

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SIBLEY COUNTY
GAYLORD, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

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 160 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 730 public pension funds; and

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

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

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Year Ended December 31, 2008



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2008**

Office	Name	Term	
		From	To
Commissioners			
1st District	Leo "Lee" Anderly	January 2003	January 2011
2nd District	William "Bill" Pinske	January 2003	January 2009
3rd District	Leo Bauer*	January 1991	January 2009
4th District	Charles Woehler**	January 1993	January 2011
5th District	Harold Pettis	January 1999	January 2011
Officers			
Elected			
Attorney	David Schauer	February 1988	January 2011
Auditor	Lisa Pfarr	January 1999	January 2011
Recorder	Kathy Dietz	February 2005	January 2011
Registrar of Titles	Kathy Dietz	February 2005	January 2011
Sheriff	Bruce Ponath	January 2003	January 2011
Treasurer	Mary Fisher	January 1999	January 2011
Appointed			
Assessor	Calvin Roberts	November 1978	December 2012
Medical Examiner	Janis Amatuzio, M.D.	January 2006	January 2011
Public Works Director	Darin Mielke	March 2005	April 2010
Surveyor	LeRoy Grewe	November 1978	January 2011
Veterans Services Officer	Lisa Klenk	August 2008	August 2012
Court Administrator	Karen Messner (State)		Indefinite
Court Services Director	Mary Karl (State)		Indefinite
Environmental Services Director	Jeffrey Majeski		Indefinite
Examiner of Titles	Ross Arneson		Indefinite
Emergency Management Director	Tom Phillips		Indefinite
Extension/Economic Development Director	Tim Dolan		Indefinite
Human Resources Director	Roseann Nagel		Indefinite
Human Services Director	Vicki Stock		Indefinite
Information Service Director	Beth Wilson		Indefinite
Public Health Director	Alethea Freidrichs		Indefinite

*Chair

**Vice Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sibley County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sibley County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3.C.5. to the financial statements, during the year ended December 31, 2008, Sibley County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The required supplementary information, as listed in the table of contents, and the Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Sibley County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Sibley County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of Sibley County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(Unaudited)**

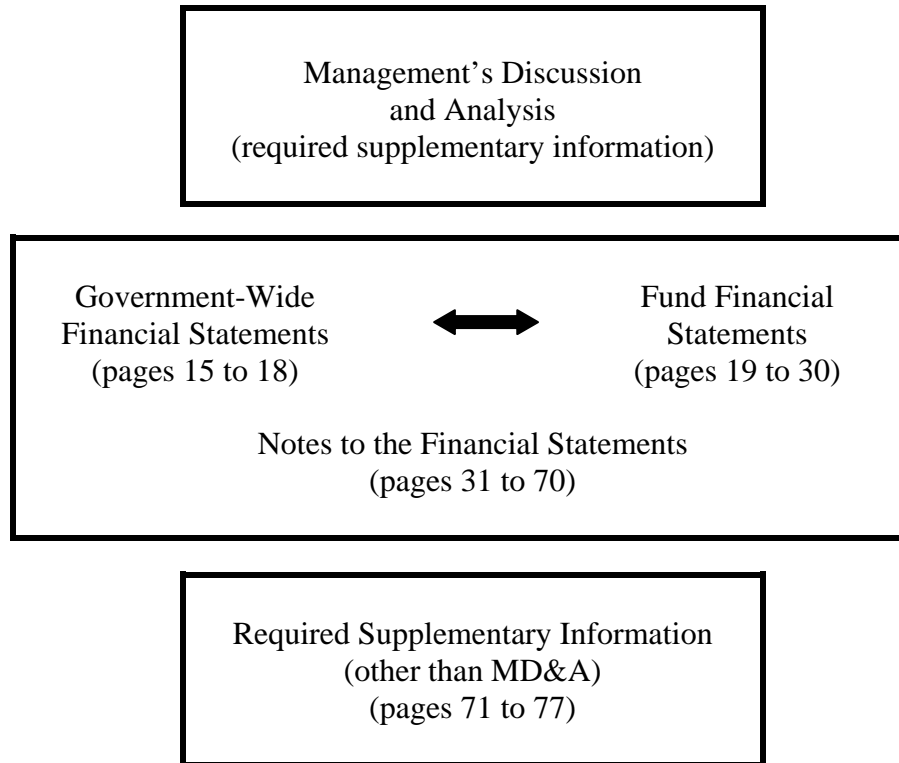
The financial management of Sibley County offers the readers of Sibley County's financial statements this narrative overview and analysis of the financial activity of Sibley County for the year ended December 31, 2008. We encourage our readers to consider the information presented here in combination with additional information that we have provided in our notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Sibley County's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$57,649,410, of which \$39,728,591 is invested in capital assets, net of related debt, and \$2,784,398 is restricted for specific purposes.
- Sibley County's governmental activities' net assets increased by \$2,385,268 in 2008. This increase can be attributed to additional capital assets and budgeted savings from operations.
- At the close of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$17,650,536. Of that amount, \$13,796,184, or 78.163 percent, is available for spending at the discretion of the County Board (unreserved fund balance). Of the total unreserved fund balance, \$11,368,982, or 82.407 percent, has been designated for a specific purpose by the County Board.
- At the close of 2008, the unreserved fund balance for the General Fund was \$7,291,100, or 86.640 percent, of the total General Fund expenditures. This amount is available for 2009 budgeting purposes.
- The net cost of governmental activities in 2008 increased by \$1,436,696 to \$9,251,534 from the previous year. The net cost was funded by general revenues totaling \$11,636,802.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion & Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. Sibley County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.



There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a long-term view of the County's finances. Fund financial statements start with Exhibit 3. For governmental activities, fund statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Sibley County's finances in a manner that is similar to a private-sector business.

The Statement of Net Assets (Exhibit 1) presents information on all of Sibley County's assets and liabilities. The difference of these two items is called net assets. Over time, an increase or decrease in net assets may serve as a useful indicator of whether the financial position of Sibley County has improved or deteriorated.

The Statement of Activities (Exhibit 2) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. For that reason, some revenues and/or expenses reported in this statement are for items that will result in cash flows in future periods (delinquent taxes and earned but unused vacation and severance leave).

Fund Financial Statements

The analysis of the County's major funds begins with Exhibit 3. The 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 and 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 - The County's basic services are reported in governmental funds, which focus on the flow of money in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.

Reporting the County's Fiduciary Responsibilities

Fiduciary Funds - The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on Exhibits 7 and 8. These activities are excluded from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

A useful tool for analyzing financial statements is by comparing information from the previous years. In the case of Sibley County, assets exceeded liabilities by \$57,649,410 at the close of the current fiscal year. Table I shows a two-year net asset comparison.

