	15,000	8,650
2019	200,000	18,500	20,000	7,940
2020 - 2024	640,000	25,758	80,000	29,040
2025 - 2028	-	-	100,000	10,625
Total	$ 1,600,000	$ 152,965	$ 630,000	$ 104,805

Year Ending	G.O. Capital Notes		Loans Payable	
December 31	Principal	Interest	Principal	Interest
2015	$ -	$ 4,623	$ 38,405	$ 2,932
2016	114,000	3,040	39,176	2,160
2017	115,000	2,038	26,983	1,438
2018	117,000	731	27,526	895
2019	-	-	7,236	446
2020 - 2023	-	-	16,842	551
Total	$ 346,000	$ 10,432	$ 156,168	$ 8,422

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Revenue Bonds Principal	Revenue Bonds Interest	General Obligation Bonds Principal	General Obligation Bonds Interest
2015	$ 381,661	$ 170,339	$ 105,000	$ 9,725
2016	393,477	158,523	105,000	8,675
2017	406,580	145,420	105,000	7,625
2018	419,651	132,349	105,000	6,575
2019	433,142	118,858	110,000	5,418
2020 - 2024	2,383,266	376,735	330,000	7,507
2025 - 2026	1,132,663	40,041	-	-
Total	$ 5,550,440	$ 1,142,265	$ 860,000	$ 45,525

Year Ending December 31	MRI Capital Lease Principal	MRI Capital Lease Interest
2015	$ 295,102	$ 4,059
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020 - 2024	-	-
Total	$ 295,102	$ 4,059

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation capital improvement plan bonds	$ 1,785,000	$ -	$ 185,000	$ 1,600,000	$ 185,000
Special assessment debt with government commitment	810,000	-	180,000	630,000	165,000
Less: deferred amounts for issuance discounts on refunding	(22,537)	-	(2,109)	(20,428)	-
Net bonds payable	$ 2,572,463	$ -	$ 362,891	$ 2,209,572	$ 350,000
G.O. promissory notes payable	46,479	-	46,479	-	-
G.O. capital notes payable	-	346,000	-	346,000	-
Loans payable	213,409	-	57,241	156,168	38,405
Compensated absences	606,119	449,484	437,873	617,730	66,620
Net OPEB obligation	171,079	44,134	14,254	200,959	-
Governmental Activities Long-Term Liabilities	$ 3,609,549	$ 839,618	$ 918,738	$ 3,530,429	$ 455,025

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Housing Development Refunding Bond	$ 960,000	$ -	$ 100,000	$ 860,000	$ 105,000
Hospital Revenue Bond	5,495,044	521,919	466,523	5,550,440	381,661
MRI capital lease	639,664	-	344,562	295,102	295,102
Compensated absences	2,799	6,859	4,774	4,884	822
Net OPEB obligation	322,376	96,214	45,743	372,847	-
Total long-term liabilities	$ 7,419,883	$ 624,992	$ 961,602	$ 7,083,273	$ 782,585
Less: deferred amounts	(14,322)	-	(1,591)	(12,731)	-
Business-Type Activities Long-Term Liabilities	$ 7,405,561	$ 624,992	$ 960,011	$ 7,070,542	$ 782,585

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

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

In prior years, the County has defeased for the City of Slayton Economic Development Authority the General Obligation Housing Development Bonds, Series 1996, which were accounted for in the Congregate Housing Enterprise Fund as a capital lease by creating a separate irrevocable trust fund. New debt has been issued, and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the capital lease, which was backed by the General Obligation Housing Development Bonds, Series 1996, has been considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2014, the amount of defeased debt outstanding but removed from financial statements amounted to $830,000.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service.

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

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

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2014	2013	2012
General Employees Retirement Fund	$ 235,508	$ 220,438	$ 216,412
Public Employees Police and Fire Fund	96,567	85,362	82,518

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	Employee	Employer
Contribution amount	$ 7,912	$ 7,912
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities

Plan Description

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

Funding Policy

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

The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2014, there were approximately 69 participants in the plan, including no retirees. The projected net benefit payment is based on the assumptions, plan provisions, and participant data as of January 1, 2012. The Projected Benefit Payments are prepared on a closed group basis (such as no new entrants). The implicit rate subsidy amount was determined by an actuarial study to be $14,413 for 2014.

Annual OPEB Cost and Net OPEB Obligation

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

ARC	$	47,583
Interest on net OPEB obligation		7,779
Adjustment to ARC		(10,737)
Annual OPEB cost (expense)	$	44,625
Contributions made during the year		(14,413)
Increase in net OPEB obligation	$	30,212
Net OPEB Obligation - Beginning of Year		173,857
Net OPEB Obligation - End of Year	$	204,069

Of the $30,212 increase in net OPEB obligation, $29,880 represents governmental activities and $332 represents business-type activities for the Congregate Housing Enterprise Fund. A portion of the year-end net OPEB obligation ($3,110) is reported in the Congregate Housing Enterprise Fund business-type activity. The remaining $200,959 year-end net OPEB obligation is reported in governmental activities. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2014, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	$ 46,011	$ 4,921	10.7%	$ 138,554
December 31, 2013	46,290	10,987	23.7	173,857
December 31, 2014	44,625	14,413	32.3	204,069

4. Pension Plans and Other Postemployment Benefits

   C. Other Postemployment Benefits (OPEB)

      1. Governmental Activities (Continued)

         Funded Status and Funding Progress

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

         Actuarial Methods and Assumptions

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

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

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

4. Pension Plans and Other Postemployment Benefits

   C. Other Postemployment Benefits (OPEB)

      1. Governmental Activities

         Actuarial Methods and Assumptions (Continued)

         The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 24 years.

