STATE OF MINNESOTA
Office of the State Auditor

Julie Blaha
State Auditor

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

YEAR ENDED DECEMBER 31, 2017

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 650 public pension funds; and

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

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

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

Year Ended December 31, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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SLAYTON, MINNESOTA

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MURRAY COUNTY
SLAYTON, MINNESOTA

ORGANIZATION SCHEDULE
2017

Office	Name	Term Expires
Commissioners		
1st District	James Jens[2]	January 2021
2nd District	Lori Gunnink	January 2021
3rd District	Gerald Magnus	January 2019
4th District	Glenn Kluis[1]	January 2019
5th District	Dave Thiner	January 2021
Officers		
Elected		
Attorney	Travis J. Smith	January 2019
Auditor/Treasurer	Heidi E. Winter	January 2019
County Judge	Christina Wietzema	January 2021
County Recorder	Evelyn C. Larson	January 2019
Registrar of Titles	Evelyn C. Larson	January 2019
Sheriff	Steven Telkamp	January 2019
Appointed		
Assessor	Marcy Barritt	Indefinite
Coordinator	Aurora Heard	Indefinite
Highway Engineer	Randy Groves	Indefinite
Court Administrator	Scott Kelly[3]	Indefinite
Veterans Service Officer	James Reinert	Indefinite
Coroner	Dr. Michael B. McGee	December 2018

[1] Chair for 2017
[2] Chair for 2018
[3] Appointed to fill position on July 24, 2017

MURRAY COUNTY
SLAYTON, MINNESOTA

ORGANIZATION SCHEDULE
SHETEK AREA WATER AND SEWER COMMISSION
2017

Name	Position	Term Expires
Commissioners		
Jamie Thomazin	Chair	December 2019
Donna Kor	Vice Chair	December 2021
Jon Hoyme	Secretary	December 2018
Harley Wahl	Member	December 2020
Trevor Humphrey	Member	December 2021

Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Murray County
Slayton, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Murray County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Murray County Medical Center, which is both a major fund (Hospital Enterprise Fund) and 93 percent, 94 percent, and 98 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital Enterprise Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An Equal Opportunity Employer

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, 2017, 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 reports dated March 1, 2019, on our consideration of Murray County's and the Shetek Area Water and Sewer Commission component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Murray County's and the Shetek Area Water and Sewer Commission component unit's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Murray County's and the Shetek Area Water and Sewer Commission component unit's internal control over financial reporting and compliance. They do not include the Murray County Medical Center, which was audited by other auditors.

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

March 1, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MURRAY COUNTY
SLAYTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(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, 2017. The MD&A provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $58,537,158, of which $50,154,436 is the County's net investment in capital assets and $2,872,636 is restricted for specific purposes. The unrestricted net position of $5,510,086 may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's governmental activities' net position increased by $1,362,421 for the year ended December 31, 2017.

- The net cost of governmental activities for the current fiscal year was $7,479,246. General revenues and transfers totaling $8,841,667 funded the net cost.

- The General Fund's fund balance increased by $902,274, the Road and Bridge Special Revenue Fund's fund balance increased by $201,248, the Human Services Special Revenue Fund saw no change, the EDA Special Revenue Fund's fund balance decreased by $100,084, and the Ditch Special Revenue Fund's fund balance decreased by $401,292.

- For the year ended December 31, 2017, the unassigned fund balance of the General Fund was $3,174,259.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Ditch Special Revenue Fund, EDA Special Revenue Fund, 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.

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

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 109 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $64,691,013 at the close of 2017. The largest portion of Murray County's net position (89.0 percent) reflects the net investment in capital assets (for example: land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2016 is presented.

Net Position
(in thousands)

	2017			
	Governmental Activities	Business-Type Activities	Total	2016
Assets				
Current and other assets	$ 16,297	$ 8,681	$ 24,978	$ 23,975
Capital assets	51,298	12,375	63,673	64,286
Total Assets	$ 67,595	$ 21,056	$ 88,651	$ 88,261
Deferred Outflows of Resources				
Deferred pension outflows	$ 2,163	$ 1,544	$ 3,707	$ 7,014
Deferred charges on bond refunding	-	29	29	36
Total Deferred Outflows of Resources	$ 2,163	$ 1,573	$ 3,736	$ 7,050
Liabilities				
Long-term liabilities	$ 8,020	$ 11,985	$ 20,005	$ 26,280
Other liabilities	659	2,520	3,179	3,239
Total Liabilities	$ 8,679	$ 14,505	$ 23,184	$ 29,519
Deferred Inflows of Resources				
Deferred pension inflows	$ 2,450	$ 1,970	$ 4,420	$ 2,143
Prepaid property taxes	92	-	92	-
Total Deferred Inflows of Resources	$ 2,542	$ 1,970	$ 4,512	$ 2,143
Net Position				
Net investment in capital assets	$ 50,154	$ 7,449	$ 57,603	$ 57,454
Restricted	2,873	-	2,873	3,114
Unrestricted	5,510	(1,295)	4,215	3,081
Total Net Position	$ 58,537	$ 6,154	$ 64,691	$ 63,649

Unrestricted net position in the amount of $4,215,341--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 6.5 percent of net position.

Governmental Activities

The County's governmental activities' net position increased by 2.4 percent, ($58,537,158 for 2017 compared to $57,174,737 for 2016). Key elements in this increase in net position are as follows for 2017, with comparative data for 2016.

Governmental Activities
Changes in Net Position
(in thousands)

	2017	2016
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 1,648	$ 3,014
Operating grants and contributions	5,197	5,135
Capital grants and contributions	384	214
General revenues		
Property taxes	6,432	6,049
Other	2,409	2,126
Total Revenues	$ 16,070	$ 16,538
Expenses		
General government	$ 2,801	$ 2,806
Public safety	2,346	2,504
Highways and streets	5,287	5,651
Sanitation	351	335
Human services	1,179	1,154
Health	94	74
Culture and recreation	632	816
Conservation of natural resources	1,643	1,938
Economic development	296	205
Interest	79	49
Total Expenses	$ 14,708	$ 15,532
Change in Net Position	$ 1,362	$ 1,006
Net Position - January 1	57,175	56,169
Net Position - December 31	$ 58,537	$ 57,175

The cost of all governmental activities for 2017 was $14,708,089 and, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only $7,479,246. The amount paid by those who directly benefited from the programs was $1,647,668, and the amount paid by other governments and organizations to subsidize certain programs with operating grants and contributions was $5,196,613. Capital grants and contributions were $384,562. The County paid for the remaining "public benefit" portion of governmental activities with $487,930 in grants and contributions not restricted to specific programs, $6,432,318 in property taxes, and $1,108,870 in wind and solar production tax.

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

Governmental Activities
2017
(in thousands)

	Total Cost of Services	Net Cost (Revenue) of Services
General government	$ 2,801	$ 2,481
Public safety	2,346	1,939
Highways and streets	5,287	333
Conservation of natural resources	1,643	634
All others	2,631	2,092
Total	$ 14,708	$ 7,479

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 4.9 percent ($6,473,556 for the beginning of 2017 compared to $6,153,855 for the end of 2017). Key elements in this decrease in net position are as follows, with comparative data for 2016.

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

	2017		2016	
Revenues				
Program revenues				
Fees, charges, and other	$	16,980	$	16,200
Capital grants and contributions		26		12
General revenues				
Other		50		79
Total Revenues	$	17,056	$	16,291
Expenses				
Hospital	$	17,125	$	17,958
Congregate Housing		251		228
Total Expenses	$	17,376	$	18,186
Change in Net Position	$	(320)	$	(1,895)
Net Position - January 1		6,474		8,369
Net Position - December 31	$	6,154	$	6,474

The cost of all business-type activities for 2017 was $17,375,296 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 2017, this amount was $16,980,367.

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

Business-Type Activities
2017
(in thousands)

	Total Cost of Services		Net Cost (Revenue) of Services	
Hospital	$	17,125	$	(354)
Congregate Housing		251		(15)
Total	$	17,376	$	(369)

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 $10,446,834, an increase of $622,892 in comparison with the prior year. Of the combined ending fund balances, $1,437,396 is nonspendable, $2,296,988 is restricted, $320,768 is committed, $4,068,925 is assigned, and $2,322,757 is unassigned and available for spending at the County's discretion.

The General Fund is the main operating fund for the County. Of the combined ending fund balances, $1,136,850 is nonspendable, $1,265,900 is restricted, $320,768 is committed, $639,737 is assigned, and $3,174,259 is unassigned. Overall fund balance in the General Fund increased by $902,274 during 2017.

The Road and Bridge Special Revenue Fund had $300,546 in nonspendable funds, $18,931 in restricted funds, and $2,845,525 in assigned funds. Overall fund balance in the Road and Bridge Special Revenue Fund increased by $201,248 during 2017.

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 $226,294 in restricted fund balance and an unassigned deficit of $851,502. Overall fund balance in the Ditch Special Revenue Fund decreased by $401,292 during 2017.

The EDA Special Revenue Fund had restricted funds of $411,738 and assigned funds of $583,663. The EDA Special Revenue Fund's fund balance decreased by $100,084 during 2017.

BUDGETARY HIGHLIGHTS

Over the course of the year, there were positive budget variances in the General Fund. The actual revenues over expenditures in the General Fund were $1,222,827 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 $36,824. The expenditures budget in the General Fund increased $450,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Governmental Activities

The County's capital assets for its governmental activities at December 31, 2017, totaled $51,298,420 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased $751,134, or 1.5 percent, from the previous year. The major capital asset events were: construction of highways and streets and the purchase of highway and other miscellaneous equipment.

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

	2017	2016
Land, including right-of-way	$ 746	$ 746
Works of art and historical treasures	34	34
Construction in progress	500	11
Infrastructure	42,235	41,832
Buildings	4,710	4,840
Improvements other than buildings	282	307
Machinery and equipment	2,791	2,777
Total	$ 51,298	$ 50,547

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, 2017, totaled $12,374,737 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and land improvements. The investment in capital assets decreased by $1,364,315, or 9.9 percent, from the previous year. The decrease was due to the depreciation recorded in 2017.

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

	2017	2016
Land, including right-of-way	$ 183	$ 183
Land improvements	415	447
Buildings	10,528	11,578
Fixed equipment	152	193
Major movable equipment	1,096	1,338
Total	$ 12,374	$ 13,739

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

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of $8,012,871, which was backed by the full faith and credit of the government.

Outstanding Debt
(in thousands)

	2017		2016	
General obligation capital improvement plan bond	$	1,027	$	1,215
General obligation ditch bonds		1,904		1,988
General obligation refunding bonds		537		640
Hospital revenue note		4,376		4,776
Loans payable		52		79
Capital improvement note		117		232
Total	$	8,013	$	8,930

The County's overall debt decreased by $917,294 from 2016 to 2017 mainly due to principal payments made.

Minnesota statutes limit the amount of debt a county may levy to 3.00 percent of its total market value. At the end of 2017, the County's outstanding debt was 0.25 percent of its total estimated market value.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2018 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Murray County at the end of 2017 was 4.6 percent. This is 1.3 percentage points higher than the state unemployment rate of 3.3 percent and 0.5 percentage points higher than the national unemployment rate of 4.1 percent. This is a decrease of 1.6 percentage points from the County's 6.2 percent rate of one year prior.