Table I
Net Assets

	2008	2007 (Restated)	\$ Change	% Change
Current and noncurrent assets	\$ 21,954,867	\$ 23,948,717	\$ (1,993,850)	(8.326)
Capital assets	42,610,940	41,413,356	1,197,584	2.892
Total Assets	\$ 64,565,807	\$ 65,362,073	\$ (796,266)	(1.218)
Long-term debt outstanding	\$ 4,872,129	\$ 8,886,903	\$ (4,014,774)	(45.176)
Other liabilities	2,044,268	1,211,028	833,240	68.804
Total Liabilities	\$ 6,916,397	\$ 10,097,931	\$ (3,181,534)	(31.507)
Net Assets				
Invested in capital assets, net of related debt	\$ 39,728,591	\$ 38,107,467	\$ 1,621,124	4.254
Restricted	2,784,398	2,177,964	606,434	27.844
Unrestricted	15,136,421	14,978,711	157,710	1.052
Total Net Assets	\$ 57,649,410	\$ 55,264,142	\$ 2,385,268	4.316

Capital assets - net of related debt (land, building, machinery and equipment, improvements other than buildings, and construction in progress, less any related debt used to acquire these assets still outstanding) at the end of the current fiscal year were \$39,728,591. This represents 68.914 percent of total net assets. Sibley County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, though, that these assets are reported net of related debt, and other resources are needed to repay this debt, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional part of Sibley County's net assets represents resources/assets subject to external restrictions on how they may be used. At the end of the current fiscal year, the County's restricted assets were \$2,784,398; this is a \$606,434 increase from 2007. The remaining unrestricted net assets of \$15,136,421 may be used to meet the County's ongoing obligations to citizens and creditors.

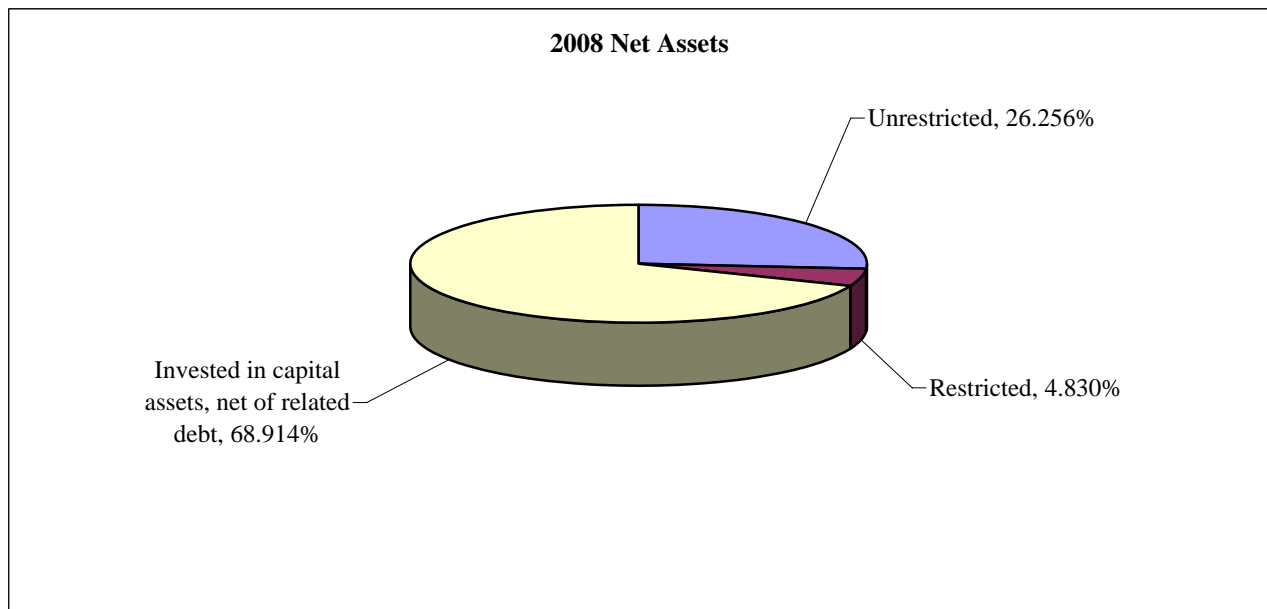
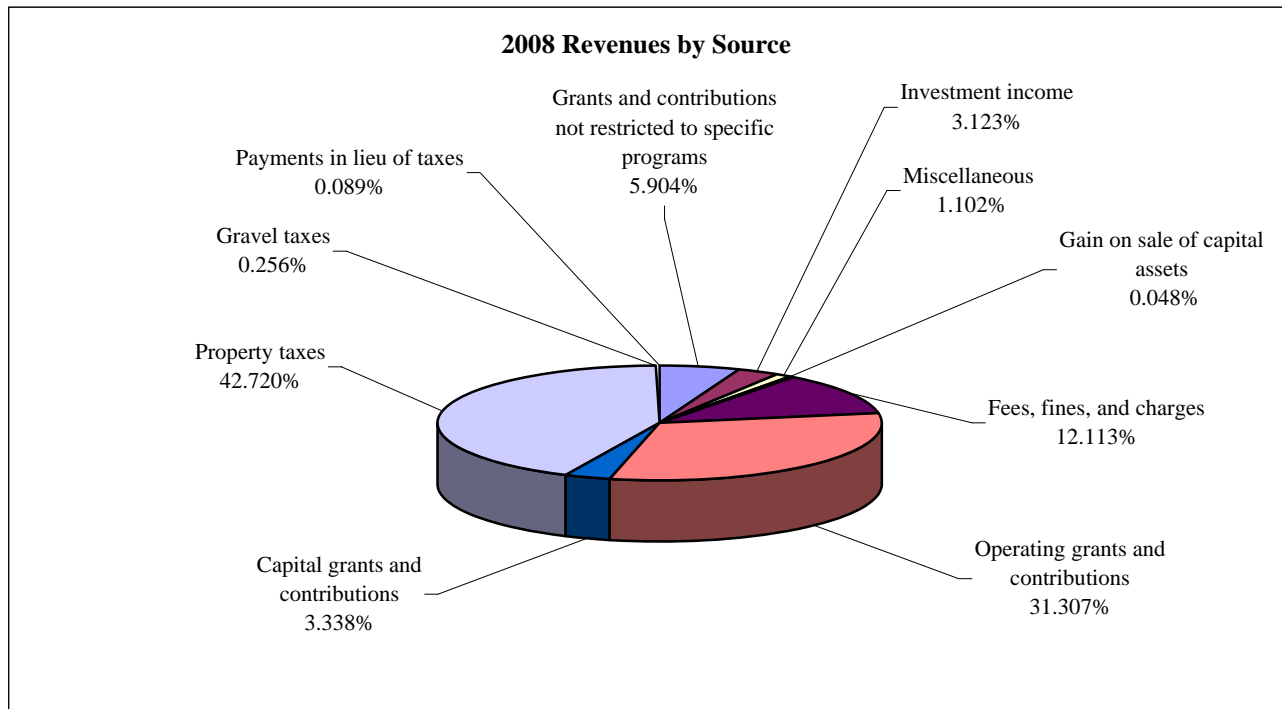
Sibley County's net assets increased \$2,385,268, or 4.316 percent, from 2007; this increase can be attributed to an increase in infrastructure (roads and bridges) of about \$2.2 million as well as budget savings from the three major funds. Table II illustrates the change in net assets.