      2. Business-Type Activities

         Certain employees of the Murray County Medical Center are eligible to participate in a health insurance plan provided by Murray County. The Hospital provides health insurance benefits for certain retired employees under a single-employer, fully-insured plan. The plan provides health insurance and other benefits to participating retirees who have reached the age of 55 and have 15 years of service with the Hospital. The Hospital provides benefits for retirees as required by state statutes. Pursuant to the provisions of the plan, retirees are required to pay the total premium cost. As of January 1, 2014, there were no retirees receiving health benefits from the Hospital's health plan.

         Annual OPEB Cost and Net OPEB Obligation

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Business-Type Activities

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

ARC	$	101,215
Interest on net OPEB obligation		14,382
Adjustment to ARC		(19,874)
Annual OPEB cost (expense)	$	95,723
Contributions made during the year		(45,584)
Increase in net OPEB obligation	$	50,139
Net OPEB Obligation - Beginning of Year		319,598
Net OPEB Obligation - End of Year	$	369,737

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2014, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	$ 98,275	$ 22,526	22.9%	$ 256,999
December 31, 2013	96,944	34,345	35.4	319,598
December 31, 2014	95,723	45,584	47.6	369,737

4. Pension Plans and Other Postemployment Benefits

   C. Other Postemployment Benefits (OPEB)

      2. Business-Type Activities (Continued)

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Business-Type Activities

Actuarial Methods and Assumptions (Continued)

The initial health care trend rate was 9.0 percent, reduced by decrements to an ultimate rate of 5.0 percent after six years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2014, was 24 years.

5. Risk Management

Murray County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County retains risk for the deductible portions of the insurance. For group employee health benefits, the County has entered into a joint powers agreement with the Southwest/West Central Service Cooperative. Through December 31, 2013, the County participated in the Cooperative. For all other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $480,000 per claim in 2014 and $490,000 in 2015. 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.

5. Risk Management (Continued)

As of September 1, 2015, the Murray County Medical Center changed insurance carriers for property, liability, and business interruption coverage from MCIT to Chubb. Workers' compensation and automobile coverage remain with MCIT.

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, in effect, leaving the Southwest/West Central Service Cooperative. Premiums will be withheld from employees and transferred into an internal service fund. Claims will be managed and paid by a third party, and the County is billed weekly, in aggregate, for claims incurred.

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

Liabilities generally include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The County does not report any IBNR because the claim administrator considers the December 31, 2014, IBNR liability insignificant. Changes in the balances of claims liabilities during the year are as follows:

Unpaid claims, January 1, 2014	$ -
Incurred claims	1,316,094
Claims payments	(1,236,586)
Unpaid claims, December 31, 2014	$ 79,508

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

Lincoln-Pipestone Rural Water System

At December 31, 2014, the Lincoln-Pipestone Rural Water System had $33,742,008 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

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

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

B. Joint Ventures

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

Southwest Health and Human Services

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

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

SWHHS is governed by the:

- Joint Health and Human Services Board ("Joint Board") - responsible for financial, personnel, budget, and general administration of the agency, and is made up of one County Commissioner (or alternate) from each county serving on the Community Health Board, and one County Commissioner (or alternate) serving on the Human Services Board.

- Human Services Board - responsible for duties set forth in Minn. Stat. ch. 393 and made up of two County Commissioners appointed annually and one layperson to be appointed consistent with the requirement of the Commissioner of Human Services.

- Community Health Board - responsible for all duties set forth in Minn. Stat. ch. 145A and made up of one County Commissioner and one alternate from each member county unless such county shall have a population in excess of twice that of any other member county, in which case it shall have two Commissioners and two alternates.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Health and Human Services (Continued)

Financing is provided by state and federal grants and appropriations from member counties. Murray County's contribution in 2014 for the human services function was $1,093,900, and its contribution to the health services function was $52,350.

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, 2014, were $33,742,008.

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Red Rock Rural Water System

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

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

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

Southwest Regional Solid Waste Commission

Murray County has entered into a joint powers agreement with 11 other counties to create and operate the Southwest Regional Solid Waste Commission under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County's authority and obligation pursuant to Minn. Stat. chs. 400 and 115A; to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in Southwest Minnesota.

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Regional Solid Waste Commission (Continued)

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

Southwestern Minnesota Adult Mental Health Consortium Board

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

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Joint Powers Board

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

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

Financing is provided by the appropriations from member parties and by state and federal grants. During the year, Murray County did not contribute to the Joint Powers Board.

Southern Prairie Health Purchasing Alliance

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Southwest Minnesota Private Industry Council, Inc.

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

SW MN PIC is governed by the Chief Elected Official Board, which is composed of one representative from each member county. During 2014, Murray County provided $2,140 in support to this organization.