- Mortgage interest rates have remained relatively consistent with those of 2016, 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 2018 increased from $6,729,851 to $7,043,080. This is a net increase of $313,229, or 4.65 percent.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
Assets				
Current assets				
Cash and pooled investments	$ 10,350,257	$ 3,016,157	$ 13,366,414	$ -
Petty cash and change funds	1,980	-	1,980	-
Taxes receivable				
Delinquent	54,152	-	54,152	-
Special assessments receivable				
Current	2,161,734	-	2,161,734	444,301
Delinquent	18,628	-	18,628	5,656
Accounts receivable	29,073	319,722	348,795	64,893
Internal balances	727,716	(727,716)	-	-
Patient receivables - net	-	2,892,655	2,892,655	-
Accrued interest receivable	43,343	-	43,343	-
Due from other governments	1,758,007	-	1,758,007	650
Due from component unit	76,023	-	76,023	-
Loans receivable	97,480	-	97,480	-
Inventories	301,195	474,190	775,385	49,911
Prepaid items	21,201	171,849	193,050	-
Restricted assets				
Cash and pooled investments	-	8,000	8,000	414,166
Total current assets	**$ 15,640,789**	**$ 6,154,857**	**$ 21,795,646**	**$ 979,577**
Noncurrent assets				
Noncurrent cash and investments	$ -	$ 2,428,185	$ 2,428,185	$ -
Special assessments receivable	-	-	-	5,693,639
Loans receivable	441,178	-	441,178	-
Long-term receivable	215,000	-	215,000	-
Capital assets				
Non-depreciable	1,279,787	182,513	1,462,300	386,046
Depreciable - net of accumulated depreciation	50,018,633	12,192,224	62,210,857	11,842,458
Other assets	-	98,261	98,261	-
Total noncurrent assets	**$ 51,954,598**	**$ 14,901,183**	**$ 66,855,781**	**$ 17,922,143**
Total Assets	**$ 67,595,387**	**$ 21,056,040**	**$ 88,651,427**	**$ 18,901,720**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Shetek Area Water and Sewer Commission
Deferred Outflows of Resources				
Deferred pension outflows	$ 2,162,597	$ 1,543,856	$ 3,706,453	$ -
Deferred charges on bond refunding	-	28,570	28,570	-
Total Deferred Outflows of Resources	**$ 2,162,597**	**$ 1,572,426**	**$ 3,735,023**	**$ -**
Liabilities				
Current liabilities				
Accounts payable	$ 161,632	$ 647,269	$ 808,901	$ 25,289
Salaries payable	173,564	1,341,919	1,515,483	291
Claims payable	-	409,226	409,226	-
Contracts payable	83,071	-	83,071	-
Due to other governments	113,102	137	113,239	1,727
Due to primary government	-	-	-	76,023
Unearned revenue	98,075	-	98,075	-
Accrued interest payable	29,272	6,446	35,718	42,570
Third-party payor settlements payable	-	106,542	106,542	-
Payable from restricted assets	-	8,000	8,000	-
Compensated absences payable - current	75,721	262	75,983	-
Special assessments payable - current	-	5,167	5,167	-
Loans payable - current	27,526	-	27,526	-
General obligation bonds payable - current	195,000	105,000	300,000	225,000
General obligation special assessment debt payable - current	115,000	-	115,000	-
Revenue bonds payable - current	-	419,651	419,651	545,000
General obligation notes payable - current	117,000	-	117,000	-
Customer deposits	-	-	-	5,390
Total current liabilities	**$ 1,188,963**	**$ 3,049,619**	**$ 4,238,582**	**$ 921,290**

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Shetek Area Water and Sewer Commission
Liabilities (Continued)				
Noncurrent liabilities				
Compensated absences payable	$ 560,722	$ 11,832	$ 572,554	$ -
Special assessments payable	-	36,172	36,172	-
Loans payable	24,078	-	24,078	-
General obligation bonds payable - net	831,984	432,042	1,264,026	2,365,000
General obligation special assessment debt payable	1,788,916	-	1,788,916	-
Revenue bonds payable	-	3,956,674	3,956,674	4,285,548
Net other postemployment benefits obligation	343,331	465,934	809,265	-
Net pension liability	3,941,159	6,552,091	10,493,250	-
Total noncurrent liabilities	**$ 7,490,190**	**$ 11,454,745**	**$ 18,944,935**	**$ 6,650,548**
Total Liabilities	**$ 8,679,153**	**$ 14,504,364**	**$ 23,183,517**	**$ 7,571,838**
Deferred Inflows of Resources				
Deferred pension inflows	$ 2,450,139	$ 1,970,247	$ 4,420,386	$ -
Prepaid property taxes	91,534	-	91,534	-
Total Deferred Inflows of Resources	**$ 2,541,673**	**$ 1,970,247**	**$ 4,511,920**	**$ -**
Net Position				
Net investment in capital assets	$ 50,154,436	$ 7,448,600	$ 57,603,036	$ 4,807,956
Restricted for				
General government	374,805	-	374,805	-
Public safety	262,076	-	262,076	-
Highways and streets	1,239,091	-	1,239,091	-
Sanitation	220,945	-	220,945	-
Economic development	411,738	-	411,738	-
Debt service	363,981	-	363,981	280,037
Wastewater system replacement	-	-	-	134,129
Unrestricted	5,510,086	(1,294,745)	4,215,341	6,107,760
Total Net Position	**$ 58,537,158**	**$ 6,153,855**	**$ 64,691,013**	**$ 11,329,882**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 2,800,789	$ 290,014	$ 29,571
Public safety	2,346,138	112,847	294,034
Highways and streets	5,286,504	117,453	4,451,703
Sanitation	351,447	270,957	68,711
Human services	1,179,716	-	-
Health	93,794	-	-
Culture and recreation	632,038	42,223	47,379
Conservation of natural resources	1,642,735	703,501	305,215
Economic development	296,065	110,673	-
Interest	78,863	-	-
Total governmental activities	**$ 14,708,089**	**$ 1,647,668**	**$ 5,196,613**
Business-type activities			
Hospital	$ 17,124,527	$ 16,744,122	$ -
Congregate Housing	250,769	236,245	13
Total business-type activities	**$ 17,375,296**	**$ 16,980,367**	**$ 13**
Total Primary Government	**$ 32,083,385**	**$ 18,628,035**	**$ 5,196,626**
Component unit			
Shetek Area Water and Sewer Commission	**$ 892,136**	**$ 430,259**	**$ -**

General Revenues
Property taxes
Mortgage registry and deed tax
Wind and solar production tax
Payments in lieu of tax
Wheelage tax
Grants and contributions not restricted to specific programs
Investment earnings
Miscellaneous
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

Net Position - Beginning

Net Position - Ending

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

EXHIBIT 2

	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
$ -	$ (2,481,204)	$ -	$ (2,481,204)	
-	(1,939,257)	-	(1,939,257)	
384,562	(332,786)	-	(332,786)	
-	(11,779)	-	(11,779)	
-	(1,179,716)	-	(1,179,716)	
-	(93,794)	-	(93,794)	
-	(542,436)	-	(542,436)	
-	(634,019)	-	(634,019)	
-	(185,392)	-	(185,392)	
-	(78,863)	-	(78,863)	
$ 384,562	**$ (7,479,246)**	**$ -**	**$ (7,479,246)**	
$ 25,575	$ -	$ (354,830)	$ (354,830)	
-	-	(14,511)	(14,511)	
$ 25,575	**$ -**	**$ (369,341)**	**$ (369,341)**	
$ 410,137	**$ (7,479,246)**	**$ (369,341)**	**$ (7,848,587)**	
$ 216,825				**$ (245,052)**
	$ 6,432,318	$ -	$ 6,432,318	$ -
	7,873	-	7,873	-
	1,108,870	-	1,108,870	-
	399,222	-	399,222	-
	104,401	-	104,401	-
	487,930	14,401	502,331	-
	140,142	34,663	174,805	14,539
	122,601	1,538	124,139	24,931
	37,348	-	37,348	-
	962	(962)	-	-
	$ 8,841,667	**$ 49,640**	**$ 8,891,307**	**$ 39,470**
	$ 1,362,421	**$ (319,701)**	**$ 1,042,720**	**$ (205,582)**
	57,174,737	**6,473,556**	**63,648,293**	**11,535,464**
	$ 58,537,158	**$ 6,153,855**	**$ 64,691,013**	**$ 11,329,882**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 5,637,251	$ 2,907,918
Undistributed cash in agency funds	115,659	31,609
Petty cash and change funds	1,980	-
Taxes receivable		
Delinquent	34,718	8,364
Special assessments receivable		
Delinquent	13,797	-
Noncurrent	491,168	-
Accounts receivable	26,976	2,097
Loans receivable	-	-
Accrued interest receivable	43,343	-
Due from other governments	45,039	1,685,897
Due from component unit	76,023	-
Advance to other funds	1,115,000	-
Inventories	5,145	296,050
Prepaid items	16,705	4,496
Total Assets	**$ 7,622,804**	**$ 4,936,431**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 143,251	$ 10,382
Salaries payable	126,845	41,554
Contracts payable	-	43,932
Due to other governments	94,423	4,606
Advance from other funds	-	-
Unearned revenue	98,075	-
Total Liabilities	**$ 462,594**	**$ 100,474**
Deferred Inflows of Resources		
Unavailable revenue	$ 567,676	$ 1,653,632
Prepaid property taxes	55,020	17,323
Total Deferred Inflows of Resources	**$ 622,696**	**$ 1,670,955**

EXHIBIT 3

Human Services		Ditch		EDA		Debt Service		Total	
$	-	$	257,657	$	988,068	$	369,806	$	10,160,700
	28,635		4,706		-		8,948		189,557
	-		-		-		-		1,980
	9,528		-		-		1,542		54,152
	-		4,831		-		-		18,628
	-		1,670,566		-		-		2,161,734
	-		-		-		-		29,073
	-		-		538,658		-		538,658
	-		-		-		-		43,343
	-		27,071		-		-		1,758,007
	-		-		-		-		76,023
	-		-		-		-		1,115,000
	-		-		-		-		301,195
	-		-		-		-		21,201
$	**38,163**	**$**	**1,964,831**	**$**	**1,526,726**	**$**	**380,296**	**$**	**16,469,251**
$	-	$	7,948	$	51	$	-	$	161,632
	-		2,555		2,610		-		173,564
	-		39,139		-		-		83,071
	14,073		-		-		-		113,102
	-		865,000		-		-		865,000
	-		-		-		-		98,075
$	**14,073**	**$**	**914,642**	**$**	**2,661**	**$**	**-**	**$**	**1,494,444**
$	9,528	$	1,675,397	$	528,664	$	1,542	$	4,436,439
	14,562		-		-		4,629		91,534
$	**24,090**	**$**	**1,675,397**	**$**	**528,664**	**$**	**6,171**	**$**	**4,527,973**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)	General	Road and Bridge
Fund Balances		
Nonspendable		
Inventories	$ 5,145	$ 296,050
Prepaid items	16,705	4,496
Advances	1,115,000	-
Restricted for		
Septic/sewer loans	24,675	-
Attorney's forfeitures	1,512	-
Debt service	-	-
EDA revolving loans	-	-
Recorder's compliance	122,020	-
Recorder's technology	251,273	-
Supervision fees	19,419	-
Sheriff's contingency	4,850	-
Permits to carry	56,091	-
E-911	181,716	-
Ditch maintenance and conservation	-	-
Unspent grant monies	378,566	-
Highway allotment	-	18,931
County match	4,833	-
Solid waste assessments	220,945	-
Committed to		
General Fund contracts	164,853	-
Flexible spending	205	-
911 sign replacement	155,192	-
Retiree health insurance	518	-
Assigned to		
County septic system loans	125,803	-
Parks	10,670	-
Sanitation	138,966	-
Road and bridge	-	2,845,525
Economic development	-	-
Fairgrounds building improvement	5,338	-
Courts building improvement	214,115	-
Sheriff's motor pool	1,271	-
Voting equipment	44,065	-
General motor pool	20,000	-
Ambulance replacement	79,509	-
Unassigned	3,174,259	-
Total Fund Balances	**$ 6,537,514**	**$ 3,165,002**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 7,622,804**	**$ 4,936,431**

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

EXHIBIT 3
(Continued)

Human Services	Ditch	EDA	Debt Service	Total
$ -	$ -	$ -	$ -	$ 301,195
-	-	-	-	21,201
-	-	-	-	1,115,000
-	-	-	-	24,675
-	-	-	-	1,512
-	-	-	374,125	374,125
-	-	411,738	-	411,738
-	-	-	-	122,020
-	-	-	-	251,273
-	-	-	-	19,419
-	-	-	-	4,850
-	-	-	-	56,091
-	-	-	-	181,716
-	226,294	-	-	226,294
-	-	-	-	378,566
-	-	-	-	18,931
-	-	-	-	4,833
-	-	-	-	220,945
-	-	-	-	164,853
-	-	-	-	205
-	-	-	-	155,192
-	-	-	-	518
-	-	-	-	125,803
-	-	-	-	10,670
-	-	-	-	138,966
-	-	-	-	2,845,525
-	-	583,663	-	583,663
-	-	-	-	5,338
-	-	-	-	214,115
-	-	-	-	1,271
-	-	-	-	44,065
-	-	-	-	20,000
-	-	-	-	79,509
-	(851,502)	-	-	2,322,757
$ -	**$ (625,208)**	**$ 995,401**	**$ 374,125**	**$ 10,446,834**
$ 38,163	**$ 1,964,831**	**$ 1,526,726**	**$ 380,296**	**$ 16,469,251**

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2017

Fund balance - total governmental funds (Exhibit 3)		**$ 10,446,834**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		51,298,420
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		2,162,597
An internal service fund is used by management to charge the costs of self-insurance activities to individual funds. The cumulative net revenue (expense) of internal service fund activities reported with governmental activities related to business-type activities is shown as an internal balance.		477,716
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental funds.		4,436,439
A long-term receivable is not due in the current period and, therefore, is not reported in the governmental funds.		215,000
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	$ (1,903,916)	
General obligation bonds	(1,026,984)	
Capital notes payable	(117,000)	
Loans payable	(51,604)	
Compensated absences	(636,443)	
Net other postemployment benefits obligation	(343,331)	
Net pension liability	(3,941,159)	
Accrued interest payable	(29,272)	(8,049,709)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.		(2,450,139)
Net Position of Governmental Activities (Exhibit 1)		**$ 58,537,158**