Table II
Change in Net Assets

	2008	2007 (Restated)	\$ Change	% Change
Revenues				
Program revenues				
Fees, fines, and charges	\$ 2,647,590	\$ 2,796,179	\$ (148,589)	(5.314)
Operating grants and Contributions	6,842,709	4,785,919	2,056,790	42.976
Capital grants and contributions	729,522	2,274,103	(1,544,581)	(67.921)
General revenues				
Property taxes	9,337,163	8,756,121	581,042	6.636
Gravel taxes	55,921	53,529	2,392	4.469
Payments in lieu of tax	19,386	19,408	(22)	(0.113)
Grants and contributions not restricted to specific programs	1,290,342	1,525,816	(235,474)	(15.433)
Investment income	682,599	947,170	(264,571)	(27.933)
Miscellaneous	240,833	333,175	(92,342)	(27.716)
Gain on sale of capital assets	10,558	21,246	(10,688)	(50.306)
Total Revenues	\$ 21,856,623	\$ 21,512,666	\$ 343,957	1.599
Expenses				
Governmental activities				
General government	\$ 3,606,664	\$ 3,250,450	\$ 356,214	10.959
Public safety	2,347,585	2,322,692	24,893	1.071
Highways and streets	5,593,235	4,299,168	1,294,067	30.100
Sanitation	412,008	479,583	(67,575)	(14.090)
Human services	4,236,073	3,955,769	280,304	7.086
Health	1,642,488	1,553,295	89,193	5.742
Culture and recreation	303,930	307,549	(3,619)	(1.177)
Conservation of natural resources	931,144	972,486	(41,342)	(4.251)
Economic development	212,815	194,557	18,258	9.384
Interest	185,413	335,491	(150,078)	(44.734)
Total Expenses	\$ 19,471,355	\$ 17,671,040	\$ 1,800,315	10.188
Increase (Decrease) in Net Assets	\$ 2,385,268	\$ 3,841,626	\$ (1,456,358)	(37.910)
Net Assets - Beginning January 1, Restated	55,264,142	51,422,516	3,841,626	7.471
Net Assets - Ending December 31	<u>\$ 57,649,410</u>	<u>\$ 55,264,142</u>	<u>\$ 2,385,268</u>	4.316

The County's expenses increased \$1,800,315, or 10.188 percent, from 2007. This increase is a result of increased spending on highways and streets, general government, and human services. Sibley County expects highway and street expenses to increase for fiscal year 2009.

The following tables represent the 2008 revenues by revenue source and net assets.



GOVERNMENTAL ACTIVITIES

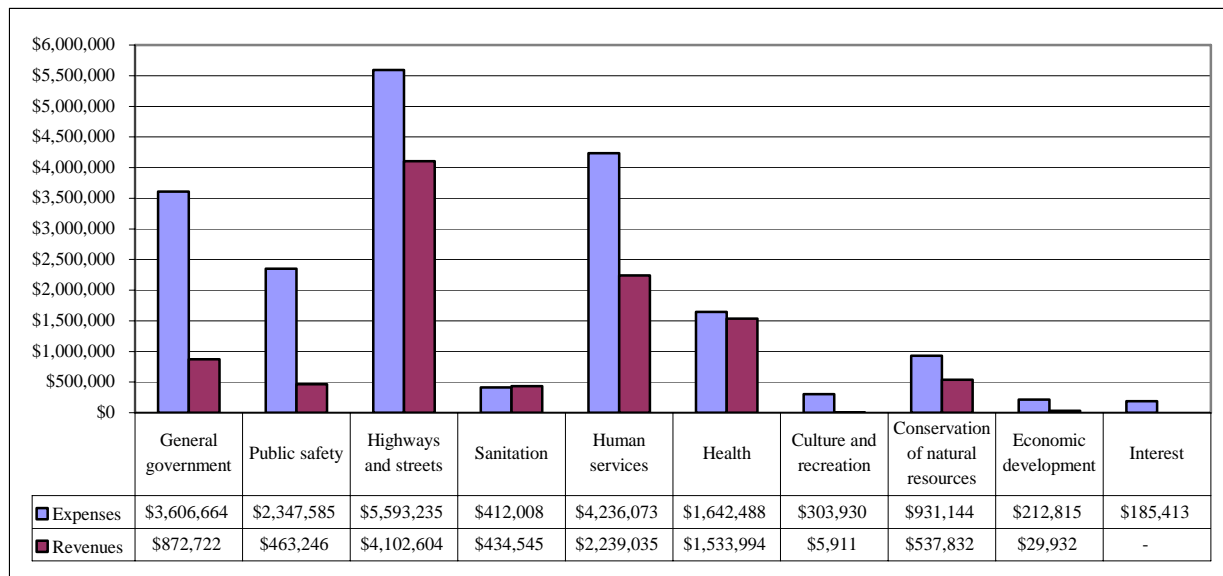
As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was only \$9,251,534 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating or capital grants and contributions.

Table III represents the cost of each of the County's program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table III
Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007 (Restated)	\$ Change	2008	2007 (Restated)	\$ Change
Expenses						
Governmental activities						
General government	\$ 3,606,664	\$ 3,250,450	\$ 356,214	\$ 2,733,942	\$ 2,434,671	\$ 299,271
Public safety	2,347,585	2,322,692	24,893	1,884,339	1,730,283	154,056
Highways and streets	5,593,235	4,299,168	1,294,067	1,490,631	369,807	1,120,824
Sanitation	412,008	479,583	(67,575)	(22,537)	(5,195)	(17,342)
Human services	4,236,073	3,955,769	280,304	1,997,038	2,098,457	(101,419)
Health	1,642,488	1,553,295	89,193	108,494	120,638	(12,144)
Culture and recreation	303,930	307,549	(3,619)	298,019	254,236	43,783
Conservation of natural resources	931,144	972,486	(41,342)	393,312	311,332	81,980
Economic development	212,815	194,557	18,258	182,883	165,479	17,404
Interest	185,413	335,491	(150,078)	185,413	335,491	(150,078)
Total Expenses	<u>\$ 19,471,355</u>	<u>\$ 17,671,040</u>	<u>\$ 1,800,315</u>	<u>\$ 9,251,534</u>	<u>\$ 7,815,199</u>	<u>\$ 1,436,335</u>

2008 Cost and Program Revenues



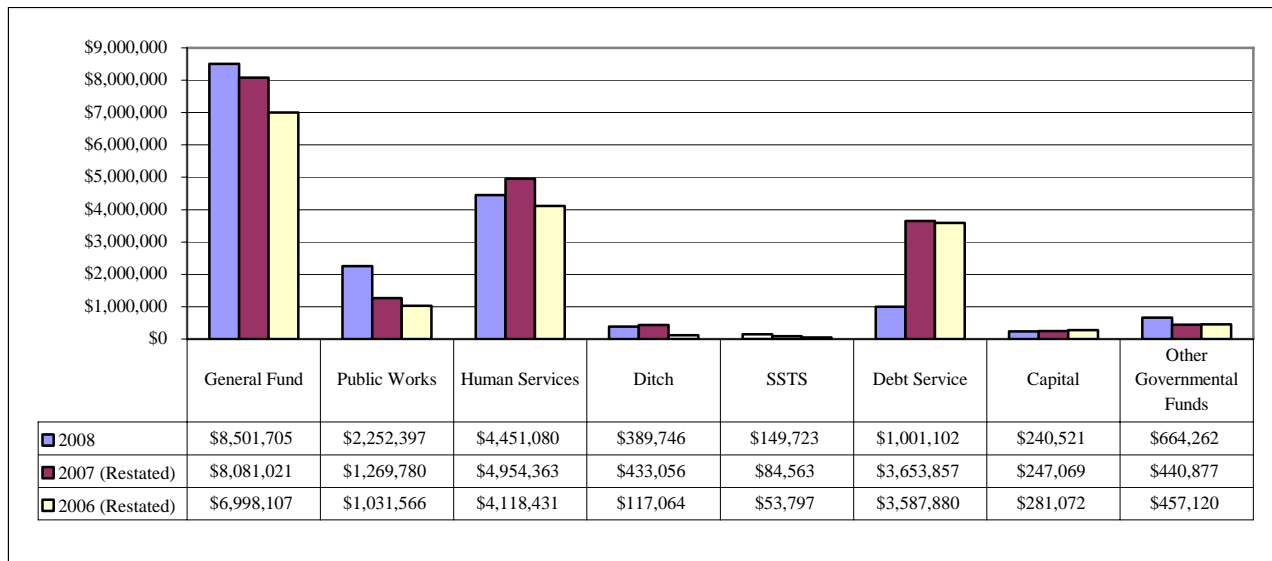
THE COUNTY'S FUNDS

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

Sibley County reports seven major funds and four nonmajor governmental funds. The major funds are: General Fund, Public Works Special Revenue, Human Services Special Revenue, Ditch Special Revenue, Sub-Surface Sewage Treatment System Loans Special Revenue, Debt Service, and Capital Projects.