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

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

Murray County, in conjunction with Cottonwood, Lincoln, Lyon, Nobles, Redwood, and Rock Counties, and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, has formed an agreement to coordinate the delivery of volunteer services to 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 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. Lyon County joined as of July 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 2014, Murray County made contributions of $12,651 to the A.C.E. of Southwest Minnesota.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Supporting Hands Nurse Family Partnership Board

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

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2014, Murray County did not make a contribution to the Partnership, as a contribution was made by Southwest Health and Human Services.

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

Buffalo Ridge Drug Task Force

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

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Plum Creek Library System

Murray County, along with 19 cities and 8 other counties participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of participating libraries. During 2014, Murray County provided $67,665 to the Plum Creek Library System.

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

Buffalo Ridge Regional Transit

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

The purpose of BRRT is to establish cross-country public transportation in the four-county area using existing public transit systems and to increase efficiency by having established scheduled route times. The Southwest Minnesota Opportunity Council, Inc., is the fiscal agent. As of December 31, 2014, BRRT no longer provides transportation routes between the counties, but the Transit Board meets quarterly to discuss issues and efficiencies among the transportation departments.

Funding for operations shall be provided by grant funds and passenger revenues. In the event that grant funds and passenger revenues are insufficient to cover operation costs, each county shall agree to provide one-fourth of 15 percent of the operating budget for any calendar year provided, that in no event, shall any county pay more than $5,118 for calendar year 2014. This funding cap is set for each year not later than September 1 of the preceding calendar year. The grant period ended on December 31, 2014, with insufficient passenger revenues to cover operational costs. Murray County's portion of the shortfall was $7,771 and was paid in 2015.

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

C. Jointly-Governed Organizations

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

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, Murray County contributed $2,945 to the Project.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During 2014, Murray County paid $1,000 to the Board.

Minnesota River Board

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

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

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Board, consisting of one representative from each of the member County Board of Commissioners included in this agreement. During 2014, Murray County contributed $312 to the Board.

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota River Board (Continued)

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

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During 2014, Murray County paid $4,050 to the RCRCA.

Heron Lake Watershed District

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

Region Five - Southwest Minnesota Homeland Security Emergency Management Organization

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

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communication Network

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

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2014.

Sentencing to Service

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

Southwest Minnesota Public Safety Board

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

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Southwest Minnesota Public Safety Board (Continued)

Control is vested in a Joint Powers Board consisting of one County Commissioner or one City Council member for each party to the agreement and the Sheriff or the Chief of Police from each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In 2014, Murray County contributed $4,000 to the Southwest Minnesota Public Safety Board.

D. Agricultural Best Management Loan Program

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

E. Functional Expenses - Hospital Enterprise Fund

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services for the year ended December 31, 2014, are:

Health care services	$	6,917,526
General and administrative		11,198,555
Total	$	18,116,081

F. Concentrations of Credit Risk - Hospital Enterprise Fund

The Hospital grants credit, without collateral, to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors and patients at December 31, 2014, follows:

Medicare	42%
Medicaid	10
Other third-party payors	28
Private pay	20
Total	100%

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

1. Financial Reporting Entity

The Shetek Area Water and Sewer Commission was formed May 8, 2001, pursuant to Minn. Stat. §§ 115.18 to 115.37 (now see Minn. Stat. ch. 442A). The Commission was created for the purpose of promoting the public health and welfare by providing an adequate and efficient means of collecting, conveying, pumping, treating, and disposing of domestic sewage and industrial waste within the Shetek Area. The Commission is governed by a five-member Board appointed by the Murray County Board of Commissioners. Each member of the Board must be a voter residing in the area.

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

2. Basis of Presentation

The accounts of the Shetek Area Water and Sewer Commission are presented as a separate column on the Statement of Net Position.

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

3. Basis of Accounting

The Commission uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

7. Component Unit Disclosures

   A. Summary of Significant Accounting Policies (Continued)

      4. Assets and Liabilities

         Deposits and Investments

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

         Cash and Cash Equivalents

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

         Accounts Receivable

         The amount reported is receivable from the sewer system users for utility charges unpaid at December 31, 2014.

         Restricted Assets

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

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets and Liabilities (Continued)

Special Assessments Receivable and Revenue

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

Capital Assets

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

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

Assets	Years
Land improvements	75
Collection system	40
Machinery and equipment	15

5. Use of Estimates

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

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

6. Special Item

During 2014, the Shetek Area Water and Sewer Commission's $3,589,451 Minnesota Public Facilities Authority (MPFA) Wastewater Infrastructure Fund Loan was converted to a grant by the MPFA. See Note 7.B.4. for additional information.

B. Detailed Notes

1. Deposits

Cash transactions are administered by the Murray County Auditor/Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash and to invest in certificates of deposit in financial institutions designated by the County's Board. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral, a requirement for which Murray County was in compliance at December 31, 2014. As of December 31, 2014, the Commission had $590,539 on deposit with Murray County.