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, 2017

	General	Road and Bridge
Revenues		
Taxes	$ 5,002,071	$ 1,218,677
Special assessments	298,235	-
Licenses and permits	35,191	7,800
Intergovernmental	1,409,248	5,061,786
Charges for services	364,013	49,966
Fines and forfeits	616	-
Gifts and contributions	14,181	-
Investment earnings	121,382	-
Miscellaneous	236,687	84,715
Total Revenues	**$ 7,481,624**	**$ 6,422,944**
Expenditures		
Current		
General government	$ 2,625,067	$ -
Public safety	2,125,095	-
Highways and streets	-	5,813,472
Sanitation	404,785	-
Culture and recreation	624,320	-
Conservation of natural resources	634,069	-
Economic development	2,185	-
Intergovernmental	93,794	451,618
Debt service		
Principal	26,984	-
Interest	1,438	-
Administrative charges	-	-
Total Expenditures	**$ 6,537,737**	**$ 6,265,090**
Excess of Revenues Over (Under) Expenditures	**$ 943,887**	**$ 157,854**
Other Financing Sources (Uses)		
Transfers in	$ 4,452	$ -
Transfers out	(111,092)	-
Proceeds from sale of capital assets	65,757	-
Total Other Financing Sources (Uses)	**$ (40,883)**	**$ -**
Net Change in Fund Balance	**$ 903,004**	**$ 157,854**
Fund Balance - January 1	**5,635,240**	**2,963,754**
Increase (decrease) in inventories	**(730)**	**43,394**
Fund Balance - December 31	**$ 6,537,514**	**$ 3,165,002**

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

Human Services	Ditch	EDA	Debt Service	Total
$ 1,096,764	$ -	$ -	$ 337,671	$ 7,655,183
-	711,678	-	-	1,009,913
-	-	-	-	42,991
82,952	19,398	-	17,177	6,590,561
-	13	-	-	413,992
-	-	-	-	616
-	-	-	-	14,181
-	-	17,560	97	139,039
-	31,601	64,520	-	417,523
$ 1,179,716	**$ 762,690**	**$ 82,080**	**$ 354,945**	**$ 16,283,999**
$ -	$ -	$ -	$ 645	$ 2,625,712
-	-	-	-	2,125,095
-	-	-	-	5,813,472
-	-	-	-	404,785
-	-	-	-	624,320
-	1,011,613	-	-	1,645,682
-	-	292,418	-	294,603
1,179,716	-	-	-	1,725,128
-	85,000	-	305,000	416,984
-	63,726	-	28,059	93,223
-	991	-	495	1,486
$ 1,179,716	**$ 1,161,330**	**$ 292,418**	**$ 334,199**	**$ 15,770,490**
$ -	**$ (398,640)**	**$ (210,338)**	**$ 20,746**	**$ 513,509**
$ -	$ 619	$ 110,254	$ -	$ 115,325
-	(3,271)	-	-	(114,363)
-	-	-	-	65,757
$ -	**$ (2,652)**	**$ 110,254**	**$ -**	**$ 66,719**
$ -	**$ (401,292)**	**$ (100,084)**	**$ 20,746**	**$ 580,228**
-	**(223,916)**	**1,095,485**	**353,379**	**9,823,942**
-	**-**	**-**	**-**	**42,664**
$ -	**$ (625,208)**	**$ 995,401**	**$ 374,125**	**$ 10,446,834**

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, 2017

Net change in fund balance - total governmental funds (Exhibit 5)		**$ 580,228**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Unavailable revenue - December 31	$ 4,436,439	
Unavailable revenue - January 1	(4,713,789)	(277,350)
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	$ 3,497,158	
Net book value of assets disposed of	(15,716)	
Current year depreciation	(2,730,308)	751,134
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.		
Principal payments		
General obligation bonds	$ 190,000	
Special assessment bonds	85,000	
Capital improvement notes	115,000	
Loans payable	26,984	
Amortization of discount	(2,110)	414,874

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

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, 2017

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ 17,945	
Change in compensated absences	3,946	
Change in long-term receivable	(10,000)	
Change in net other postemployment benefits obligation	(41,169)	
Change in net pension liability	3,081,470	
Change in deferred pension outflows	(1,676,741)	
Change in deferred pension inflows	(1,613,693)	
Change in inventories	42,664	(195,578)
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.		89,113
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 1,362,421**

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

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PROPRIETARY FUNDS

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-Type Activities			
	Enterprise Funds			Internal Service Fund
	Hospital	Congregate Housing	Total	Self-Insurance
Assets				
Current assets				
Cash and pooled investments	$ 1,574,756	$ 104,127	$ 1,678,883	$ 1,337,274
Accounts receivable	87,770	510	88,280	231,442
Patient receivables - net	2,892,655	-	2,892,655	-
Inventories	474,190	-	474,190	-
Prepaid items	171,849	-	171,849	-
Total current assets, unrestricted	**$ 5,201,220**	**$ 104,637**	**$ 5,305,857**	**$ 1,568,716**
Restricted assets				
Cash and pooled investments	-	8,000	8,000	-
Total current assets	**$ 5,201,220**	**$ 112,637**	**$ 5,313,857**	**$ 1,568,716**
Noncurrent assets				
Noncurrent cash and investments	$ 2,428,185	$ -	$ 2,428,185	$ -
Capital assets				
Nondepreciable	182,513	-	182,513	-
Depreciable - net	11,732,135	460,089	12,192,224	-
Total noncurrent assets	**$ 14,342,833**	**$ 460,089**	**$ 14,802,922**	**$ -**
Other assets				
Investment in Minnesota Rural Health	$ 8,750	$ -	$ 8,750	$ -
Physician receivables	89,511	-	89,511	-
Total other assets	**$ 98,261**	**$ -**	**$ 98,261**	**$ -**
Total Assets	**$ 19,642,314**	**$ 572,726**	**$ 20,215,040**	**$ 1,568,716**
Deferred Outflows of Resources				
Deferred pension outflows	$ 1,533,281	$ 10,575	$ 1,543,856	$ -
Deferred charges on bond refunding	-	28,570	28,570	-
Total Deferred Outflows of Resources	**$ 1,533,281**	**$ 39,145**	**$ 1,572,426**	**$ -**

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

EXHIBIT 7
(Continued)

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-Type Activities			Internal
	Enterprise Funds			Service Fund
	Hospital	Congregate Housing	Total	Self-Insurance
Liabilities				
Current liabilities payable from current assets				
Accounts payable	$ 638,189	$ 9,080	$ 647,269	$ -
Salaries payable	1,339,388	2,531	1,341,919	-
Claims payable	-	-	-	409,226
Compensated absences payable - current	-	262	262	-
Due to other governments	-	137	137	-
Accrued interest payable	3,488	2,958	6,446	-
Third-party payor settlements payable	106,542	-	106,542	-
Special assessments payable - current	5,167	-	5,167	-
General obligation bonds payable - current	-	105,000	105,000	-
Revenue bonds payable - current	419,651	-	419,651	-
Total current liabilities payable from current assets	**$ 2,512,425**	**$ 119,968**	**$ 2,632,393**	**$ 409,226**
Current liabilities payable from restricted assets				
Accounts payable	-	8,000	8,000	-
Total current liabilities	**$ 2,512,425**	**$ 127,968**	**$ 2,640,393**	**$ 409,226**
Noncurrent liabilities				
Advance from other funds	$ -	$ 250,000	$ 250,000	$ -
Compensated absences payable - long-term	-	11,832	11,832	-
Special assessments payable - long-term	36,172	-	36,172	-
General obligation bonds payable - long-term	-	432,042	432,042	-
Revenue bonds payable - long-term	3,956,674	-	3,956,674	-
Net other postemployment benefits obligation	461,190	4,744	465,934	-
Net pension liability	6,492,461	59,630	6,552,091	-
Total noncurrent liabilities	**$ 10,946,497**	**$ 758,248**	**$ 11,704,745**	**$ -**
Total Liabilities	**$ 13,458,922**	**$ 886,216**	**$ 14,345,138**	**$ 409,226**
Deferred Inflows of Resources				
Deferred pension inflows	**$ 1,960,926**	**$ 9,321**	**$ 1,970,247**	**$ -**

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, 2017

	Business-Type Activities			Internal Service Fund
	Enterprise Funds			
	Hospital	Congregate Housing	Total	Self-Insurance
Net Position				
Net investment in capital assets	$ 7,496,984	$ (48,384)	$ 7,448,600	$ -
Unrestricted	(1,741,237)	(235,282)	(1,976,519)	1,159,490
Total Net Position	**$ 5,755,747**	**$ (283,666)**	**$ 5,472,081**	**$ 1,159,490**
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.			681,774	
Net Position of Business-Type Activities			**$ 6,153,855**	

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-Type Activities			
	Enterprise Funds			Internal Service Fund
	Hospital	Congregate Housing	Total	Self-Insurance
Operating Revenues				
Charges for services	$ -	$ 232,158	$ 232,158	$ 2,216,043
Patient services revenues	16,278,348	-	16,278,348	-
Miscellaneous	465,774	5,508	471,282	-
Total Operating Revenues	**$ 16,744,122**	**$ 237,666**	**$ 16,981,788**	**$ 2,216,043**
Operating Expenses				
Personal services	$ -	$ 81,405	$ 81,405	$ -
Professional services	4,366,531	1,366	4,367,897	-
Nursing services	2,922,110	-	2,922,110	-
Contracted services	-	40,318	40,318	-
Repairs and maintenance	1,036,493	14,495	1,050,988	-
Administration and fiscal services	4,601,729	495	4,602,224	-
Other services and charges	-	5,867	5,867	-
Supplies	-	12,939	12,939	-
Utilities	-	24,773	24,773	-
Insurance	-	3,398	3,398	-
Wellness center	15,012	-	15,012	-
Professional building	4,756	-	4,756	-
Surgery clinic	699,308	-	699,308	-
Slayton clinic	1,665,614	-	1,665,614	-
Fulda clinic	41,169	-	41,169	-
Interest expense	165,015	-	165,015	-
Depreciation	1,735,803	51,121	1,786,924	-
Cost of service	-	-	-	1,996,587
Total Operating Expenses	**$ 17,253,540**	**$ 236,177**	**$ 17,489,717**	**$ 1,996,587**
Operating Income (Loss)	**$ (509,418)**	**$ 1,489**	**$ (507,929)**	**$ 219,456**

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

EXHIBIT 8
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-Type Activities			
	Enterprise Funds			Internal Service Fund
	Hospital	Congregate Housing	Total	Self-Insurance
Nonoperating Revenues (Expenses)				
Investment income	$ 34,663	$ -	$ 34,663	$ -
Grants	14,401	13	14,414	-
Gain on disposal of capital assets	117	-	117	-
Interest expense	-	(14,331)	(14,331)	-
Amortization of bond discount	-	(1,591)	(1,591)	-
Total Nonoperating Revenues (Expenses)	**$ 49,181**	**$ (15,909)**	**$ 33,272**	**$ -**
Income (Loss) Before Contributions and Transfers	**$ (460,237)**	**$ (14,420)**	**$ (474,657)**	**$ 219,456**
Capital grants and contributions	25,575	-	25,575	-
Transfers in	-	219	219	-
Transfers out	-	(1,181)	(1,181)	-
Change in net position	**$ (434,662)**	**$ (15,382)**	**$ (450,044)**	**$ 219,456**
Net Position - January 1	**6,190,409**	**(268,284)**		**940,034**
Net Position - December 31	**$ 5,755,747**	**$ (283,666)**		**$ 1,159,490**

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.	130,343
Total Change in Net Position of Business-Type Activities	**$ (319,701)**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents

	Business-Type Activities			
	Enterprise Funds			Internal Service Fund
	Hospital	Congregate Housing	Total	Self-Insurance
Cash Flows from Operating Activities				
Receipts from customers and users	$ 16,284,484	$ 237,711	$ 16,522,195	$ 2,216,043
Other receipts and payments - net	465,774	-	465,774	-
Payments to suppliers and contractors	(5,758,726)	(99,837)	(5,858,563)	(1,893,118)
Payments to employees	(9,625,820)	(77,029)	(9,702,849)	-
Net cash provided by (used in) operating activities	**$ 1,365,712**	**$ 60,845**	**$ 1,426,557**	**$ 322,925**
Cash Flows from Noncapital Financing Activities				
Noncapital grants and donations	$ 14,401	$ -	$ 14,401	$ -
Advance from other funds	-	140,000	140,000	-
Transfers in	-	219	219	-
Transfers out	-	(1,181)	(1,181)	-
Net cash provided by (used in) noncapital financing activities	**$ 14,401**	**$ 139,038**	**$ 153,439**	**$ -**
Cash Flows from Capital and Related Financing Activities				
Principal paid on long-term debt	$ (404,178)	$ (105,000)	$ (509,178)	$ -
Interest paid on long-term debt	(165,015)	(7,625)	(172,640)	-
Capital grants and contributions	25,575	-	25,575	-
Purchases of capital assets	(422,609)	-	(422,609)	-
Gain on disposal of capital assets	117	-	117	-
Net cash provided by (used in) capital and related financing activities	**$ (966,110)**	**$ (112,625)**	**$ (1,078,735)**	**$ -**
Cash Flows from Investing Activities				
Investment earnings received	$ 34,663	$ -	$ 34,663	$ -
Increase in noncurrent cash and investments	(514,131)	-	(514,131)	-
Decrease in investment in joint ventures	(19,656)	-	(19,656)	-
Increase in physician receivables	(10,056)	-	(10,056)	-
Net cash provided by (used in) investing activities	**$ (509,180)**	**$ -**	**$ (509,180)**	**$ -**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (95,177)**	**$ 87,258**	**$ (7,919)**	**$ 322,925**
Cash and Cash Equivalents at January 1	**1,669,933**	**24,869**	**1,694,802**	**1,014,349**
Cash and Cash Equivalents at December 31	**$ 1,574,756**	**$ 112,127**	**$ 1,686,883**	**$ 1,337,274**