As of the end of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$17,650,536. This is a decrease of \$1,524,538 in comparison to the prior fiscal year. Of the \$17,650,536 total fund balances, \$13,796,184 constitutes unreserved fund balances, which are available for spending at the government's discretion. Of the \$13,796,184, \$11,368,982 has been designated to be spent on a specific purpose/project by the County Board. The remaining \$3,854,352 fund balance is reserved for specific purposes and programs and is not available for new spending.

Governmental Funds - Fund Balance



The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unreserved fund balance of the General Fund was \$7,291,100 (85.760 percent), and reserved fund balance was \$1,210,605 (14.240 percent). As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 86.640 percent of the total General Fund expenditures, while total fund balance represents 101.025 percent of that same amount.

The Public Works Special Revenue Fund had a total fund balance of \$2,252,397 at the end of 2008. The increase of \$982,617 is in part due to the increased intergovernmental revenue from the state as well as plans to improve cash flows.

The Human Services Special Revenue Fund had a total fund balance of \$4,451,080 at the end of the current fiscal year. This decrease of \$503,283 is due to a \$444,042 distribution of equity to South Country Health Alliance and budgeted use of fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual revenues exceeded budgeted revenues by \$106,648, and actual expenditures were less than expected by \$1,156,760.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table IV illustrates a two-year comparison on the County's capital assets (net of depreciation).

Table IV
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities			% Change
	2008	2007	\$ Change	
Land	\$ 1,362,488	\$ 1,322,147	\$ 40,341	3.051
Construction in progress	206,322	-	206,322	100.000
Infrastructure	33,479,039	32,298,672	1,180,367	3.655
Buildings	5,509,472	5,629,830	(120,358)	(2.138)
Machinery, furniture, vehicles, and equipment	2,032,608	2,139,001	(106,393)	(4.974)
Improvements other than buildings	21,011	23,706	(2,695)	(11.368)
Total Capital Assets	<u>\$ 42,610,940</u>	<u>\$ 41,413,356</u>	<u>\$ 1,197,584</u>	2.892

The County's investment in capital assets for its governmental activities as of December 31, 2008, was \$42,610,940 (net of accumulated depreciation). This investment in capital assets includes a broad range of capital assets including, but not limited to, land, buildings, highways and streets, furniture, and equipment. The total increase in the County's investment in capital assets, net of accumulated depreciation for the current fiscal year was 2.892 percent, or \$1,197,584. The most significant increase in capital assets was in the area of infrastructure. The 2008 increase amounted to about \$1.18 million, about 3.655 percent.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$5,640,591 versus \$8,412,209 last year--a decrease of 32.948 percent--as shown in Table V.

Table V
Outstanding Debt at Year-End

	2008	2007	\$ Change
Bonds payable			
General obligation capital improvement bonds	\$ 2,925,000	\$ 5,925,000	\$ (3,000,000)
Special assessment debt with governmental commitment	845,000	920,000	(75,000)
Revenue notes	103,300	103,300	-
Less: unamortized discounts	(42,642)	(42,965)	323
Total bonds and notes payable	\$ 3,830,658	\$ 6,905,335	\$ (3,074,677)
Promissory notes	789,058	561,489	227,569
Compensated absences	980,154	945,385	34,769
Net OPEB obligation	40,721	-	40,721
Long-Term Liabilities	<u>\$ 5,640,591</u>	<u>\$ 8,412,209</u>	<u>\$ (2,771,618)</u>

The County maintains a general obligation bond rating of “A3”. This rating is assigned by national rating agencies. The state limits the amount of net debt counties can issue to three percent of the total taxable market value of all property. In 2008, the taxable market value was \$1,908,603,400, and in 2007, the amount was \$1,774,703,300. The County’s outstanding net debt of \$5,640,591 is significantly below the state-imposed limit of \$38,172,068.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$35,191 outstanding at year-end compared with \$66,911 last year.

In 2008, the County refunded a G.O. Capital Improvement Bond, Series 2005A, in the amount of \$2,680,000.

Starting in 2008, Sibley County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The County has an actuarial accrued liability of \$439,762; of that amount, the net OPEB obligation is \$40,721 a year, and a \$17,117 contribution was made as a pay-as-you-go financing requirement. The County has no intention to establish a trust fund or fund the accrued liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2009 budget and the tax rates and fees that will be charged for government services.

- State aid from the State of Minnesota has been reduced dramatically over the past several years. The potential for more 2009 state aid cuts with little mandate relief will put significant pressure on Sibley County's 2009 budget and beyond.
- For fiscal year 2009, Sibley County's total taxable market value is \$2,018,265,400. This is an increase of \$109,662,000, or 5.746 percent, over the 2008 total taxable market value of \$1,908,603,400. This increase is a result of the County Sales Ratio Study conducted by the Sibley County Assessor's Office. These studies are used to update market values on a yearly basis and are based on actual land transactions in the County from year to year.
- The unemployment rate for Sibley County is currently 6.5 percent. Sibley County's unemployment rate is about the same percentage as the state unemployment rate of 7.6 percent.
- On December 23, 2008, the Sibley County Board of Commissioners approved the 2009 budget for \$24,876,139. The 2009 total levy is \$11,209,472, and the total net tax levy was \$10,541,453, which is an increase of \$405,162 compared to the 2008 levy of \$10,136,291. The 2009 budget includes a 4.00 percent overall property tax levy increase.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Office of the Sibley County Auditor, Sibley County Courthouse, 400 Court Avenue, P. O. Box 171, Gaylord, Minnesota 55334, or you can visit our website at www.co.sibley.mn.us.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Sibley County Library System Component Unit</u>
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 16,166,424	\$ 76,531
Petty cash and change funds	6,150	20
Departmental cash	48,197	141
Cash with fiscal agent	639,557	-
Investments	-	2,262
Taxes receivable		
Prior - net	177,224	-
Special assessments receivable		
Prior - net	9,772	-
Noncurrent - net	2,022,584	-
Accounts receivable - net	93,958	390
Accrued interest receivable	237,551	-
Due from other governments	814,305	35,532
Loans receivable	167,055	-
Inventories	743,752	-
Prepaid items	22,538	718
Noncurrent assets		
Advance to other governments	190,370	-
Deferred charges	27,681	-
Long-term receivables	133,450	-
Investment in joint venture	454,299	-
Capital assets		
Non-depreciable	1,568,810	-
Depreciable - net of accumulated depreciation	41,042,130	-
Total Assets	\$ 64,565,807	\$ 115,594