2. Receivables

The Commission's special assessments receivable - noncurrent balance at December 31, 2014, of $7,210,286 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, 2014, follows:

	Beginning	Additions	Deletions	Ending
Capital assets not depreciated				
Land	$ 386,046	$ -	$ -	$ 386,046
Capital assets depreciated				
Land improvements	$ 1,718,495	$ -	$ -	$ 1,718,495
Buildings and structures	57,450	-	-	57,450
Machinery and equipment	491,400	5,815	-	497,215
Infrastructure	13,067,692	36,390	-	13,104,082
Total capital assets depreciated	$ 15,335,037	$ 42,205	$ -	$ 15,377,242

7. Component Unit Disclosures

B. Detailed Notes

3. Capital Assets (Continued)

	Beginning	Additions	Deletions	Ending
Less: accumulated depreciation for				
Land improvements	$ 150,843	$ 22,913	$ -	$ 173,756
Building and structures	5,145	1,436	-	6,581
Machinery and equipment	166,530	32,967	-	199,497
Infrastructure	1,664,157	328,902	-	1,993,059
Total accumulated depreciation	$ 1,986,675	$ 386,218	$ -	$ 2,372,893
Total capital assets depreciated, net	$ 13,348,362	$ (344,013)	$ -	$ 13,004,349
Total Capital Assets, Net	$ 13,734,408	$ (344,013)	$ -	$ 13,390,395

Depreciation expense for 2014 was $386,218.

4. Long-Term Obligations

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
General obligation bonds					
2007 Water Revenue Bonds	2018	$45,000 - $130,000	4.00 - 4.40	$ 1,715,000	$ 1,280,000
2007B Sewer Revenue Bonds	2018	$75,000 - $155,000	4.00 - 4.40	2,080,000	1,670,000
2013A Sewer Revenue Crossover Refunding Bonds	2028	$150,000 - $265,000	2.00 - 2.35	2,590,000	2,590,000
Total General Obligation Bonds				$ 6,385,000	$ 5,540,000

7. Component Unit Disclosures

B. Detailed Notes

4. Long-Term Obligations

Bonds Payable (Continued)

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

Year Ended December 31	G.O. Water/Sewer Revenue Bonds, Series 2007 and 2007B Principal	G.O. Water/Sewer Revenue Bonds, Series 2007 and 2007B Interest	G.O. Sewer Revenue Crossover Refunding Bonds, Series 2013A Principal	G.O. Sewer Revenue Crossover Refunding Bonds, Series 2013A Interest
2015	$ 165,000	$ 121,025	$ -	$ 53,377
2016	175,000	114,185	-	53,378
2017	180,000	55,323	-	53,377
2018	2,430,000	-	225,000	51,128
2019	-	-	230,000	46,577
2020 - 2024	-	-	1,205,000	161,938
2025 - 2028	-	-	930,000	38,179
Total	$ 2,950,000	$ 290,533	$ 2,590,000	$ 457,954

Minnesota Public Facilities Authority General Obligation Notes

In 2006, Minnesota Public Facilities Authority General Obligation Notes were issued in the amount of $15,144,000. Of this amount, $11,554,549 was issued from the Water Pollution Control Revolving Fund, and $3,589,451 was issued from the Wastewater Infrastructure Fund. In 2014, the Minnesota Public Facilities Authority converted the $3,589,451 Wastewater Infrastructure Fund Loan into a grant, in effect, reducing the payable portion of the note to zero. Amounts drawn or receivable on this note as of December 31, 2014, 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.

7. Component Unit Disclosures

B. Detailed Notes

4. Long-Term Obligations

Minnesota Public Facilities Authority General Obligation Notes (Continued)

Debt service requirements at December 31, 2014, are as follows:

Year Ended December 31	Minnesota Public Facilities Authority Loans – Water Pollution Control Revolving Fund: Principal	Minnesota Public Facilities Authority Loans – Water Pollution Control Revolving Fund: Interest
2015	$ 529,000	$ 65,944
2016	535,000	60,601
2017	540,000	55,197
2018	545,000	49,743
2019	551,000	44,239
2020 - 2024	2,840,000	136,566
2025 - 2029	989,078	14,071
Total	$ 6,529,078	$ 426,361

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

5. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
Minnesota Public Facilities Authority					
General obligation notes	$ 10,704,680	$ -	$ 4,175,602	$ 6,529,078	$ 529,000
General obligation bonds	5,700,000	-	160,000	5,540,000	165,000
Premium on general obligation bonds	10,508	-	712	9,796	-
Total Long-Term Liabilities	$ 16,415,188	$ -	$ 4,336,314	$ 12,078,874	$ 694,000

7. Component Unit Disclosures

   B. Detailed Notes (Continued)

      6. Crossover Refunding

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

The bonds are valid and binding general obligations of Murray County, payable from net revenue of the Shetek Area Water and Sewer 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 General Obligation Sewer Revenue Crossover Refunding Bonds, Series 2013A, is payable annually on February 1 commencing on February 1, 2018, and interest due with respect to the bonds is payable semi-annually on February 1 and August 1 of each year commencing August 1, 2013.