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, 2017
Increase (Decrease) in Cash and Cash Equivalents

	Business-Type Activities			
	Enterprise Funds			Internal Service Fund
	Hospital	Congregate Housing	Total	Self-Insurance
Cash and Cash Equivalents - Exhibit 7				
Cash and pooled investments	$ 1,574,756	$ 104,127	$ 1,678,883	$ 1,337,274
Restricted cash and pooled investments	-	8,000	8,000	-
Total Cash and Cash Equivalents	**$ 1,574,756**	**$ 112,127**	**$ 1,686,883**	**$ 1,337,274**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	**$ (509,418)**	**$ 1,489**	**$ (507,929)**	**$ 219,456**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	$ 1,735,803	$ 51,121	$ 1,786,924	$ -
Interest expense	165,015	947	165,962	-
Provision for bad debts	328,434	-	328,434	-
(Increase) decrease in patient receivables - net	(51,247)	-	(51,247)	-
(Increase) decrease in accounts receivable	(46,033)	-	(46,033)	(125,723)
(Increase) decrease in inventories	(11,967)	-	(11,967)	-
(Increase) decrease in prepaid items	(6,695)	-	(6,695)	-
(Increase) decrease in deferred pension outflows	1,617,754	10,905	1,628,659	-
Increase (decrease) in accounts payable	(125,160)	2,207	(122,953)	(90)
Increase (decrease) in salaries payable	176,779	58	176,837	-
Increase (decrease) in claims payable	-	-	-	238,084
Increase (decrease) in third-party payor settlements	(271,051)	-	(271,051)	-
Increase (decrease) in compensated absences payable	-	3,400	3,400	-
Increase (decrease) in due to other governments	-	(108)	(108)	(8,802)
Increase (decrease) in net other postemployment benefits obligation	19,087	458	19,545	-
Increase (decrease) in net pension liability	(2,317,201)	(13,595)	(2,330,796)	-
Increase (decrease) in deferred pension inflows	661,612	3,963	665,575	-
Total adjustments	**$ 1,875,130**	**$ 59,356**	**$ 1,934,486**	**$ 103,469**
Net Cash Provided by (Used in) Operating Activities	**$ 1,365,712**	**$ 60,845**	**$ 1,426,557**	**$ 322,925**

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FIDUCIARY FUNDS

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017

Assets		
Cash and pooled investments	$	306,926
Accounts receivable		90
Total Assets	**$**	**307,016**
Liabilities		
Accounts payable	$	22
Customer deposits		6,871
Due to other governments		300,123
Total Liabilities	**$**	**307,016**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Murray County was established May 23, 1857, and is an organized County having the powers, duties, and privileges granted to counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Murray County and its component units for which the County is financially accountable. The County is financially accountable if it appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body, or if the organization could potentially provide specific financial benefits or impose specific burdens on the County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Coordinator, appointed by the Board, serves as the Clerk of the Board but does not vote in its decisions.

Blended Component Units

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

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Units (Continued)

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

Joint Ventures

The County participates in several joint ventures described in Note 6.B.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities,

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

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

      2. Fund Financial Statements

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise funds:

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

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

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds and the discretely presented component unit are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments other than external investment pools, which are measured at net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and

1. Summary of Significant Accounting Policies

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

      2. Deposits and Investments (Continued)

pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were $151,814.

The Hospital's investment earnings for the year ended December 31, 2017, were $34,663 and are included in nonoperating revenues.

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

      3. Receivables and Payables

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

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

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

1. Summary of Significant Accounting Policies

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

      3. Receivables and Payables (Continued)

         Special assessments receivable consist of delinquent special assessments payable in the years 1998 through 2017 and noncurrent special assessments payable in 2018 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

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

      4. Inventories and Prepaid Items

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

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

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 acquisition value (entry price) on the date of donation.

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

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

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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

Assets	Years
Land improvements	10 - 40
Buildings	7 - 40
Public domain infrastructure	20 - 50
Machinery and equipment	3 - 20

7. Hospital's Investments in Equity

Investment in Southwest Minnesota Radiation, LLC

The Hospital was a 14 percent owner in Southwest Minnesota Radiation, LLC. This venture provided radiation therapy services to residents in southwest Minnesota and was dissolved during the 2014 fiscal year. The Hospital's interest at the time it was dissolved was ($471,985). The Hospital paid back the remaining $19,656 in 2017, and has no further interest in the venture as of December 31, 2017.

8. Compensated Absences

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

1. Summary of Significant Accounting Policies

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

8. Compensated Absences (Continued)

portion consists of the remaining amount of vacation, vested sick leave, and comp time. For the governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, and EDA Special Revenue Fund. For the business-type activities, compensated absences are liquidated by the Congregate Housing Enterprise Fund.

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, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Pension Plan

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

1. Summary of Significant Accounting Policies

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

10. Pension Plan (Continued)

governmental activities, the net pension liability is liquidated by the General Fund, Road and Bridge Special Revenue Fund, and EDA Special Revenue Fund. For the business-type activities, the net pension liability is liquidated by the Congregate Housing Fund and Hospital Enterprise Fund.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has two items, deferred pension outflows and deferred charges on bond refunding, which qualify for reporting in this category. These outflows arise only under the full accrual basis of accounting. The deferred charges on bond refunding are being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, pension plan changes in proportionate share, differences between projected and actual earnings on pension plan investments, and also the differences between expected and actual pension plan economic experience and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows, unavailable revenue, deferred pension inflows, and prepaid property taxes, which qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, interest receivable, EDA revolving loans receivable, and grant monies receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the

1. Summary of Significant Accounting Policies

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

11. Deferred Outflows/Inflows of Resources (Continued)

governmental funds balance sheet. The unavailable revenue is deferred and recognized as an inflow of resources in the period in which it becomes available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of the differences between expected and actual pension plan economic experience, changes in actuarial assumptions, pension plan changes in proportionate share, and also differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. The last item, prepaid property taxes, arises under both the modified accrual and the full accrual basis of accounting and is reported in both the governmental funds balance sheet and the statement of net position. These amounts represent the County's share of the 2018 property taxes collected in advance. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied.

12. Unearned Revenue

Proprietary funds, governmental funds, and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned. At December 31, 2017, all unearned revenue was the result of receiving grants prior to the revenue recognition criteria being met.

13. Classification of Net Position

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

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

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

1. Summary of Significant Accounting Policies

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

13. Classification of Net Position (Continued)

- Unrestricted net position - the amount of net position that does meet the definition of restricted or net investment in capital assets.

14. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

- Restricted - amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

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

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

- Unassigned - the residual classification for the General Fund, and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

15. Minimum Fund Balance

Murray County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) within a range of 35 to 50 percent of the General Fund operating expenditures. At December 31, 2017, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

16. Use of Estimates

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

1. Summary of Significant Accounting Policies (Continued)

E. Hospital Net Patient/Resident Service Revenue

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates of discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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 $155,159 in 2017 and $172,649 in 2016.

Revenue from the Medicare and Medicaid programs accounted for approximately 43 and 9 percent and 46 and 9 percent of the Hospital's net patient revenue for the years ended December 31, 2017 and 2016, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

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

1. Summary of Significant Accounting Policies

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

- Medicare - The Hospital has elected Critical Access Hospital (CAH) designation for Medicare. As a CAH, the Hospital is reimbursed for inpatient, swing bed, and outpatient services to Medicare patients on a reasonable cost basis. Medicare reimburses the Hospital for these services using interim rates, with a final settlement determined based on the annual cost report that is filed by the Hospital. This cost report is subject to audit by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2013.

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

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance/Net Position

The Ditch Special Revenue Fund reports a deficit fund balance of $625,208. The deficit will be eliminated by the future issuance of General Obligation Drainage Bonds. The following is a summary of the individual ditch systems:

98 ditches with positive fund balances	$ 226,294
2 ditches with deficit fund balances	(851,502)
Total Fund Balance	$ (625,208)

The Congregate Housing Enterprise Fund had a deficit fund net position for the year ended December 31, 2017, of $283,666. The County expects future excess of revenues over expenses will eliminate the deficit.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	10,350,257
Petty cash and change funds		1,980
Business-type activities		
Cash and pooled investments		3,016,157
Restricted assets - cash and pooled investments		8,000
Noncurrent cash and investments		2,428,185
Component unit - Shetek Area Water and Sewer Commission		
Restricted assets - cash and pooled investments		414,166
Statement of fiduciary net position		
Cash and pooled investments		306,926
Total Cash and Investments	$	16,525,671

Deposits		
Checking	$	1,193,547
Non-negotiable certificates of deposit		9,368,000
Invested in MAGIC Fund		5,962,144
Petty cash and change funds		1,980
Total Deposits, Cash on Hand, and Investments	$	16,525,671

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 and Deferred Outflows of Resources

      1. Deposits and Investments

         a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2017, the County's deposits were not exposed to custodial credit risk.

         b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

(4) bankers' acceptances of United States banks;

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

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

Interest Rate Risk

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

Credit Risk

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2017, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2017, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	(Fair) Value
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	>5%	N/A	$ 5,962,144
Checking					1,193,547
Non-negotiable certificates of deposit					9,368,000
Petty cash and change funds					1,980
Total Cash and Investments					$ 16,525,671

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 and Deferred Outflows of Resources

      1. Deposits and Investments

         b. Investments (Continued)

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

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

      2. Receivables

Receivables as of December 31, 2017, 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.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Receivables		
Taxes	$ 54,152	$ -
Special assessments	2,180,362	1,500,519
Accounts receivable	29,073	-
Loans receivable	538,658	441,178
Accrued interest receivable	43,343	-
Due from other governments	1,758,007	-
Due from component unit	76,023	-
Long-term receivable	215,000	200,000
Total Receivables	$ 4,894,618	$ 2,141,697

	Total Receivables	Less: Allowance for Uncollectibles	Total Receivables - Net	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities				
Receivables				
Accounts receivable	$ 319,722	$ -	$ 319,722	$ -
Patient receivables	3,835,855	(943,200)	2,892,655	-
Total Receivables	$ 4,155,577	$ (943,200)	$ 3,212,377	$ -

Due From Component Unit

The Shetek Area Water and Sewer Commission has a balance due to Murray County's General Fund at December 31, 2017, of $76,023 for a shortfall in cash due to greater than expected operations, postage, and billing costs. The balance is expected to be repaid in 2018.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

Long-Term Receivable

On January 1, 2007, the County issued $1,625,000 General Obligation (G.O.) Refunding Bonds, Series 2007A, which included refunding G.O. Water Revenue Bonds of 1999 in the amount of $315,000. The portion of the bond for refunding of the Water Revenue Bonds is to be repaid from net revenues of the Red Rock Rural Water System as well as special assessments within Murray County against all benefited property. The $215,000 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, 2017.