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Sibley County Library System Component Unit</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 462,954	\$ 5,963
Salaries payable	382,862	15,622
Due to other governments	341,489	17,951
Accrued interest payable	53,310	-
Claims payable	35,191	-
Compensated absences payable - current	264,642	9,595
General obligation bonds payable - current	395,000	-
General obligation special assessment debt payable - current	60,000	-
General obligation promissory notes payable - current	48,820	-
Noncurrent liabilities		
Compensated absences payable	715,512	25,941
General obligation bonds payable	2,487,358	-
General obligation special assessment debt payable	785,000	-
Revenue notes payable	103,300	-
General obligation promissory notes payable	740,238	-
Net OPEB obligation	40,721	-
	<hr/>	<hr/>
Total Liabilities	\$ 6,916,397	\$ 75,072
	<hr/>	<hr/>
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 39,728,591	\$ -
Restricted for		
General government	376,493	-
Public safety	428,412	-
Highways and streets	84,048	-
Culture and recreation	60,220	-
Sanitation	149,723	-
Conservation of natural resources	421,866	-
Economic development	75,323	-
Capital projects	240,521	-
Debt service	947,792	-
Unrestricted	15,136,421	40,522
	<hr/>	<hr/>
Total Net Assets	\$ 57,649,410	\$ 40,522
	<hr/>	<hr/>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 3,606,664	\$ 771,197
Public safety	2,347,585	240,800
Highways and streets	5,593,235	104,649
Sanitation	412,008	434,545
Human services	4,236,073	232,634
Health	1,642,488	428,396
Culture and recreation	303,930	911
Conservation of natural resources	931,144	415,867
Economic development	212,815	18,591
Interest	185,413	-
Total	<u>\$ 19,471,355</u>	<u>\$ 2,647,590</u>
Component Unit		
Sibley County Library System	<u>\$ 470,155</u>	<u>\$ 177,645</u>

General Revenues

Property taxes
Gravel taxes
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net assets

Net Assets - Beginning, as restated (Notes 1.F. and 6.B.)

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Sibley County Library System Component Unit
\$ 101,525	\$ -	\$ (2,733,942)	
222,446	-	(1,884,339)	
3,268,433	729,522	(1,490,631)	
-	-	22,537	
2,006,401	-	(1,997,038)	
1,105,598	-	(108,494)	
5,000	-	(298,019)	
121,965	-	(393,312)	
11,341	-	(182,883)	
-	-	(185,413)	
\$ 6,842,709	\$ 729,522	\$ (9,251,534)	
\$ 283,128	\$ -		\$ (9,382)
		\$ 9,337,163	\$ -
		55,921	-
		19,386	-
		1,290,342	-
		682,599	-
		240,833	1,459
		10,558	-
		\$ 11,636,802	\$ 1,459
		\$ 2,385,268	\$ (7,923)
		55,264,142	48,445
		\$ 57,649,410	\$ 40,522

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 7,705,879	\$ 1,497,940	\$ 4,658,001
Petty cash and change funds	6,150	-	-
Departmental cash	48,026	171	-
Cash with fiscal agent	639,557	-	-
Taxes receivable			
Delinquent	87,313	46,336	33,392
Special assessments receivable			
Delinquent	6,613	-	-
Noncurrent	-	-	-
Accounts receivable	15,682	22,540	11,520
Accrued interest receivable	237,551	-	-
Due from other funds	170	6,116	677
Due from other governments	110,336	483,736	177,009
Loans receivable	-	-	-
Inventories	-	743,752	-
Prepaid items	21,660	441	419
Advances to other governments	190,370	-	-
Long-term receivables	133,450	-	-
Total Assets	<u>\$ 9,202,757</u>	<u>\$ 2,801,032</u>	<u>\$ 4,881,018</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 138,821	\$ 117,254	\$ 174,882
Salaries payable	218,600	81,103	79,344
Due to other funds	6,678	-	170
Due to other governments	131,499	34,220	142,150
Deferred revenue - unavailable	170,263	316,058	33,392
Claims payable	35,191	-	-
Total Liabilities	<u>\$ 701,052</u>	<u>\$ 548,635</u>	<u>\$ 429,938</u>

EXHIBIT 3

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 385,038	\$ 164,427	\$ 1,001,102	\$ 243,742	\$ 510,295	\$ 16,166,424
-	-	-	-	-	6,150
-	-	-	-	-	48,197
-	-	-	-	-	639,557
-	-	10,183	-	-	177,224
675	2,484	-	-	-	9,772
1,250,614	771,970	-	-	-	2,022,584
44,216	-	-	-	-	93,958
-	-	-	-	-	237,551
-	-	-	-	-	6,963
30,274	12,950	-	-	-	814,305
-	-	-	-	167,055	167,055
-	-	-	-	-	743,752
-	-	-	-	18	22,538
-	-	-	-	-	190,370
-	-	-	-	-	133,450
\$ 1,710,817	\$ 951,831	\$ 1,011,285	\$ 243,742	\$ 677,368	\$ 21,479,850
\$ 7,101	\$ 12,950	\$ -	\$ 3,221	\$ 8,725	\$ 462,954
-	-	-	-	3,815	382,862
84	-	-	-	31	6,963
18,381	14,704	-	-	535	341,489
1,295,505	774,454	10,183	-	-	2,599,855
-	-	-	-	-	35,191
\$ 1,321,071	\$ 802,108	\$ 10,183	\$ 3,221	\$ 13,106	\$ 3,829,314

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
<u>Liabilities and Fund Balances</u> (Continued)			
Fund Balances			
Reserved for			
Prepaid items	\$ 21,660	\$ 441	\$ 419
Law library	35,219	-	-
Recorder's equipment	99,850	-	-
Juvenile restitution	13,941	-	-
Inventories	-	743,752	-
Gravel pit closure	-	84,048	-
Advances to other governments	190,370	-	-
Loans receivable	-	-	-
Economic development revolving loans receivable	133,450	-	-
Sheriff's contingency	9,857	-	-
Conceal and carry	5,208	-	-
Alcohol education	21,829	-	-
Land records technology	46,428	-	-
Economic development revolving loan fund	-	-	-
Attorney's forfeited property	29,763	-	-
County parks improvements	60,220	-	-
Check diversion	255	-	-
HAVA grant	41,411	-	-
Enhanced 911	315,657	-	-
Traffic diversion	75,606	-	-
Public transit	109,881	-	-
Water projects	-	-	-
Debt service	-	-	-
Sub-surface sewage treatment system loan program	-	-	-
Federal lands	-	-	-
Unreserved			
Designated for capital improvement	40,000	-	-
Designated for cash flows	4,817,748	882,852	4,417,955
Designated for petty cash and change funds	6,150	-	-
Designated for future road projects	-	51,471	-
Designated for capital equipment	-	489,833	-
Designated for South Country Health Alliance program interpreter	-	-	32,706
Undesignated	2,427,202	-	-
Total Fund Balances	\$ 8,501,705	\$ 2,252,397	\$ 4,451,080
Total Liabilities and Fund Balances	\$ 9,202,757	\$ 2,801,032	\$ 4,881,018

EXHIBIT 3
(Continued)