7. <u>Component Unit Disclosures</u> (Continued)

C. <u>Risk Management</u>

The Shetek Area Water and Sewer Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters for which the Commission carries commercial insurance through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool, for property insurance and workers' compensation. The Commission purchases only property insurance through LMCIT, as it does not have any employees. The pool currently operates as a common risk management and insurance program for municipal entities. The Commission pays an annual premium to the LMCIT. The LMCIT is self-sustaining through commercial companies for excess claims. The Commission retains the risk for the deductible portions of the insurance. There are no employees of the Shetek Area Water and Sewer Commission, as the Commission has hired independent contractors to operate the plant, and Murray County performs its accounting functions. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 4,832,476	$ 4,832,476	$ 4,577,331	$ (255,145)
Special assessments	263,255	263,255	281,796	18,541
Licenses and permits	24,940	24,940	34,446	9,506
Intergovernmental	682,555	763,724	1,087,134	323,410
Charges for services	358,740	358,740	420,889	62,149
Fines and forfeits	-	-	1,089	1,089
Gifts and contributions	(200)	(200)	16,681	16,881
Investment earnings	80,000	80,000	20,358	(59,642)
Miscellaneous	233,475	233,475	251,224	17,749
Total Revenues	**$ 6,475,241**	**$ 6,556,410**	**$ 6,690,948**	**$ 134,538**
Expenditures				
Current				
General government				
Commissioners	$ 244,869	$ 244,869	$ 225,172	$ 19,697
Community relations/web page development	56,342	56,342	43,844	12,498
Courts	16,510	16,510	16,594	(84)
Law library	10,000	10,000	6,575	3,425
Auditor/Treasurer	350,112	350,112	354,414	(4,302)
Accounting and auditing	50,000	50,000	54,598	(4,598)
County assessor	209,440	209,440	201,793	7,647
Elections	35,583	35,583	24,942	10,641
Assistive voting grant	7,720	7,720	16,370	(8,650)
Data processing and computer networking	142,657	142,657	126,908	15,749
Machines room	57,200	57,200	48,669	8,531
Motor pool	21,092	21,092	8,301	12,791
Human resources	179,500	179,500	162,389	17,111
Attorney	186,712	186,712	167,386	19,326
Recorder	206,659	206,659	205,134	1,525
Planning and zoning	113,075	113,075	89,754	23,321
Buildings and plant	442,231	442,231	503,761	(61,530)
Veterans services officer	21,244	21,244	28,231	(6,987)
License center	90,717	90,717	90,167	550
Other general government	10,364	10,364	37,343	(26,979)
Total general government	**$ 2,452,027**	**$ 2,452,027**	**$ 2,412,345**	**$ 39,682**

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,610,541	$ 1,610,541	$ 1,668,690	$ (58,149)
E-911 system	96,997	96,997	122,375	(25,378)
Probation	38,196	38,196	51,995	(13,799)
Civil defense	87,534	217,610	229,585	(11,975)
Emergency medical services	-	120,285	120,285	-
Other public safety	5,500	5,500	6,539	(1,039)
Total public safety	**$ 1,838,768**	**$ 2,089,129**	**$ 2,199,469**	**$ (110,340)**
Sanitation				
Solid waste	$ 94,169	$ 94,169	$ 86,361	$ 7,808
Recycling	282,913	282,913	269,263	13,650
Other	500	500	718	(218)
Total sanitation	**$ 377,582**	**$ 377,582**	**$ 356,342**	**$ 21,240**
Culture and recreation				
Regional library	$ 67,665	$ 67,665	$ 67,665	$ -
Historical society	167,105	167,105	143,943	23,162
Senior citizens - ACE	12,651	12,651	12,651	-
Transportation	253,750	253,750	226,647	27,103
Parks	347,196	347,196	296,703	50,493
Minnesota trains	29,356	29,356	28,365	991
Other	6,500	6,500	6,500	-
Total culture and recreation	**$ 884,223**	**$ 884,223**	**$ 782,474**	**$ 101,749**
Conservation of natural resources				
Extension	$ 176,261	$ 176,261	$ 156,311	$ 19,950
Soil and water conservation	188,325	188,325	187,402	923
Agricultural inspection	62,816	62,816	62,192	624
RCRCA	4,050	4,050	4,050	-
Environmental and land use advisory task force	50	50	-	50
Flood control	3,570	3,570	3,258	312
Agricultural society	32,830	32,830	33,080	(250)
Water planning	123,917	123,917	94,613	29,304
Water quality loan program	124,000	124,000	67,994	56,006
Other conservation	19,129	19,129	556	18,573
Total conservation of natural resources	**$ 734,948**	**$ 734,948**	**$ 609,456**	**$ 125,492**

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Community development	$ 3,180	$ 3,180	$ 1,590	$ 1,590
Other	2,140	2,140	2,140	-
Total economic development	**$ 5,320**	**$ 5,320**	**$ 3,730**	**$ 1,590**
Intergovernmental				
Health	**$ 52,350**	**$ 52,350**	**$ 52,350**	**$ -**
Debt service				
Principal	$ 115,771	$ 115,771	$ 57,241	$ 58,530
Interest	4,795	4,795	4,031	764
Total debt service	**$ 120,566**	**$ 120,566**	**$ 61,272**	**$ 59,294**
Total Expenditures	**$ 6,465,784**	**$ 6,716,145**	**$ 6,477,438**	**$ 238,707**
Excess of Revenues Over (Under) Expenditures	**$ 9,457**	**$ (159,735)**	**$ 213,510**	**$ 373,245**
Other Financing Sources (Uses)				
Transfers in	$ 60,000	$ 60,000	$ 38,000	$ (22,000)
Transfers out	(25,000)	(25,000)	(28,014)	(3,014)
Proceeds from the sale of capital assets	-	-	3,627	3,627
Total Other Financing Sources (Uses)	**$ 35,000**	**$ 35,000**	**$ 13,613**	**$ (21,387)**
Net Change in Fund Balance	**$ 44,457**	**$ (124,735)**	**$ 227,123**	**$ 351,858**
Fund Balance - January 1	**4,676,247**	**4,676,247**	**4,676,247**	**-**
Increase (decrease) in inventories	**-**	**-**	**1,134**	**1,134**
Fund Balance - December 31	**$ 4,720,704**	**$ 4,551,512**	**$ 4,904,504**	**$ 352,992**