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	$ 494,199
Loans issued	120,000
Loan forgiven	(10,000)
Loan repayments	(65,541)
Ending Balance	$ 538,658

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 318,295	$ -	$ 112	$ 318,183
Works of art and historical treasures	34,376	-	-	34,376
Right-of-way	427,690	-	-	427,690
Construction in progress	11,362	488,176	-	499,538
Total capital assets not depreciated	$ 791,723	$ 488,176	$ 112	$ 1,279,787
Capital assets depreciated				
Land improvements	$ 558,251	$ -	$ -	$ 558,251
Buildings	7,927,435	109,805	-	8,037,240
Machinery and equipment	7,218,688	616,987	265,244	7,570,431
Infrastructure	69,858,249	2,282,302	-	72,140,551
Total capital assets depreciated	$ 85,562,623	$ 3,009,094	$ 265,244	$ 88,306,473
Less: accumulated depreciation for				
Land improvements	$ 251,410	$ 24,105	$ -	$ 275,515
Buildings	3,087,746	239,375	-	3,327,121
Machinery and equipment	4,441,504	587,361	249,528	4,779,337
Infrastructure	28,026,400	1,879,467	-	29,905,867
Total accumulated depreciation	$ 35,807,060	$ 2,730,308	$ 249,528	$ 38,287,840
Total capital assets depreciated, net	$ 49,755,563	$ 278,786	$ 15,716	$ 50,018,633
Governmental Activities Capital Assets, Net	$ 50,547,286	$ 766,962	$ 15,828	$ 51,298,420

Construction in progress at December 31, 2017, consists of amounts completed on open road projects.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 182,513	$ -	$ -	$ 182,513
Capital assets depreciated				
Land improvements	$ 824,126	$ 9,231	$ -	$ 833,357
Buildings	20,135,798	63,762	-	20,199,560
Fixed equipment	1,307,996	-	-	1,307,996
Major movable equipment	8,974,941	349,616	-	9,324,557
Total capital assets depreciated	$ 31,242,861	$ 422,609	$ -	$ 31,665,470
Less: accumulated depreciation for				
Land improvements	$ 376,951	$ 40,500	$ -	$ 417,451
Buildings	8,557,357	1,113,783	-	9,671,140
Fixed equipment	1,114,764	41,119	-	1,155,883
Major movable equipment	7,637,250	591,522	-	8,228,772
Total accumulated depreciation	$ 17,686,322	$ 1,786,924	$ -	$ 19,473,246
Total capital assets depreciated, net	$ 13,556,539	$ (1,364,315)	$ -	$ 12,192,224
Business-Type Activities Capital Assets, Net	$ 13,739,052	$ (1,364,315)	$ -	$ 12,374,737

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

Governmental Activities	
General government	$ 253,723
Public safety	178,575
Highways and streets, including depreciation of infrastructure assets	2,201,583
Sanitation	13,472
Culture and recreation, including depreciation of infrastructure assets	78,351
Conservation of natural resources	4,604
Total Depreciation Expense - Governmental Activities	$ 2,730,308
Business-Type Activities	
Hospital	$ 1,735,803
Congregate Housing	51,121
Total Depreciation Expense - Business-Type Activities	$ 1,786,924

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Advance To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Congregate Housing Enterprise Fund	$ 250,000
General Fund	Ditch Special Revenue Fund	865,000

The advance made from the General Fund to the Congregate Housing Enterprise Fund results from a shortfall in operations in the Congregate Housing Enterprise Fund. There is no repayment schedule set. The advances made from the General Fund to the Ditch Special Revenue Fund are for improvement projects on County Ditch No. 61 and Judicial Ditch No. 8. The advance will be repaid with the future issuance of General Obligation Drainage Bonds.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfer to Ditch Special Revenue Fund from General Fund	$ 619	Interest
Transfer to EDA Special Revenue Fund from General Fund	110,254	Appropriation
Transfer to General Fund from Congregate Housing Enterprise Fund	1,181	Interest
Transfer to General Fund from Ditch Special Revenue Fund	3,271	Interest
Transfer to Congregate Housing Enterprise Fund from General Fund	219	Interest
Total Interfund Transfers	$ 115,544	

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

	Governmental Activities	Business-Type Activities
Accounts payable	$ 161,632	$ 647,269
Salaries payable	173,564	1,341,919
Claims payable	-	409,226
Contracts payable	83,071	-
Due to other governments	113,102	137
Third-party payor settlements payable	-	106,542
Payable from restricted assets	-	8,000
Total Payables	$ 531,369	$ 2,513,093

2. Construction Commitments

The County has active construction projects and other commitments as of December 31, 2017. The projects and commitments include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Pictometry - General Fund	$ 59,506	$ 111,922
Lime Lake Park Shelter - General Fund	-	10,400
Courts Building East Wall Replacement - General Fund	-	21,575
Eventide NexLog 740 Recorder - General Fund	-	20,957
Judicial Ditch No. 8 Improvement - Ditch Special Revenue Fund	366,387	11,826
Total Construction Commitments	$ 425,893	$ 176,680

Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2017.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

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

Unavailable revenue consists of special assessments, taxes, state grants, loans receivable, and accrued interest receivable not collected soon enough after year-end to pay liabilities of the current period. Prepaid property taxes consist of the County's share of 2018 property taxes collected in advance. Deferred inflows of resources at December 31, 2017, are summarized below by fund:

	Special Assessments	Taxes	Grants	Loans Receivable	Interest	Total
Governmental funds						
General Fund	$ 504,966	$ 89,738	$ 9,211	$ -	$ 18,781	$ 622,696
Special Revenue Funds						
Road and Bridge	-	25,687	1,645,268	-	-	1,670,955
Human Services	-	24,090	-	-	-	24,090
Ditch	1,675,397	-	-	-	-	1,675,397
EDA	-	-	-	528,664	-	528,664
Debt Service Fund	-	6,171	-	-	-	6,171
Total	$ 2,180,363	$ 145,686	$ 1,654,479	$ 528,664	$ 18,781	$ 4,527,973
Deferred inflows of resources						
Unavailable revenue	$ 2,180,363	$ 54,152	$ 1,654,479	$ 528,664	$ 18,781	$ 4,436,439
Prepaid property taxes	-	91,534	-	-	-	91,534
Total	$ 2,180,363	$ 145,686	$ 1,654,479	$ 528,664	$ 18,781	$ 4,527,973

4. Long-Term Debt

Governmental Activities - Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2011A G.O. Capital Improvement Plan Bonds	2022	$180,000 - $220,000	0.60 - 2.75	$ 1,965,000	$ 1,035,000
Less: unamortized discount					(8,016)
Net G.O. Capital Improvement Plan Bonds					$ 1,026,984

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Governmental Activities - Bonds Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
Special assessment bonds with government commitment					
2007A G.O. Refunding Bonds	2029	$25,000 - $195,000	4.00 - 4.25	$ 1,625,000	$ 215,000
2016A G.O. Ditch Bonds	2032	$100,000 - $130,000	2.00 - 2.45	1,695,000	1,695,000
Less: unamortized discount					(6,084)
Net G.O. Special Assessment Bonds					$ 1,903,916

The Series 2007A G.O. Refunding Bonds include an amount to refund the 1999A G.O. Water Revenue Bonds of the Red Rock Rural Water System (RRRWS). 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, $215,000, due from RRRWS, which will decrease as principal payments are made. Payments are reported in the Ditch Special Revenue Fund.

Murray County issued the Series 2011A G.O. Capital Improvement Plan Bonds to provide funds for the construction of the Law Enforcement Center addition. The County has pledged its full faith and credit for the repayment of principal and interest on these bonds. Debt service payments are made from the Debt Service Fund. These bonds are issued as ten-year serial bonds.

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Business-Type Activities - Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
G.O. 2012A Housing Development Refunding Bonds	2022	$100,000 - $110,000	1.00 - 1.60	$ 960,000	$ 545,000
Less: unamortized discount					(7,958)
Total G.O. Refunding Bonds, Net					$ 537,042
Health Care Facilities Gross Revenue Bonds, Series 2012A	2028		3.000 - 3.125	$ 8,100,000	$ 4,376,325

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

In 2012, the Hospital entered into an agreement with Minnwest Bank South for the issuance of Health Care Facilities Gross Revenue Bonds, Series 2012A, to a maximum of $8,100,000. The Hospital approved a bond resolution that includes an annual rate of 3.125 percent through the first 60 payments. On the 60th and the 120th payment dates, the interest rate will be adjusted to a rate per annum equal to 3.000 percent plus the Federal Home Loan Bank Advance Rate provided; however, in no event shall the interest rate on the bond be less than 2.625 percent, nor shall an increase in the annual rate exceed 1.500 percent. The Hospital is required to maintain certain financial and operational covenants in relation to the Health Care Facilities Gross Revenue Bonds.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Governmental Activities - Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
Beaver Creek CWP Project	2018	$ 20,739	2.00	$ 187,130	$ 20,433
Cottonwood River CWP Project	2022	6,633	2.00	59,847	25,737
Rock River CWP Project	2023	1,048	2.00	9,459	5,434
Total Loans Payable				$ 256,436	$ 51,604

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 $1,400,000 to be used for a County septic loan program. As of December 31, 2017, the County has issued $1,274,197 to Murray County residents for the control and abatement of water pollution. As of December 31, 2017, $470,395 of the $491,168 special assessments receivable balance reported in the General Fund represents outstanding septic system loans.

Governmental Activities - G.O. Capital Notes Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
G.O. 2014 Capital Notes	2018	$114,000 - $117,000	0.75 - 1.25	$ 346,000	$ 117,000

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Governmental Activities - G.O. Capital Notes Payable (Continued)

In 2014, the County issued $346,000 G.O. 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 requirements on these notes are made from the Debt Service Fund.

5. Business-Type Activities - Special Assessments

The Hospital was assessed for road improvements to Juniper Avenue in the amount of $51,674 by the City of Slayton for the year ended December 31, 2014. Annual installments of $5,167 began in 2016 and are expected to continue until 2026. The outstanding balance as of December 31, 2017, is $41,339.

6. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Governmental Activities

Year Ending December 31	G.O. Capital Improvement Plan Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2018	$ 195,000	$ 22,551	$ 115,000	$ 34,385
2019	200,000	18,500	125,000	32,335
2020	205,000	13,941	125,000	30,235
2021	215,000	8,791	120,000	28,135
2022	220,000	3,025	120,000	26,035
2023 - 2027	-	-	650,000	97,225
2028 - 2032	-	-	655,000	36,620
Total	$ 1,035,000	$ 66,808	$ 1,910,000	$ 284,970

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Debt Service Requirements

Governmental Activities (Continued)

Year Ending December 31	G.O. Capital Notes Principal	G.O. Capital Notes Interest	Loans Payable Principal	Loans Payable Interest
2018	$ 117,000	$ 731	$ 27,526	$ 895
2019	-	-	7,236	446
2020	-	-	7,381	300
2021	-	-	4,427	167
2022	-	-	4,515	78
2023	-	-	519	5
Total	$ 117,000	$ 731	$ 51,604	$ 1,891

Business-Type Activities

Year Ending December 31	Revenue Bonds Principal	Revenue Bonds Interest	G.O. Bonds Principal	G.O. Bonds Interest
2018	$ 419,651	$ 145,420	$ 105,000	$ 6,575
2019	433,142	132,349	110,000	5,418
2020	446,760	118,858	110,000	4,070
2021	461,429	105,240	110,000	2,557
2022	476,263	75,737	110,000	880
2023 - 2027	2,139,080	145,588	-	-
Total	$ 4,376,325	$ 723,192	$ 545,000	$ 19,500

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Changes in Long-Term Obligations

Long-term liability activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation capital improvement plan bonds	$ 1,225,000	$ -	$ 190,000	$ 1,035,000	$ 195,000
Special assessment debt with government commitment	1,995,000	-	85,000	1,910,000	115,000
Less: unamortized discounts	(16,210)	-	(2,110)	(14,100)	-
Net bonds payable	$ 3,203,790	$ -	$ 272,890	$ 2,930,900	$ 310,000
G.O. capital notes payable	232,000	-	115,000	117,000	117,000
Loans payable	78,588	-	26,984	51,604	27,526
Compensated absences	640,389	335,892	339,838	636,443	75,721
Governmental Activities Long-Term Liabilities	$ 4,154,767	$ 335,892	$ 754,712	$ 3,735,947	$ 530,247

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Housing Development Refunding Bond	$ 650,000	$ -	$ 105,000	$ 545,000	$ 105,000
Hospital Revenue Bond	4,775,336	-	399,011	4,376,325	419,651
Hospital special assessment	46,506	-	5,167	41,339	5,167
Compensated absences	8,694	6,593	3,193	12,094	262
Total long-term liabilities	$ 5,480,536	$ 6,593	$ 512,371	$ 4,974,758	$ 530,080
Less: unamortized discounts	(9,549)	-	(1,591)	(7,958)	-
Business-Type Activities Long-Term Liabilities	$ 5,470,987	$ 6,593	$ 510,780	$ 4,966,800	$ 530,080

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

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

In prior years, the County has defeased for the City of Slayton Economic Development Authority the G.O. Housing Development Bonds, Series 1996, which were accounted for in the Congregate Housing Enterprise Fund as a capital lease by creating a separate irrevocable trust fund. New debt has been issued, and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the capital lease, which was backed by the G.O. Housing Development Bonds, Series 1996, has been considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2017, the amount of defeased debt outstanding but removed from financial statements amounted to $565,000.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Murray County and the Murray County Medical Center are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan and the Public Employees Police and Fire Plan, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County or Medical Center employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

2. Benefits Provided

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

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

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      2. Benefits Provided (Continued)

         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 Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

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

      3. Contributions

         Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

In 2017, the County was required to contribute the following percentages of annual covered salary:

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

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

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	$	790,677
Public Employees Police and Fire Plan		112,457

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $9,588,670 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1502 percent. It was 0.1608 percent measured as of June 30, 2016. The County recognized pension expense of $769,410 for its proportionate share of the General Employees Retirement Plan's pension expense.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County also recognized $3,482 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ending June 30, 2017.