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 18	\$ 22,538
-	-	-	-	-	35,219
-	-	-	-	-	99,850
-	-	-	-	-	13,941
-	-	-	-	-	743,752
-	-	-	-	-	84,048
-	-	-	-	-	190,370
-	-	-	-	167,055	167,055
-	-	-	-	-	133,450
-	-	-	-	-	9,857
-	-	-	-	-	5,208
-	-	-	-	-	21,829
-	-	-	-	-	46,428
-	-	-	-	75,323	75,323
-	-	-	-	-	29,763
-	-	-	-	-	60,220
-	-	-	-	-	255
-	-	-	-	-	41,411
-	-	-	-	-	315,657
-	-	-	-	-	75,606
-	-	-	-	-	109,881
-	-	-	-	340,949	340,949
-	-	1,001,102	-	-	1,001,102
-	149,723	-	-	-	149,723
-	-	-	-	80,917	80,917
-	-	-	240,521	-	280,521
389,746	-	-	-	-	10,508,301
-	-	-	-	-	6,150
-	-	-	-	-	51,471
-	-	-	-	-	489,833
-	-	-	-	-	32,706
-	-	-	-	-	2,427,202
\$ 389,746	\$ 149,723	\$ 1,001,102	\$ 240,521	\$ 664,262	\$ 17,650,536
\$ 1,710,817	\$ 951,831	\$ 1,011,285	\$ 243,742	\$ 677,368	\$ 21,479,850

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balance - total governmental funds (Exhibit 3)	\$ 17,650,536
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Amounts reported for governmental activities in the statement of net assets 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.	42,610,940
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Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.	454,299
--	---------

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	2,599,855
---	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:

General obligation bonds, net of discounts	\$ (3,727,358)	
Revenue notes payable	(103,300)	
General obligation promissory notes	(789,058)	
Compensated absences	(980,154)	
Net OPEB obligation	(40,721)	
Accrued interest payable	(53,310)	
Deferred debt issuance charges	27,681	
	(5,666,220)	(5,666,220)

Net Assets of Governmental Activities (Exhibit 1)	<u><u>\$ 57,649,410</u></u>
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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 4,628,955	\$ 2,568,586	\$ 1,676,819
Special assessments	132,610	-	-
Licenses and permits	48,931	-	-
Intergovernmental	1,863,712	4,708,788	2,240,987
Charges for services	1,348,153	104,452	50,867
Fines and forfeits	21,043	-	-
Gifts and contributions	3,709	-	-
Investment earnings	627,873	-	-
Miscellaneous	350,186	80,691	181,767
Total Revenues	<u>\$ 9,025,172</u>	<u>\$ 7,462,517</u>	<u>\$ 4,150,440</u>
Expenditures			
Current			
General government	\$ 3,309,556	\$ -	\$ -
Public safety	2,281,487	-	-
Highways and streets	-	6,489,846	-
Sanitation	127,769	-	-
Human services	-	-	4,334,539
Health	1,624,340	-	-
Culture and recreation	329,551	-	-
Conservation of natural resources	398,202	-	-
Economic development	212,815	-	-
Capital outlay	131,655	290,932	34,609
Intergovernmental	-	207,728	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	<u>\$ 8,415,375</u>	<u>\$ 6,988,506</u>	<u>\$ 4,369,148</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 609,797</u>	<u>\$ 474,011</u>	<u>\$ (218,708)</u>

EXHIBIT 5

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 469,192	\$ -	\$ -	\$ 9,343,552
384,150	129,596	-	-	-	646,356
-	-	-	-	-	48,931
-	-	42,099	-	363,783	9,219,369
32,975	-	-	-	460	1,536,907
-	-	-	-	-	21,043
-	-	-	-	19,600	23,309
-	-	11,417	-	4,167	643,457
877	-	826	-	11,908	626,255
\$ 418,002	\$ 129,596	\$ 523,534	\$ -	\$ 399,918	\$ 22,109,179
\$ -	\$ -	\$ -	\$ 6,548	\$ -	\$ 3,316,104
-	-	-	-	-	2,281,487
-	-	-	-	-	6,489,846
-	284,239	-	-	-	412,008
-	-	-	-	-	4,334,539
-	-	-	-	-	1,624,340
-	-	-	-	-	329,551
339,968	-	-	-	176,533	914,703
-	-	-	-	-	212,815
-	-	-	-	-	457,196
-	-	-	-	-	207,728
75,000	35,927	460,000	-	-	570,927
44,899	7,766	174,657	-	-	227,322
1,445	-	1,632	-	-	3,077
\$ 461,312	\$ 327,932	\$ 636,289	\$ 6,548	\$ 176,533	\$ 21,381,643
\$ (43,310)	\$ (198,336)	\$ (112,755)	\$ (6,548)	\$ 223,385	\$ 727,536

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 15,575	\$ 508,199	\$ 25,591
Transfers out	(239,199)	-	(310,166)
General obligation promissory notes	-	-	-
Payment to refunded bond escrow agent	-	-	-
Proceeds from the sale of capital assets	34,511	2,001	-
	<u>34,511</u>	<u>2,001</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ (189,113)</u>	<u>\$ 510,200</u>	<u>\$ (284,575)</u>
Net Change in Fund Balance	<u>\$ 420,684</u>	<u>\$ 984,211</u>	<u>\$ (503,283)</u>
Fund Balance - January 1 (Note 1.F.)	8,081,021	1,269,780	4,954,363
Increase (decrease) in reserved for inventories	<u>-</u>	<u>(1,594)</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 8,501,705</u></u>	<u><u>\$ 2,252,397</u></u>	<u><u>\$ 4,451,080</u></u>

EXHIBIT 5
(Continued)

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,365
-	-	-	-	-	(549,365)
-	263,496	-	-	-	263,496
-	-	(2,540,000)	-	-	(2,540,000)
-	-	-	-	-	36,512
\$ -	\$ 263,496	\$ (2,540,000)	\$ -	\$ -	\$ (2,239,992)
\$ (43,310)	\$ 65,160	\$ (2,652,755)	\$ (6,548)	\$ 223,385	\$ (1,512,456)
433,056	84,563	3,653,857	247,069	440,877	19,164,586
-	-	-	-	-	(1,594)
\$ 389,746	\$ 149,723	\$ 1,001,102	\$ 240,521	\$ 664,262	\$ 17,650,536

**SIBLEY COUNTY
GAYLORD, 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, 2008**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (1,512,456)

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, distributions of joint venture equity interest are reported as revenue. In the statement of net assets, an asset is reported for the equity interest, and distributions, increases, and decreases in joint venture equity are reported in the statement of activities. The adjustment is the increase or decrease in equity in the joint venture. 128,732

In the funds, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 2,599,855	
Deferred revenue - January 1	<u>(2,843,780)</u>	(243,925)

Funds report capital outlay as expenditures. 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 disposal of assets is reported; whereas, in the fund, the proceeds increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets	\$ 2,902,735	
Net book value of disposed assets	(28,331)	
Current year depreciation	<u>(1,676,820)</u>	1,197,584

New borrowing on general obligation promissory notes (263,496)

Repayment of debt principal - general obligation bonds 3,110,927

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

Change in accrued interest payable	\$ 47,402	
Change in deferred charges	(2,093)	
Amortization of bond discounts	(323)	
Change in compensated absences	(34,769)	
Net OPEB obligation	(40,721)	
Change in inventories	<u>(1,594)</u>	<u>(32,098)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 2,385,268

FIDUCIARY FUNDS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	<u>Private-Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 22,510	\$ 177,971
Investments	38,837	-
Accrued interest	435	-
Total Assets	<u>\$ 61,782</u>	<u>\$ 177,971</u>
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 47,530
Due to other governments	-	130,441
Total Liabilities	<u>\$ -</u>	<u>\$ 177,971</u>
<u>Net Assets</u>		
Net assets, held in trust	<u>\$ 61,782</u>	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 1,544
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>1,730</u>
Change in Net Assets	\$ (186)
Net Assets - Beginning of the Year, as restated (Note 1.F.)	<u>61,968</u>
Net Assets - End of the Year	<u><u>\$ 61,782</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Sibley County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Sibley County (primary government) and its component unit. The County is governed by a five-member Board of Commissioners elected from the five districts within the County. The Board is organized with a chair and vice chair elected at the annual organizational meeting in January of each year.