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,077,154	$ 1,077,154	$ 1,042,625	$ (34,529)
Licenses and permits	4,000	4,000	3,550	(450)
Intergovernmental	4,123,661	4,123,661	4,052,693	(70,968)
Charges for services	700	700	14,079	13,379
Miscellaneous	74,000	74,000	79,833	5,833
Total Revenues	**$ 5,279,515**	**$ 5,279,515**	**$ 5,192,780**	**$ (86,735)**
Expenditures				
Current				
Highways and streets				
Administration	$ 296,254	$ 296,254	$ 291,345	$ 4,909
Maintenance	1,401,948	1,401,948	1,276,681	125,267
Engineering	264,504	264,504	245,081	19,423
Construction	2,382,000	2,382,000	2,279,170	102,830
Maintenance and shop	828,568	1,003,568	1,129,413	(125,845)
Total highways and streets	**$ 5,173,274**	**$ 5,348,274**	**$ 5,221,690**	**$ 126,584**
Intergovernmental				
Highways and streets	401,540	401,540	414,332	(12,792)
Total Expenditures	**$ 5,574,814**	**$ 5,749,814**	**$ 5,636,022**	**$ 113,792**
Excess of Revenues Over (Under) Expenditures	**$ (295,299)**	**$ (470,299)**	**$ (443,242)**	**$ 27,057**
Other Financing Sources (Uses)				
Transfers out	$ 305,000	$ 305,000	$ 76,607	$ (228,393)
Proceeds from the sale of capital assets	60,000	60,000	45,252	(14,748)
Total Other Financing Sources (Uses)	**$ 365,000**	**$ 365,000**	**$ 121,859**	**$ (243,141)**
Net Change in Fund Balance	**$ 69,701**	**$ (105,299)**	**$ (321,383)**	**$ (216,084)**
Fund Balance - January 1	**2,660,103**	**2,660,103**	**2,660,103**	**-**
Increase (decrease) in inventories	**-**	**-**	**94,254**	**94,254**
Fund Balance - December 31	**$ 2,729,804**	**$ 2,554,804**	**$ 2,432,974**	**$ (121,830)**

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,060,502	$ 1,060,502	$ 1,037,296	$ (23,206)
Intergovernmental	33,770	33,770	56,604	22,834
Total Revenues	**$ 1,094,272**	**$ 1,094,272**	**$ 1,093,900**	**$ (372)**
Expenditures				
Intergovernmental				
Human services	1,094,272	1,094,272	1,093,900	372
Net Change in Fund Balance	**$ -**	**$ -**	**$ -**	**$ -**
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	**$ -**	**$ -**	**$ -**	**$ -**

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
EDA SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Investment earnings	$ 26,863	$ 26,863	$ 28,688	$ 1,825
Miscellaneous	171,413	171,413	258,725	87,312
Total Revenues	**$ 198,276**	**$ 198,276**	**$ 287,413**	**$ 89,137**
Expenditures				
Current				
Economic development				
Economic Development Commission	$ 148,296	$ 148,296	$ 103,158	$ 45,138
Debt service				
Principal	46,512	46,512	46,514	(2)
Total Expenditures	**$ 194,808**	**$ 194,808**	**$ 149,672**	**$ 45,136**
Excess of Revenues Over (Under) Expenditures	**$ 3,468**	**$ 3,468**	**$ 137,741**	**$ 134,273**
Other Financing Sources (Uses)				
Transfers in	25,000	25,000	25,000	-
Net Change in Fund Balance	**$ 28,468**	**$ 28,468**	**$ 162,741**	**$ 134,273**
Fund Balance - January 1	**616,482**	**616,482**	**616,482**	**-**
Fund Balance - December 31	**$ 644,950**	**$ 644,950**	**$ 779,223**	**$ 134,273**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014

Governmental Activities

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

Business-Type Activities

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

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

This page was left blank intentionally.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for all governmental funds, except the Ditch Special Revenue Fund and the Capital Projects Fund. The expenditure budget is approved at the fund level.

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

2. Budget Basis of Accounting

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

3. Budget Amendments

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

Expenditure budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 6,465,784	$ 250,361	$ 6,716,145
Road and Bridge Special Revenue Fund	5,574,814	175,000	5,749,814

4. Revenue Budget - General Fund

Type	Revenues	Final Budget	Excess
Gifts and Contributions	$ 16,681	$ (200)	$ 16,881

The County Board approved a deficit revenue budget for gifts and contributions in the General Fund.