The County's proportionate share of the net pension liability	$	9,588,670
State of Minnesota's proportionate share of the net pension liability associated with the County		120,582
Total	$	9,709,252

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 316,014	$ 632,469
Changes in actuarial assumptions	1,632,201	961,266
Difference between projected and actual investment earnings	-	218,025
Changes in proportion	-	919,341
Contributions paid to PERA subsequent to the measurement date	355,949	-
Total	$ 2,304,164	$ 2,731,101

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The $355,949 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ (411,610)
2019	386,970
2020	(351,227)
2021	(407,019)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $904,580 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.067 percent. It was 0.071 percent measured as of June 30, 2016. The County recognized pension expense of $364,137 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $6,030 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 20,822	$ 249,633
Changes in actuarial assumptions	1,254,499	1,284,279
Difference between projected and actual investment earnings	24,363	-
Changes in proportion	45,450	155,373
Contributions paid to PERA subsequent to the measurement date	57,155	-
Total	$ 1,402,289	$ 1,689,285

The $57,155 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 12,708
2019	12,708
2020	(19,462)
2021	(70,661)
2022	(279,444)

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $1,133,547.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (Continued)

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 14,872,738	6.50%	$ 1,703,588
Current	7.50	9,588,670	7.50	904,580
1% Increase	8.50	5,262,698	8.50	244,955

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

9. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Murray County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	$ 7,220	$ 7,220
Percentage of covered payroll	5%	5%

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 2017, there were approximately 68 participants in the plan with no retirees. The projected net benefit payment is based on the assumptions, plan provisions, and participant data as of January 1, 2015. The projected benefit payments are prepared on a closed group basis (such as no new entrants). The implicit rate subsidy amount was determined by an actuarial study to be $20,607 for 2017.

The governmental activities' OPEB liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and the EDA Special Revenue Fund. The business-type activities' OPEB liability is liquidated by the Congregate Housing Enterprise Fund.

Annual OPEB Cost and Net OPEB Obligation

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

ARC	$ 67,354
Interest on net OPEB obligation	12,258
Adjustment to ARC	(17,378)
Annual OPEB cost (expense)	$ 62,234
Contributions made during the year	(20,607)
Increase in net OPEB obligation	$ 41,627
Net OPEB Obligation - Beginning of Year	306,448
Net OPEB Obligation - End of Year	$ 348,075

Of the $41,627 increase in net OPEB obligation, $41,169 represents governmental activities and $458 represents business-type activities for the Congregate Housing Enterprise Fund. A portion of the year-end net OPEB obligation, $4,744, is reported in the Congregate Housing Enterprise Fund business-type activity. The remaining $343,331 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, 2017, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 63,962	$ 10,518	16.4%	$ 257,513
December 31, 2016	63,052	14,117	22.4	306,448
December 31, 2017	62,234	20,607	33.1	348,075

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities (Continued)

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

1. Governmental Activities

Actuarial Methods and Assumptions (Continued)

In the January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Murray County's implicit rate of return on the General Fund.

The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2017, was 21 years.

2. Business-Type Activities

Certain employees of the Murray County Medical Center (the Hospital) are eligible to participate in a health insurance plan provided by Murray County. The Hospital provides health insurance benefits for certain retired employees under a single-employer, fully-insured plan. The plan provides health insurance and other benefits to participating retirees who have reached the age of 55 and have 15 years of service with the Hospital. The Hospital provides benefits for retirees as required by state statutes. Pursuant to the provisions of the plan, retirees are required to pay the total premium cost. As of January 1, 2015, there were no retirees receiving health benefits from the Hospital's health plan.

Annual OPEB Cost and Net OPEB Obligation

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Business-Type Activities

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

ARC	$ 63,039
Interest on net OPEB obligation	17,684
Adjustment to ARC	(25,070)
Annual OPEB cost (expense)	$ 55,653
Contributions made during the year	(36,566)
Increase in net OPEB obligation	$ 19,087
Net OPEB Obligation - Beginning of Year	442,103
Net OPEB Obligation - End of Year	$ 461,190

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, 2017, and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 55,798	$ 14,723	26.4%	$ 410,812
December 31, 2016	56,175	24,884	44.3	442,103
December 31, 2017	55,653	36,566	65.7	461,190

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

2. Business-Type Activities (Continued)

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

In the January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date.

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 cost trend rate was 7.25 percent, reduced by decrements to an ultimate rate of 5.0 percent after 9 years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2017, was 21 years.

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2017 and 2018. 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)

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

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

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

The December 31, 2017, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through February 28, 2018. Changes in the balances of claims liabilities during 2016 and 2017 are as follows:

	2016	2017
Unpaid claims, January 1	$ 97,886	$ 171,142
Incurred claims	2,222,678	2,348,550
Claims payments	(2,149,422)	(2,110,466)
Unpaid claims, December 31	$ 171,142	$ 409,226

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 County.

Lincoln-Pipestone Rural Water System

At December 31, 2017, the Lincoln-Pipestone Rural Water System had $47,572,000 of general obligation bonds outstanding through 2056. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

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

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.

Rock County's health and human service functions were assumed by SWHHS as of January 1, 2012. Redwood County's health and human service functions and Pipestone County's human 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 2017 for the human services function was $1,177,409, and its contribution to the health services function was $93,794.

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, 2017, were $47,572,000.

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

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

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

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 $30,538 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 2017, Murray County provided $58,667 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.

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

Murray County, in conjunction with Cottonwood, Lincoln, Lyon, Nobles, Redwood, and Rock counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as the Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. The Board comprises one voting member from each participating County and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2017, Murray County made contributions of $30,885 to the A.C.E. of Southwest Minnesota.

C. Agricultural Best Management Loan Program

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

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

D. Functional Expenses - Hospital Enterprise Fund

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services for the year ended December 31, 2017, are:

Health care services	$ 7,288,641
General and administrative	9,964,899
Total	$ 17,253,540

E. Concentrations of Credit Risk - Hospital Enterprise Fund

The Hospital grants credit, without collateral, to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors and patients at December 31, 2017, follows:

Medicare	43%
Medicaid	9
Other third-party payors	23
Private pay	25
Total	100%

F. Related-Party Transactions

The Hospital entered into a management agreement with Sanford Health Network, beginning May 1, 2008. Under this agreement, Sanford Health provides certain financial and operational consulting services. Total fees paid to Sanford Health for the provision of these services for the year ended December 31, 2017, were $42,756. The original management agreement was effective through May 1, 2016, and automatically renewed an additional year.

G. Subsequent Events

On November 6, 2018, the Murray County Board of Commissioners authorized the issuance of bonds to finance improvements to County Ditch No. 61 and Judicial Ditch No. 8. On December 19, 2018, the County Board finalized the sale of $1,220,000 General Obligation Bonds, Series 2018A. The bonds will be paid with special

6. Summary of Significant Contingencies and Other Items

G. Subsequent Events (Continued)

assessments by the landowners who are benefited by the improvements to the ditch systems. The bonds are payable in 15 annual installments, with interest payable on a semi-annual basis, and with interest rates ranging from 2.3 to 3.3 percent, commencing on February 1, 2020.

In July 2018, Murray County experienced significant damages due to flooding and has requested Federal Emergency Management Agency (FEMA) aid of $1,108,786. The County expects to receive reimbursement from FEMA for the damages incurred in 2019.

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

1. Financial Reporting Entity

The Shetek Area Water and Sewer Commission was formed May 8, 2001, pursuant to Minn. Stat. §§ 115.18 to 115.37 (now see Minn. Stat. ch. 442A). The Water and Sewer Commission was created for the purpose of promoting public health and welfare by providing an adequate and efficient means of collecting, conveying, pumping, treating, and disposing of domestic sewage and industrial waste within the Shetek Area. The Water and Sewer Commission is governed by a five-member Board appointed by the Murray County Board of Commissioners. Each member of the Board must be a voter residing in the area. The Water and Sewer Commission is reported in a separate column in the financial statements to emphasize that it is legally separate from the County. Separate financial statements are not issued.

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

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

2. Measurement Focus and Basis of Accounting

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

3. Assets and Liabilities

Deposits and Investments

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

Cash and Cash Equivalents

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

Accounts and Special Assessments Receivable

Accounts receivable represents amounts due from the sewer system users for utility charges unpaid at December 31, 2017.

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets and Liabilities

Accounts and Special Assessments Receivable (Continued)

Special assessments receivable consist of delinquent special assessments payable in the year 2017 and noncurrent special assessments payable in 2018 and after. Unpaid special assessments at December 31, 2017, are classified in the financial statements as delinquent special assessments.

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

Restricted Assets

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

Special Assessments Revenue

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

Capital Assets

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

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Assets and Liabilities

Capital Assets (Continued)

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

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

Long-Term Obligations

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

4. Use of Estimates

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

B. Detailed Notes

1. Deposits

Cash transactions are administered by the Murray County Auditor/Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash and to invest in certificates of deposit in financial institutions designated by the

7. Component Unit Disclosures

B. Detailed Notes

1. Deposits (Continued)

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, 2017. As of December 31, 2017, the Water and Sewer Commission had $414,166 on deposit with Murray County.

2. Receivables

The Water and Sewer Commission's noncurrent special assessments receivable balance at December 31, 2017, of $5,693,639 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, 2017, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 386,046	$ -	$ -	$ 386,046
Capital assets depreciated				
Land improvements	$ 1,718,495	$ -	$ -	$ 1,718,495
Buildings and structures	57,450	-	-	57,450
Machinery and equipment	497,215	-	-	497,215
Infrastructure	13,104,082	-	-	13,104,082
Total capital assets depreciated	$ 15,377,242	$ -	$ -	$ 15,377,242
Less: accumulated depreciation for				
Land improvements	$ 219,582	$ 22,913	$ -	$ 242,495
Building and structures	9,453	1,436	-	10,889
Machinery and equipment	266,679	33,591	-	300,270
Infrastructure	2,651,773	329,357	-	2,981,130
Total accumulated depreciation	$ 3,147,487	$ 387,297	$ -	$ 3,534,784
Total capital assets depreciated, net	$ 12,229,755	$ (387,297)	$ -	$ 11,842,458
Total Capital Assets, Net	$ 12,615,801	$ (387,297)	$ -	$ 12,228,504

Depreciation expense for 2017 was $387,297.

7. Component Unit Disclosures

B. Detailed Notes (Continued)

4. Due to Primary Government

The Shetek Area Water and Sewer Commission has a balance due to Murray County's General Fund at December 31, 2017, of $76,023 for a shortfall in cash due to greater than expected operations, postage, and billing costs. The balance is expected to be repaid in 2018.

5. Long-Term Obligations

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2013A Sewer Revenue Crossover Refunding Bonds	2028	$150,000 - $265,000	2.00 - 2.35	$ 2,590,000	$ 2,590,000

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

Year Ended December 31	G.O. Sewer Revenue Crossover Refunding Bonds, Series 2013A Principal	Interest
2018	$ 225,000	$ 51,127
2019	230,000	46,577
2020	235,000	41,928
2021	235,000	37,227
2022	240,000	32,478
2023 - 2027	1,275,000	86,721
2028	150,000	1,763
Total	$ 2,590,000	$ 297,821

7. Component Unit Disclosures

B. Detailed Notes

5. Long-Term Obligations (Continued)

Minnesota Public Facilities Authority G.O. Notes

In 2006, Minnesota Public Facilities Authority G.O. Notes were issued in the amount of $15,144,000. Of this amount, $11,554,549 was issued from the Water Pollution Control Revolving Fund, and $3,589,451 was issued from the Wastewater Infrastructure Fund. In 2014, the Minnesota Public Facilities Authority converted the $3,589,451 Wastewater Infrastructure Fund Loan into a grant, in effect, reducing the payable portion of the note to zero. Amounts drawn or receivable on this note as of December 31, 2017, were $11,299,849 from the Water Pollution Control Revolving Fund. Note payments for the Water Pollution Control Revolving Fund are due semi-annually for interest and annually for principal on February 20 and August 20, 2008 through 2026, at an interest rate of 1.01 percent.

Debt service requirements at December 31, 2017, are as follows:

	Minnesota Public Facilities Authority Loans	
	Water Pollution Control Revolving Fund	
Year Ended December 31	Principal	Interest
2018	$ 545,000	$ 48,859
2019	551,000	43,355
2020	557,000	37,790
2021	562,000	32,164
2022	568,000	26,417
2023 - 2026	2,047,548	47,724
Total	$ 4,830,548	$ 236,309

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

7. Component Unit Disclosures

B. Detailed Notes (Continued)

6. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
Minnesota Public Facilities Authority					
General obligation notes	$ 5,397,656	$ -	$ 567,108	$ 4,830,548	$ 545,000
General obligation bonds	5,200,000	-	2,610,000	2,590,000	225,000
Premium on general obligation bonds	8,371	-	8,371	-	-
Total Long-Term Liabilities	$ 10,606,027	$ -	$ 3,185,479	$ 7,420,548	$ 770,000

7. Crossover Refunding

In 2013, the County issued $2,590,000 G.O. Sewer Revenue Crossover Refunding Bonds, Series 2013A, to crossover refund $1,045,000 of the $1,715,000 G.O. Sewer Revenue Bonds, Series 2007, and $1,385,000 of the $2,080,000 G.O. Sewer Revenue Bonds, Series 2007B. The County issued the Series 2013A Bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of $144,456.