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. Sibley County has one discretely presented component unit.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Sibley County Library System	The Sibley County Library System is a financial burden to Sibley County.	Separate financial statements are not prepared.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in joint ventures described in Note 5.C. The County also participates in the jointly-governed organizations described in Note 5.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the County. 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 are normally supported by taxes and intergovernmental revenues.

The government-wide statement of net assets: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. 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 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 required to be accounted for in another fund.

The Public Works Special Revenue Fund is used to account for revenues and expenditures of the County's Public Works Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided through special assessments levied against benefited properties.

The Sub-Surface Sewage Treatment System Loans Special Revenue Fund is used to account for loans provided to private landowners for installation and replacement of individual sewage treatment systems or mound systems.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

The permanent fund is used to report resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support County programs.

Private-purpose trust funds are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments.

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Sibley County considers property taxes and special assessments to be available if collected within 60 days of the end of the current period. Sibley County considers licenses, interest, and all other revenues susceptible to accrual as available if collected within 90 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. In 2008, the County recorded total investments earnings of \$643,457. Total pooled investments earnings in the General Fund were \$627,873.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 "interfund receivables/interfund payables."

When appropriate, all receivables are shown net of an allowance for uncollectible.

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special taxing districts within the County. Property taxes are levied as of January 1 on property values assessed as of the same date by the County Assessor. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Inventories

All inventories are valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are reported as expenses when consumed.

4. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are completed.

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

<u>Assets</u>	<u>Years</u>
Buildings	35 - 75
Infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 15

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Under the County's personnel policies and union contracts, County employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual for full-time (part-time employees accruals are prorated) employees varies from 12 to 21 days based on years of service. Sick leave accrual is 12 days per year (13 days per year for LELS union members).

6. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds and the government-wide statements also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, there was no unearned revenue. The various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes	\$ 177,224
Special assessments receivable delinquent and deferred	2,032,356
Highway allotments that do not provide current financial resources	269,722
Deferred revenue from accrued interest	76,337
Receivable from Ditch Fund petitioners	<u>44,216</u>
Total Deferred/Unearned Revenue for All Governmental Funds	<u>\$ 2,599,855</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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 another financing source. 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.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change through County Board action and approval.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied. Fines and penalties and property forfeitures are recognized in the period received.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues

Intergovernmental (Continued)

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments or unallotments for highway maintenance and construction are recognized as revenue in the year of allotment.

Exchange Transactions

Special assessments levied against benefiting properties are recognized when levied. Other revenues, such as licenses and permits, charges for services, and investment income, are recognized as revenue when earned.

F. Restatement - Net Assets and Fund Balance

	<u>Governmental Activities</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Net Assets - January 1, as previously reported	\$ 55,274,630	\$ 19,175,074	\$ 51,480
Less: Nurse's Development Trust Fund	<u>(10,488)</u>	<u>(10,488)</u>	<u>10,488</u>
Net Assets - January 1, as restated	<u>\$ 55,264,142</u>	<u>\$ 19,164,586</u>	<u>\$ 61,968</u>

In 2007, the County reported the Nurse's Development Trust Fund as a nonmajor special revenue fund. In 2008, the County properly reported it as a private-purpose trust fund.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Ditch Fund Equity

On the full accrual basis of accounting 4 of the 92 drainage systems have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance as of December 31, 2008, using the full accrual basis of accounting.

Account balances	\$ 959,220
Account deficits	<u>(118,969)</u>
Fund Balance - Accrual Basis	<u>\$ 840,251</u>

Using the modified accrual basis of accounting, noncurrent receivables and bonds payable do not affect fund balance. Noncurrent receivables are deferred, and bonds payable are not reported. Using this basis of accounting, 11 ditches had fund deficits.

Account balances	\$ 405,726
Account deficits	<u>(15,980)</u>
Fund Balance - Modified Accrual Basis	<u>\$ 389,746</u>

In 2009, Sibley County combined several ditch laterals into the main ditch.

B. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2008.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Human Services Special Revenue			
Fund	\$ 4,369,148	\$ 3,727,725	\$ 641,423
Debt Service Fund	636,289	512,730	123,559

The excess of expenditures over budget was funded by unanticipated revenues and available fund balance.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total deposits, petty cash, change funds, and investments to the basic financial statements follows:

Governmental funds	
Cash and pooled investments	\$ 16,166,424
Petty cash and change funds	6,150
Departmental cash	48,197
Cash with fiscal agent	639,557
Fiduciary funds	
Private-purpose trust funds	
Cash and pooled investments	22,510
Fund investments	38,837
Agency funds	
Cash and pooled investments	177,971
Library cash held by the Treasurer	70,851
	<hr/>
Total Cash and Investments	\$ 17,170,497
Deposits	\$ 3,955,038
Petty cash and change funds	6,150
Departmental cash	48,197
Investments	13,161,112
	<hr/>
Total	\$ 17,170,497

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. County deposits are required by Minn. Stat. § 118A.03 to be protected by 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better or revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is 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, County deposits may not be returned to it. The County’s policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County’s deposits and to comply with state law. As of December 31, 2008, Sibley County’s deposits were not exposed to custodial credit risk.

b. Investments

The following types of investments are generally authorized as available to the County 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;

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

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. It is the County's policy to minimize its exposure to 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. The County only invests in securities that meet the ratings requirements set by state statute.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

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 has a custodial credit risk policy that permits the County's brokers to hold the County's investments to the extent that the brokers have Securities Investor Protection Corporation insurance. At December 31, 2008, the investments held in the fiscal agent accounts, which totaled \$639,557, were subject 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 to diversify its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The following table presents the County's deposit and investment balances at December 31, 2008, and information relating to potential investment risks:

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Home Loan Bank Wachovia Securities					
Federal Home Loan Bank	Aaa	Moody's		10/23/2012	\$ 200,392
Federal Home Loan Bank	Aaa	Moody's		02/08/2013	400,060
Federal Home Loan Bank	Aaa	Moody's		04/08/2016	250,082
Wells Fargo Brokerage					
Federal Home Loan Bank	Aaa	Moody's		06/17/2011	251,720
Total Federal Home Loan Bank			8.38		\$ 1,102,254

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal National Mortgage Association					
Wachovia Securities					
Federal National Mortgage Association	Aaa	Moody's		02/12/2016	\$ 125,166
Federal National Mortgage Association	Aaa	Moody's		05/28/2014	200,900
Federal National Mortgage Association	Aaa	Moody's		12/05/2011	301,398
Federal National Mortgage Association	Aaa	Moody's		10/30/2013	100,322
Federal National Mortgage Association	Aaa	Moody's		11/26/2014	253,342
Federal National Mortgage Association	Aaa	Moody's		12/19/2017	302,193
Total Federal National Mortgage Association			9.75		\$ 1,283,321
Fannie Mae					
Wachovia Securities					
Fannie Mae	Aaa	Moody's		05/07/2015	\$ 300,036
Fannie Mae	Aaa	Moody's		12/12/2017	150,140
Fannie Mae	Aaa	Moody's		01/16/2014	250,690
Total Fannie Mae	Aaa	Moody's	5.33		\$ 700,866
Federal Home Loan Note					
Wells Fargo Brokerage					
Federal Home Loan Note	Aaa	Moody's		07/15/2010	\$ 250,312
Federal Home Loan Note	Aaa	Moody's		07/16/2012	253,595
Total Federal Home Loan Notes			3.83		\$ 503,907
Freddie Mac					
Wachovia Securities					
Freddie Mac	Aaa	Moody's		03/15/2018	\$ 150,756
Freddie Mac	Aaa	Moody's		04/15/2018	201,338
Freddie Mac	Aaa	Moody's		12/15/2015	125,000
Wells Fargo Brokerage					
Freddie Mac	Aaa	Moody's		01/06/2009	203,544
Total Freddie Mac			5.17		\$ 680,638