5. Other Postemployment Benefits

Funding Status

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

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

Significant Actuarial Assumption Changes

2012

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

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

- The RP 2000 Combined Healthy mortality table was updated to reflect the projection of 2000 rates to 2012 based on Scale BB.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

GOVERNMENTAL FUNDS

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 228,050	$ 228,050	$ 221,919	$ (6,131)
Intergovernmental	-	-	5,938	5,938
Investment earnings	-	-	197	197
Total Revenues	**$ 228,050**	**$ 228,050**	**$ 228,054**	**$ 4**
Expenditures				
General government				
Other general government	$ -	$ -	$ 435	$ (435)
Debt service				
Principal	185,000	185,000	185,000	-
Interest	32,884	32,884	32,884	-
Administrative charges	-	-	5,255	(5,255)
Total Expenditures	**$ 217,884**	**$ 217,884**	**$ 223,574**	**$ (5,690)**
Excess of Revenues Over (Under) Expenditures	**$ 10,166**	**$ 10,166**	**$ 4,480**	**$ (5,686)**
Other Financing Sources (Uses)				
Notes issued	365,500	365,500	346,000	(19,500)
Net Change in Fund Balance	**$ 375,666**	**$ 375,666**	**$ 350,480**	**$ (25,186)**
Fund Balance - January 1	**318,960**	**318,960**	**318,960**	**-**
Fund Balance - December 31	**$ 694,626**	**$ 694,626**	**$ 669,440**	**$ (25,186)**

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

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.

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance January 1	Additions	Deductions	Balance December 31
LIME CREEK SUBORDINATE SERVICE DISTRICT				
Assets				
Cash and pooled investments	**$ 14,988**	**$ -**	**$ 2,968**	**$ 12,020**
Liabilities				
Accounts payable	$ 24	$ 68	$ 24	$ 68
Customer deposits	14,964	24	3,036	11,952
Total Liabilities	**$ 16,287**	**$ 92**	**$ 3,060**	**$ 12,020**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 169,056**	**$ 15,964,688**	**$ 16,016,910**	**$ 116,834**
Liabilities				
Due to other governments	**$ 169,056**	**$ 15,964,688**	**$ 16,016,910**	**$ 116,834**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 184,044**	**$ 15,964,688**	**$ 16,019,878**	**$ 128,854**
Liabilities				
Accounts payable	$ 24	$ 68	$ 24	$ 68
Customer deposits	14,964	24	3,036	11,952
Due to other governments	169,056	15,964,688	16,016,910	116,834
Total Liabilities	**$ 184,044**	**$ 15,964,780**	**$ 16,019,970**	**$ 128,854**

This page was left blank intentionally.

SHETEK AREA WATER AND SEWER COMMISSION

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT D-1

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2014

Assets		
Current assets		
Cash and pooled investments	$	236,414
Cash with fiscal agent		2,508,946
Special assessments receivable		
Current		418,251
Delinquent		6,767
Interest receivable - special assessments		4,065
Accounts receivable		25,432
Due from other governments		2,923
Inventory		77,047
Total current assets, unrestricted	**$**	**3,279,845**
Restricted assets		
Cash and pooled investments		354,125
Total current assets	**$**	**3,633,970**
Noncurrent assets		
Special assessments receivable	$	7,210,286
Capital assets		
Nondepreciable		386,046
Depreciable - net		13,004,349
Total noncurrent assets	**$**	**20,600,681**
Total Assets	**$**	**24,234,651**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT D-1
(Continued)

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2014

Liabilities		
Current liabilities		
Accounts payable	$	2,929
Contracts payable		1,771
Due to primary government		1,646
Accrued interest payable		101,520
Customer deposits		4,622
General obligation bonds payable - current		165,000
Revenue notes payable - current		529,000
Total current liabilities	**$**	**806,488**
Noncurrent liabilities		
General obligation bonds payable - long-term	$	5,384,796
Revenue notes payable - long-term		6,000,078
Total noncurrent liabilities	**$**	**11,384,874**
Total Liabilities	**$**	**12,191,362**
Net Position		
Net investment in capital assets	$	1,321,317
Restricted for		
Debt service		278,035
Wastewater systems replacement		76,090
Unrestricted		10,367,847
Total Net Position	**$**	**12,043,289**

EXHIBIT D-2

**SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Revenues		
Sewer utility charges	$	345,430
Charges for services		625
Miscellaneous		1,220
Total Operating Revenues	**$**	**347,275**
Operating Expenses		
Personal services	$	5,540
Professional services		135,659
Other services and charges		75,861
Supplies		39,817
Insurance		5,538
Advertising		264
Depreciation		386,218
Total Operating Expenses	**$**	**648,897**
Operating Income (Loss)	**$**	**(301,622)**
Nonoperating Revenues (Expenses)		
Interest income	$	27,476
Bond issue expense		712
Administrative charges		(945)
Interest expense		(269,636)
Total Nonoperating Revenues (Expenses)	**$**	**(242,393)**
Income (Loss) Before Contributions and Special Item	**$**	**(544,015)**
Capital contributions		263,652
Special item		
Minnesota Public Facilities Authority Wastewater Infrastructure Fund loan to grant conversion		3,589,451
Change in net position	**$**	**3,309,088**
Net Position - January 1		**8,734,201**
Net Position - December 31	**$**	**12,043,289**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT D-3