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

Principal due with respect to the $2,590,000 G.O. Sewer Revenue Crossover Refunding Bonds, Series 2013A, is payable annually on February 1, 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. Component Unit Disclosures (Continued)

C. Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 5,185,634	$ 5,185,634	$ 5,002,071	$ (183,563)
Special assessments	268,043	268,043	298,235	30,192
Licenses and permits	28,120	28,120	35,191	7,071
Intergovernmental	903,259	940,083	1,409,248	469,165
Charges for services	346,330	346,330	364,013	17,683
Fines and forfeits	-	-	616	616
Gifts and contributions	1,200	1,200	14,181	12,981
Investment earnings	30,750	30,750	121,382	90,632
Miscellaneous	220,030	220,030	236,687	16,657
Total Revenues	**$ 6,983,366**	**$ 7,020,190**	**$ 7,481,624**	**$ 461,434**
Expenditures				
Current				
General government				
Commissioners	$ 243,730	$ 243,730	$ 234,705	$ 9,025
Community relations/web page development	64,673	64,673	53,446	11,227
Courts	22,500	22,500	23,815	(1,315)
Law library	5,000	5,000	512	4,488
Auditor/Treasurer	391,728	391,728	384,561	7,167
Accounting and auditing	50,000	50,000	54,890	(4,890)
County assessor	265,939	265,939	243,511	22,428
Elections	217	217	6,969	(6,752)
Assistive voting grant	43,580	43,580	-	43,580
Data processing and computer networking	262,530	262,530	224,657	37,873
Machines room	59,700	59,700	51,415	8,285
Motor pool	21,025	21,025	8,242	12,783
Human resources	251,736	251,736	202,068	49,668
Attorney	234,561	234,561	218,239	16,322
Recorder	214,543	214,543	204,239	10,304
Planning and zoning	130,084	130,084	104,279	25,805
Comprehensive plan	-	-	6	(6)
Buildings and plant	703,776	703,776	415,501	288,275
Veterans services officer	41,785	41,785	48,196	(6,411)
License center	97,510	97,510	94,700	2,810
Other general government	16,500	16,500	51,116	(34,616)
Total general government	**$ 3,121,117**	**$ 3,121,117**	**$ 2,625,067**	**$ 496,050**

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,529,578	$ 1,979,578	$ 1,962,384	$ 17,194
E-911 system	156,189	156,189	50,114	106,075
Probation	55,479	55,479	58,934	(3,455)
Civil defense	59,418	59,418	47,875	11,543
Other public safety	5,500	5,500	5,788	(288)
Total public safety	**$ 1,806,164**	**$ 2,256,164**	**$ 2,125,095**	**$ 131,069**
Sanitation				
Solid waste	$ 133,533	$ 133,533	$ 169,771	$ (36,238)
Recycling	228,088	228,088	234,042	(5,954)
Other	800	800	972	(172)
Total sanitation	**$ 362,421**	**$ 362,421**	**$ 404,785**	**$ (42,364)**
Culture and recreation				
Regional library	$ 58,667	$ 58,667	$ 58,667	$ -
Historical society	218,205	218,205	186,543	31,662
Senior citizens - Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota	14,135	14,135	14,445	(310)
Transportation	47,750	47,750	48,000	(250)
Parks	300,329	300,329	282,649	17,680
Minnesota trails	29,356	29,356	27,396	1,960
Other	6,620	6,620	6,620	-
Total culture and recreation	**$ 675,062**	**$ 675,062**	**$ 624,320**	**$ 50,742**
Conservation of natural resources				
Extension	$ 192,002	$ 192,002	$ 187,344	$ 4,658
Soil and water conservation	186,279	186,279	205,762	(19,483)
Agricultural inspection	69,587	69,587	76,127	(6,540)
Redwood-Cottonwood Rivers Control Area	4,050	4,050	4,050	-
Environmental and land use advisory task force	50	50	177	(127)
Flood control	2,945	2,945	2,945	-
Agricultural society	39,330	39,330	32,096	7,234
Buffer strip riparian protection	-	-	35	(35)
Aquatic invasive species prevention	36,700	36,700	16,893	19,807
Water planning	128,413	128,413	56,731	71,682
Water quality loan program	100,000	100,000	47,509	52,491
Other conservation	4,200	4,200	4,400	(200)
Total conservation of natural resources	**$ 763,556**	**$ 763,556**	**$ 634,069**	**$ 129,487**

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, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Economic development				
Other	**$ 2,140**	**$ 2,140**	**$ 2,185**	**$ (45)**
Intergovernmental				
Health	**$ 93,794**	**$ 93,794**	**$ 93,794**	**$ -**
Debt service				
Principal	$ 23,821	$ 23,821	$ 26,984	$ (3,163)
Interest	1,055	1,055	1,438	(383)
Total debt service	**$ 24,876**	**$ 24,876**	**$ 28,422**	**$ (3,546)**
Total Expenditures	**$ 6,849,130**	**$ 7,299,130**	**$ 6,537,737**	**$ 761,393**
Excess of Revenues Over (Under) Expenditures	**$ 134,236**	**$ (278,940)**	**$ 943,887**	**$ 1,222,827**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 4,452	$ 4,452
Transfers out	(360,254)	(360,254)	(111,092)	249,162
Proceeds from the sale of capital assets	-	-	65,757	65,757
Total Other Financing Sources (Uses)	**$ (360,254)**	**$ (360,254)**	**$ (40,883)**	**$ 319,371**
Net Change in Fund Balance	**$ (226,018)**	**$ (639,194)**	**$ 903,004**	**$ 1,542,198**
Fund Balance - January 1	**5,635,240**	**5,635,240**	**5,635,240**	**-**
Increase (decrease) in inventories	**-**	**-**	**(730)**	**(730)**
Fund Balance - December 31	**$ 5,409,222**	**$ 4,996,046**	**$ 6,537,514**	**$ 1,541,468**

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,274,415	$ 1,274,415	$ 1,218,677	$ (55,738)
Licenses and permits	4,400	4,400	7,800	3,400
Intergovernmental	5,386,740	5,386,740	5,061,786	(324,954)
Charges for services	19,000	19,000	49,966	30,966
Miscellaneous	70,400	70,400	84,715	14,315
Total Revenues	**$ 6,754,955**	**$ 6,754,955**	**$ 6,422,944**	**$ (332,011)**
Expenditures				
Current				
Highways and streets				
Administration	$ 328,164	$ 328,164	$ 307,942	$ 20,222
Maintenance	1,582,960	1,582,960	1,467,245	115,715
Engineering	183,500	183,500	280,857	(97,357)
Construction	3,391,000	3,391,000	3,246,423	144,577
Maintenance and shop	589,784	589,784	511,005	78,779
Total highways and streets	**$ 6,075,408**	**$ 6,075,408**	**$ 5,813,472**	**$ 261,936**
Intergovernmental				
Highways and streets	453,032	453,032	451,618	1,414
Total Expenditures	**$ 6,528,440**	**$ 6,528,440**	**$ 6,265,090**	**$ 263,350**
Excess of Revenues Over (Under) Expenditures	**$ 226,515**	**$ 226,515**	**$ 157,854**	**$ (68,661)**
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	17,000	17,000	-	(17,000)
Net Change in Fund Balance	**$ 243,515**	**$ 243,515**	**$ 157,854**	**$ (85,661)**
Fund Balance - January 1	**2,963,754**	**2,963,754**	**2,963,754**	**-**
Increase (decrease) in inventories	**-**	**-**	**43,394**	**43,394**
Fund Balance - December 31	**$ 3,207,269**	**$ 3,207,269**	**$ 3,165,002**	**$ (42,267)**

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 1,146,749	$ 1,146,749	$ 1,096,764	$ (49,985)
Intergovernmental	32,033	32,033	82,952	50,919
Total Revenues	**$ 1,178,782**	**$ 1,178,782**	**$ 1,179,716**	**$ 934**
Expenditures				
Intergovernmental				
Human services	1,178,782	1,178,782	1,179,716	(934)
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.

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 475,243	$ 475,243	$ 711,678	$ 236,435
Intergovernmental	20,492	20,492	19,398	(1,094)
Charges for services	-	-	13	13
Miscellaneous	-	-	31,601	31,601
Total Revenues	**$ 495,735**	**$ 495,735**	**$ 762,690**	**$ 266,955**
Expenditures				
Current				
Conservation of natural resources				
Other	$ 231,243	$ 231,243	$ 1,011,613	$ (780,370)
Debt service				
Principal	180,000	180,000	85,000	95,000
Interest	32,150	32,150	63,726	(31,576)
Administrative charges	426	426	991	(565)
Total Expenditures	**$ 443,819**	**$ 443,819**	**$ 1,161,330**	**$ (717,511)**
Excess of Revenues Over (Under) Expenditures	**$ 51,916**	**$ 51,916**	**$ (398,640)**	**$ (450,556)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 619	$ 619
Transfers out	-	-	(3,271)	(3,271)
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ (2,652)**	**$ (2,652)**
Net Change in Fund Balance	**$ 51,916**	**$ 51,916**	**$ (401,292)**	**$ (453,208)**
Fund Balance - January 1	**(223,916)**	**(223,916)**	**(223,916)**	**-**
Fund Balance - December 31	**$ (172,000)**	**$ (172,000)**	**$ (625,208)**	**$ (453,208)**

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-5

BUDGETARY COMPARISON SCHEDULE
EDA SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Investment earnings	$ 14,112	$ 14,112	$ 17,560	$ 3,448
Miscellaneous	99,777	99,777	64,520	(35,257)
Total Revenues	**$ 113,889**	**$ 113,889**	**$ 82,080**	**$ (31,809)**
Expenditures				
Current				
Economic development				
Economic Development Commission	160,254	160,254	292,418	(132,164)
Excess of Revenues Over (Under) Expenditures	**$ (46,365)**	**$ (46,365)**	**$ (210,338)**	**$ (163,973)**
Other Financing Sources (Uses)				
Transfers in	110,254	110,254	110,254	-
Net Change in Fund Balance	**$ 63,889**	**$ 63,889**	**$ (100,084)**	**$ (163,973)**
Fund Balance - January 1	**1,095,485**	**1,095,485**	**1,095,485**	**-**
Fund Balance - December 31	**$ 1,159,374**	**$ 1,159,374**	**$ 995,401**	**$ (163,973)**

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

EXHIBIT A-6

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017**

Governmental Activities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2009	$ -	$ 257,659	$ 257,659	0.00%	$ 3,126,758	8.24%
January 1, 2012	-	314,837	314,837	0.00	3,270,214	9.63
January 1, 2015	-	455,512	455,512	0.00	3,435,123	13.26

Business-Type Activities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2009	$ -	$ 558,803	$ 558,803	0.00%	$ 4,327,814	12.91%
January 1, 2012	-	615,316	615,316	0.00	5,989,798	10.27
January 1, 2015	-	367,842	367,842	0.00	5,940,926	6.19

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Murray County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.1502%	$ 9,588,670	$ 120,582	$ 9,709,252	$ 9,677,297	99.08%	75.90%
2016	0.1608	13,056,162	170,623	13,226,785	10,577,661	123.43	68.91
2015	0.1597	8,276,482	N/A	8,276,482	9,971,624	83.00	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

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

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.067%	$ 904,580	$ 689,293	131.23%	85.43%
2016	0.071	2,849,354	685,787	415.49	63.88
2015	0.065	738,552	604,170	122.24	86.61

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

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT A-10

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	$ 112,457	$ 112,457	$ -	$ 694,179	16.20%
2016	111,020	111,020	-	685,306	16.20
2015	102,429	102,429	-	632,278	16.20

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

The notes to the required supplementary information are an integral part of these schedules.

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

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

Expenditure budgets were amended in the following fund:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 6,849,130	$ 450,000	$ 7,299,130

4. Excess of Expenditures Over Budget

The following individual funds had expenditures in excess of final budgets for the year ended December 31, 2017:

	Expenditures	Final Budget	Excess
Human Services Special Revenue Fund	$ 1,179,716	$ 1,178,782	$ 934
Ditch Special Revenue Fund	1,161,330	443,819	717,511
EDA Special Revenue Fund	292,418	160,254	132,164

5. Other Postemployment Benefits Funded Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero. See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

6. Other Postemployment Benefits - Significant Plan Provision and Actuarial Assumption Changes

2012

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

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

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

2015

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

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

- The mortality table was updated from the projection of RP 2000 rates to 2012 (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar mortality tables with MP-2015 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).

- The discount rate was changed from 4.50 percent to 4.00 percent.