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash Flows from Operating Activities		
Cash received from customers	$	346,804
Cash received from vendor		1,219
Cash paid to employees		(6,558)
Cash paid for supplies and professional services		(274,557)
Net cash provided by (used in) operating activities	**$**	**66,908**
Cash Flows from Capital and Related Financing Activities		
Special assessments	$	706,931
Principal paid on long-term debt		(746,151)
Interest paid on bonds		(71,626)
Interest paid on revenue notes		(128,470)
Payments for construction of capital assets		(42,205)
Net cash provided by (used in) capital and related financing activities	**$**	**(281,521)**
Cash Flows from Investing Activities		
Investment earnings received	**$**	**3,112**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(211,501)**
Cash and Cash Equivalents at January 1		**802,040**
Cash and Cash Equivalents at December 31	**$**	**590,539**
Cash and Cash Equivalents - Exhibit D-1		
Cash and pooled investments	$	236,414
Restricted cash and pooled investments		354,125
Total Cash and Cash Equivalents	**$**	**590,539**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT D-3
(Continued)

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(301,622)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	386,218
(Increase) decrease in accounts receivable		4,491
(Increase) decrease in due from other governments		(2,520)
(Increase) decrease in due from primary government		76
(Increase) decrease in inventory		(18,698)
Increase (decrease) in accounts payable		(530)
Increase (decrease) in due to other governments		(2,431)
Increase (decrease) in due to primary government		705
Increase (decrease) in salaries payable		(883)
Increase (decrease) in customer deposits payable		331
Increase (decrease) in contracts payable		1,771
Total adjustments	**$**	**368,530**
Net Cash Provided by (Used in) Operating Activities	**$**	**66,908**
Supplemental Disclosure of Cash Flow Information		
Noncash Investing, Capital, and Financing Activities		
Minnesota Public Facilities Authority Wastewater Infrastructure Fund loan to grant conversion	$	3,589,451

This page was left blank intentionally.

OTHER SCHEDULE

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT E-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014

		Governmental Funds
Shared Revenue		
State		
Highway users tax	$	3,704,141
Market value credit		139,557
PERA rate reimbursement		11,609
Disparity reduction aid		22,379
Police aid		76,160
County program aid		151,675
Local performance aid		1,194
Enhanced 911		79,559
Aquatic invasive species aid		42,354
Select Committee on Recycling and the Environment (SCORE)		63,803
Total shared revenue	**$**	**4,292,431**
Reimbursement for Services		
Local		
Horse Arena	**$**	9,000
Red Rock Rural Water System		20,515
Total shared revenue	**$**	**29,515**
Payments		
Local		
Local contribuitions	$	36,539
Payments in lieu of taxes		234,626
Total payments	**$**	**271,165**
Grants		
State		
Minnesota Department/Board/Office of		
Corrections	$	10,668
Public Safety		21,113
Natural Resources		21,488
Revenue		3,529
Secretary of State		3,860
Transportation		222,710
Water and Soil Resources		8,072
Veterans Affairs		7,500
Historical Society		8,630
Peace Officer Standards and Training Board		4,184
Pollution Control Agency		21,615
Total state	**$**	**333,369**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT E-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Funds
Grants (Continued)	
Federal	
Department of	
Transportation	$ 64,864
Homeland Security	231,540
Total federal	**$ 296,404**
Total state and federal grants	**$ 629,773**
Total Intergovernmental Revenue	**$ 5,222,884**

Management and
Compliance Section

This page was left blank intentionally.

MURRAY COUNTY
SLAYTON, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1999-001

Segregation of Duties

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

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

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

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

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

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

Client's Response:

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

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (2006-001)

During prior audits, we identified and proposed material adjustments that resulted in significant changes to the County's financial statements.

Resolution

Murray County has continued to implement procedures over financial reporting to detect misstatements in the financial statements. We proposed no material audit adjustments for the 2014 audit.

II. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2013-001

Publication of Summary Budget

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

Condition: The County did not publish a summary budget statement for 2013, 2014, or 2015.

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

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

Cause: The Auditor-Treasurer informed us that the information for the summary budget statement publication had been prepared to email to the newspaper but, due to an oversight, was not actually submitted to the newspaper.

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

Client's Response:

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

Finding 2013-002

Publication of Financial Statements

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

Condition: The County did not publish the financial statements for 2012 or 2013.

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

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

Cause: In lieu of publishing the financial statements, the County posted the audited financial statements for the years ended December 31, 2012 and 2013, on the County's website for a short time and did not publish the financial statements in the newspaper.

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

Client's Response:

Murray County will continue to weigh the cost versus 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.

ITEM ARISING THIS YEAR

Finding 2014-001

Publishing Claims Paid

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

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

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

Effect: Noncompliance with Minn. Stat. § 375.12.

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

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

Client's Response:

Murray County will continue to analyze the cost versus benefit 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.

PREVIOUSLY REPORTED ITEM RESOLVED

Publication of Board Minutes (2013-003)

County Board minutes are required by Minn. Stat. § 375.12 to be published within 30 days of the meeting. During the prior audit, we reviewed affidavits of publication related to publishing summaries of the County Board minutes and found that some of the summaries were not published in the County's official newspaper within the 30-day requirement.

Resolution

Beginning in October 2014, the County Coordinator's Office began submitting summaries of the County Board minutes to the County's official newspaper to be published within the 30-day requirement in accordance with Minn. Stat. § 375.12.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Murray County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Independent Auditor's Report

Board of County Commissioners
Murray County
Slayton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Murray County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 13, 2015. Our report includes a reference to other auditors who audited the financial statements of the Murray County Medical Center as described in our report on Murray County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

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 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 1999-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Murray County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Recommendations as items 2013-001, 2013-002, and 2014-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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

Murray County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 13, 2015