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

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

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund Members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

7. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 354,572	$ 354,572	$ 337,671	$ (16,901)
Intergovernmental	-	-	17,177	17,177
Investment earnings	-	-	97	97
Total Revenues	**$ 354,572**	**$ 354,572**	**$ 354,945**	**$ 373**
Expenditures				
Current				
General government				
Other general government	$ -	$ -	$ 645	$ (645)
Debt service				
Principal	305,000	305,000	305,000	-
Interest	28,058	28,058	28,059	(1)
Administrative charges	500	500	495	5
Total Expenditures	**$ 333,558**	**$ 333,558**	**$ 334,199**	**$ (641)**
Net Change in Fund Balance	**$ 21,014**	**$ 21,014**	**$ 20,746**	**$ (268)**
Fund Balance - January 1	**353,379**	**353,379**	**353,379**	**-**
Fund Balance - December 31	**$ 374,393**	**$ 374,393**	**$ 374,125**	**$ (268)**

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FIDUCIARY FUNDS

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MURRAY COUNTY
SLAYTON, MINNESOTA

AGENCY FUNDS

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

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

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
LIME CREEK SUBORDINATE SERVICE DISTRICT				
Assets				
Cash and pooled investments	$ 8,524	$ 1,350	$ 3,071	$ 6,803
Accounts receivable	-	90	-	90
Total Assets	**$ 8,524**	**$ 1,440**	**$ 3,071**	**$ 6,893**
Liabilities				
Accounts payable	$ 722	$ 22	$ 722	$ 22
Customer deposits	7,802	2,162	3,093	6,871
Total Liabilities	**$ 8,524**	**$ 2,184**	**$ 3,815**	**$ 6,893**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 182,649**	**$ 17,320,137**	**$ 17,202,663**	**$ 300,123**
Liabilities				
Due to other governments	**$ 182,649**	**$ 17,320,137**	**$ 17,202,663**	**$ 300,123**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 191,173	$ 17,321,487	$ 17,205,734	$ 306,926
Accounts receivable	-	90	-	90
Total Assets	**$ 204,101**	**$ 17,321,577**	**$ 17,205,734**	**$ 307,016**
Liabilities				
Accounts payable	$ 722	$ 22	$ 722	$ 22
Customer deposits	7,802	2,162	3,093	6,871
Due to other governments	182,649	17,320,137	17,202,663	300,123
Total Liabilities	**$ 191,173**	**$ 17,322,321**	**$ 17,206,478**	**$ 307,016**

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OTHER SCHEDULE

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

		Governmental Funds
Appropriations and Shared Revenue		
State		
Highway users tax	$	4,765,417
Market value credit		299,575
PERA rate reimbursement		11,609
Disparity reduction aid		25,685
Police aid		92,370
County program aid		149,895
Local performance aid		1,166
Enhanced 911		79,559
Aquatic invasive species aid		89,569
Riparian aid		130,566
Select Committee on Recycling and the Environment (SCORE)		68,711
Total appropriations and shared revenue	**$**	**5,714,122**
Reimbursement for Services		
Local		
Red Rock Rural Water System	$	19,398
Townships		34,954
Total reimbursement for services	**$**	**54,352**
Payments		
Local		
Local grants	$	57,336
Payments in lieu of taxes		399,222
Total payments	**$**	**456,558**
Grants		
State		
Minnesota Department/Board/Office of		
Corrections	$	12,587
Natural Resources		40,653
Water and Soil Resources		45,649
Veterans Affairs		7,500
Historical Society		7,052
Peace Officer Standards and Training Board		4,451
Pollution Control Agency		51,854
Total state	**$**	**169,746**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

		Governmental Funds
Grants (Continued)		
Federal		
Department of		
Transportation	$	173,245
Homeland Security		22,538
Total federal	**$**	**195,783**
Total state and federal grants	**$**	**365,529**
Total Intergovernmental Revenue	**$**	**6,590,561**

SHETEK AREA WATER AND SEWER COMMISSION

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MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT E-1

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2017

<u>**Assets**</u>		
Current assets		
Special assessments receivable		
Current	$	444,301
Delinquent		3,148
Interest receivable - special assessments		2,508
Accounts receivable		64,893
Due from other governments		650
Inventory		49,911
Total current assets, unrestricted	**$**	**565,411**
Restricted assets		
Cash and pooled investments		414,166
Total current assets	**$**	**979,577**
Noncurrent assets		
Special assessments receivable	$	5,693,639
Capital assets		
Non-depreciable		386,046
Depreciable - net		11,842,458
Total noncurrent assets	**$**	**17,922,143**
Total Assets	**$**	**18,901,720**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT E-1
(Continued)

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Liabilities		
Current liabilities		
Accounts payable	$	25,289
Salaries payable		291
Due to other governments		1,727
Due to primary government		76,023
Accrued interest payable		42,570
Customer deposits		5,390
General obligation bonds payable - current		225,000
Revenue notes payable - current		545,000
Total current liabilities	**$**	**921,290**
Noncurrent liabilities		
General obligation bonds payable - long-term	$	2,365,000
Revenue notes payable - long-term		4,285,548
Total noncurrent liabilities	**$**	**6,650,548**
Total Liabilities	**$**	**7,571,838**
Net Position		
Net investment in capital assets	$	4,807,956
Restricted for		
Debt service		280,037
Wastewater system replacement		134,129
Unrestricted		6,107,760
Total Net Position	**$**	**11,329,882**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT E-2

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Revenues		
Sewer utility charges	$	429,634
Charges for services		625
Miscellaneous		24,931
Total Operating Revenues	**$**	**455,190**
Operating Expenses		
Personal services	$	6,710
Professional services		242,686
Other services and charges		86,356
Supplies		57,185
Insurance		4,871
Advertising		57
Depreciation		387,297
Total Operating Expenses	**$**	**785,162**
Operating Income (Loss)	**$**	**(329,972)**
Nonoperating Revenues (Expenses)		
Interest earnings	$	14,539
Administrative charges		(495)
Interest expense		(106,479)
Total Nonoperating Revenues (Expenses)	**$**	**(92,435)**
Income (Loss) Before Contributions	**$**	**(422,407)**
Capital contributions		216,825
Change in net position	**$**	**(205,582)**
Net Position - January 1		**11,535,464**
Net Position - December 31	**$**	**11,329,882**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT E-3

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities		
Cash received from customers	$	412,454
Cash paid to employees		(6,419)
Cash paid for supplies and professional services		(337,974)
Net cash provided by (used in) operating activities	**$**	**68,061**
Cash Flows from Noncapital Financing Activities		
Advance received from primary government	$	275,000
Advance repaid to primary government		(300,000)
Interest paid on advance		(223)
Net cash provided by (used in) noncapital financing activities	**$**	**(25,223)**
Cash Flows from Capital and Related Financing Activities		
Special assessments	$	820,336
Principal paid on long-term debt		(747,109)
Interest paid on bonds		(54,415)
Interest paid on revenue notes		(82,506)
Net cash provided by (used in) capital and related financing activities	**$**	**(63,694)**
Cash Flows from Investing Activities		
Investment earnings received	**$**	**1,366**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(19,490)**
Cash and Cash Equivalents at January 1		**433,656**
Cash and Cash Equivalents at December 31	**$**	**414,166**
Cash and Cash Equivalents - Exhibit E-1		
Restricted cash and pooled investments	**$**	**414,166**

MURRAY COUNTY
SLAYTON, MINNESOTA

EXHIBIT E-3
(Continued)

SHETEK AREA WATER AND SEWER COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(329,972)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	387,297
(Increase) decrease in accounts receivable		(43,886)
(Increase) decrease in inventory		31,520
Increase (decrease) in accounts payable		20,609
Increase (decrease) in due to other governments		639
Increase (decrease) in salaries payable		291
Increase (decrease) in customer deposits payable		1,563
Total adjustments	**$**	**398,033**
Net Cash Provided by (Used in) Operating Activities	**$**	**68,061**

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Management and Compliance Section

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MURRAY COUNTY

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Murray County
Slayton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 1, 2019. Our report includes a reference to other auditors who audited the financial statements of the Murray County Medical Center, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The results of our testing of the Shetek Area Water and Sewer Commission component unit's internal control over financial reporting and on compliance and other matters are reported on separately within this Management and Compliance Section.

Internal Control Over Financial Reporting

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

An Equal Opportunity Employer

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2015-001 to be a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Murray County's Response to Findings

Murray County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 1, 2019

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MURRAY COUNTY
SLAYTON, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-001

Audit Adjustments

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

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

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

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

General Fund

- Decreased transfers in by $1,015,000 and decreased transfers out by $1,115,000 to properly record transactions related to advances made to the Ditch Special Revenue Fund and the Shetek Area Water and Sewer Commission discretely presented component unit.

Ditch Special Revenue Fund

- Increased advances to other funds by $1,385,000, decreased advances from other funds by $865,000, decreased transfers in by $295,000, and decreased transfers out by $815,000 to properly record transactions related to advances made from the General Fund.

Congregate Housing Enterprise Fund

- Increased transfers in by $140,000 and increased the advance from other funds by $140,000 for amounts advanced from the General Fund to cover a deficit cash balance.

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

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

View of Responsible Official: Acknowledged

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2013-002

Publication of Financial Statements

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

Condition: The County did not publish the financial statements or a summary of the statements in a qualified form prescribed by the Office of the State Auditor for 2012, 2013, 2014, 2015, or 2016.

Context: In lieu of publishing the financial statements, the County posted on its website for a short time the audited financial statements for the years ended December 31, 2012, 2013, 2014, 2015, and 2016.

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

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

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

View of Responsible Official: Acknowledged

Finding Number 2014-001

<u>Publishing Claims Paid</u>

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

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

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

Effect: Noncompliance with Minn. Stat. § 375.12.

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

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

View of Responsible Official: Acknowledged

III. PREVIOUSLY REPORTED ITEMS RESOLVED

2016-001 Prior Period Adjustment
2016-002 Insufficient Special Assessments Levied for General Obligation Drainage Ditch Bonds, Series 2016A

Murray County Auditor/Treasurer
Heidi E. Winter
2500 28th Street - P.O. Box 57
Slayton, MN 56172-0057
Phone: 507-836-1152
Fax: 507-836-6114
hwinter@co.murray.mn.us

REPRESENTATION OF MURRAY COUNTY
SLAYTON, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2015-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Heidi E. Winter - County Auditor/Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

Ongoing

Finding Number: 2013-002
Finding Title: Publication of Financial Statements

Name of Contact Person Responsible for Corrective Action:

Heidi E. Winter - County Auditor/Treasurer and County Board

An Equal Opportunity Employer

EQUAL HOUSING OPPORTUNITY

Corrective Action Planned:

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

Anticipated Completion Date:

Ongoing

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

Name of Contact Person Responsible for Corrective Action:

Heidi E. Winter - County Auditor/Treasurer and County Board

Corrective Action Planned:

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

Anticipated Completion Date:

Ongoing

Murray County Auditor/Treasurer
Heidi E. Winter
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Phone: 507-836-1152
Fax: 507-836-6114
hwinter@co.murray.mn.us

REPRESENTATION OF MURRAY COUNTY
SLAYTON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2015-001
Finding Title: Audit Adjustments

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

Summary of Corrective Action Previously Reported: The County staff will review the end of the year closing procedures, trial balances, and journal entries in detail to ensure that all significant adjustments have been made according to generally accepted accounting principles.

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

Finding Number: 2016-001
Finding Title: Prior Period Adjustment

Summary of Condition: A prior period adjustment was identified that resulted in significant changes to the County's financial statements. The December 31, 2015, due from other funds in the General Fund and due to other funds in the Ditch Special Revenue Fund were understated as the result of recording an interfund transfer rather than an interfund loan.

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Summary of Corrective Action Previously Reported: County staff will review its financial statement closing procedures to ensure that accurate and complete information is presented according to generally accepted accounting principles.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2013-002
Finding Title: Publication of Financial Statements

Summary of Condition: The County did not publish the financial statements or a summary of the statements in a qualified form prescribed by the Office of the State Auditor for 2012, 2013, 2014, or 2015.

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

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

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

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

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

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

Finding Number: 2016-002
Finding Title: Insufficient Special Assessments Levied for General Obligation Drainage Ditch Bonds, Series 2016A

Summary of Condition: In 2016, Murray County issued $1,695,000 G.O. Ditch Bonds, Series 2016A, for County Ditch Nos. 35, 73, and 82 improvement projects. The corresponding special assessments approved are not sufficient to cover the bond principal, interest, and five percent excess.

Summary of Corrective Action Previously Reported: The County will continue to monitor the shortfall and will work with current fund balances, prepaid assessments, and/or levy dollars to cover any shortfall necessary.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

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SHETEK AREA WATER AND SEWER COMMISSION

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

Independent Auditor's Report

Board of Commissioners
Shetek Area Water and Sewer Commission
Slayton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Murray County, Minnesota, which include as supplementary information, the financial statements of the Shetek Area Water and Sewer Commission, a discretely presented component unit, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 1, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Water and

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Sewer Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the Shetek Area Water and Sewer Commission failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Water and Sewer Commission's noncompliance with the above referenced provisions.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 1, 2019