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Negotiable Certificates of Deposit					
Wachovia Securities					
Golf Svgs Bk MMountlake WA	N/A	N/A	0.72	01/16/2009	\$ 95,119
Capmark Bk Midvale UT	N/A	N/A	0.73	03/05/2009	96,345
Sovereign Bk Wyomissing PA	N/A	N/A	0.73	03/05/2009	96,340
Charter Bk Sante Fe NM	N/A	N/A	0.73	06/08/2009	96,348
Wright Express Salt Lk City UT	N/A	N/A	0.73	03/18/2009	96,415
First Natl Bk Omaha NE	N/A	N/A	0.73	04/09/2009	96,442
Huntington Natl Bk Col OH	N/A	N/A	0.73	04/09/2009	96,442
National City Bk Cleveland OH	N/A	N/A	0.73	04/09/2009	96,451
Riverside Natl Bk Ft Pierce FL	N/A	N/A	0.73	07/09/2009	96,607
Discover Bk Greenwood DE	N/A	N/A	0.74	04/16/2010	96,834
Heritage Bk Jonesboro GA	N/A	N/A	0.73	07/10/2009	96,589
Irwin Un Bk & Tr Columbus OH	N/A	N/A	0.74	04/25/2011	97,984
Banner Bk Walla Walla WA	N/A	N/A	0.73	05/07/2009	96,499
Cole Taylor Bk Chicago IL	N/A	N/A	0.73	05/07/2009	96,499
Bk Oklahoma Tulsa OK	N/A	N/A	0.73	02/17/2009	96,000
Cathay Bk Los Ang CA	N/A	N/A	0.73	05/15/2009	96,497
Infibank Atlanta GA	N/A	N/A	0.73	05/21/2009	96,503
Johnson Bk Racine WI	N/A	N/A	0.73	03/02/2009	96,000
MI Bk FSB Las Vegas NV	N/A	N/A	0.73	07/16/2010	96,686
Merrick Bk Corp S Jordan UT	N/A	N/A	0.74	03/15/2010	96,929
GE Capital Finance Salt Lk City UT	N/A	N/A	0.73	09/20/2010	96,687
GE Money Bk Salt Lk City UT	N/A	N/A	0.73	09/21/2010	96,687
United Comm Bk Inc Blrsvl GA	N/A	N/A	0.73	09/22/2010	96,686
Colonial Bk Montgmy AL	N/A	N/A	0.74	09/23/2010	96,889
Morgan Stanley Bk SLC UT	N/A	N/A	0.73	09/24/2010	96,685
CIT Bk Salt Lk City UT	N/A	N/A	0.74	09/25/2010	96,861
Wachovia Bk Charlotte NC	N/A	N/A	0.74	09/26/2010	96,973
Am Exp Bk Centurion UT	N/A	N/A	0.73	09/27/2010	96,679
Am Exp Bk FSB UT	N/A	N/A	0.73	09/28/2010	96,000
BMW Bk Salt Lk City UT	N/A	N/A	0.73	09/29/2010	96,679
Wells Fargo Brokerage					
New Frontier Bk Greeley Co	N/A	N/A	0.46	12/14/2009	60,790
Capital One Glen Allen VA	N/A	N/A	0.73	12/21/2009	96,261
GMAC Bk	N/A	N/A	0.73	12/21/2009	96,197
Southwest USA Las Vegas NV	N/A	N/A	0.73	06/29/2009	95,818
Fidelity Bk Norcross GA	N/A	N/A	0.73	07/01/2009	95,855
Columbia St Bk Tacoma WA	N/A	N/A	0.73	02/01/2010	95,969
Oceanside Bk FL	N/A	N/A	0.73	02/06/2010	96,012
Capital One McLean VA	N/A	N/A	0.72	03/12/2012	94,380
Nicollet NB Green Bay WI	N/A	N/A	0.72	09/14/2011	94,836
Byron Bk Byron Ctr MI	N/A	N/A	0.45	03/14/2012	59,721
Darby Bk & Tr Vidalia GA	N/A	N/A	0.71	04/23/2013	93,617
Goldman Sachs Bk SLC UT	N/A	N/A	0.72	04/30/2016	94,138
Guaranty Bk Austin TX	N/A	N/A	0.77	10/29/2010	101,337

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Wells Fargo Brokerage (Continued)					
Sallie Mae Bk Murray UT	N/A	N/A	0.77	10/29/2010	100,971
Goldman Sachs Bk SLC UT	N/A	N/A	0.77	08/19/2009	100,766
GMAC Bk Midvale UT	N/A	N/A	0.77	08/21/2009	100,807
Discover Bk Greenwood DE	N/A	N/A	0.73	10/29/2010	95,480
High Trust Bk Stockbrdg GA	N/A	N/A	1.53	07/13/2009	200,712
First Natl Bk Fox Vly Neenah WI	N/A	N/A	0.74	08/21/2009	96,763
Total negotiable certificates of deposit					\$ 4,766,785
Mutual Fund					
Federated - Prime Cash Obligation Fund	N/A	N/A	15.83	N/A	\$ 2,082,784
Minnesota Association of Governments Investing for Counties (MAGIC)	N/A	N/A	10.64	N/A	\$ 1,401,000
Cash with Fiscal Agent	N/A	N/A	4.86	N/A	\$ 639,557
			100.00%		\$ 13,161,112

2. Receivables

In January 2004, the County sold the Health and Human Services Building on a contract for deed. The sale price was \$200,000. The County received a down payment of \$25,000, with the balance to be paid over ten years at an interest rate of four percent. Future collections are to be received in monthly installments of \$1,200, with a balloon payment of \$85,112 to be paid on January 1, 2014. Future principal collections are to be received as follows:

Year Ending December 31	Long-Term Receivables Principal
2009	\$ 9,203
2010	8,765
2011	9,934
2012	10,340
2013	10,096
2014	85,112
Total	\$ 133,450

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,322,147	\$ 66,295	\$ 25,954	\$ 1,362,488
Construction in progress	-	206,322	-	206,322
Total capital assets not depreciated	\$ 1,322,147	\$ 272,617	\$ 25,954	\$ 1,568,810
Capital assets depreciated				
Infrastructure	\$ 41,024,637	\$ 2,239,217	\$ -	\$ 43,263,854
Buildings	7,745,543	78,596	-	7,824,139
Machinery, furniture, and equipment	5,444,303	312,305	135,785	5,620,823
Improvements other than buildings	34,339	-	-	34,339
Total capital assets depreciated	\$ 54,248,822	\$ 2,630,118	\$ 135,785	\$ 56,743,155
Less: accumulated depreciation for				
Infrastructure	\$ 8,725,965	\$ 1,058,850	\$ -	\$ 9,784,815
Buildings	2,115,713	198,954	-	2,314,667
Machinery, furniture, and equipment	3,305,302	416,321	133,408	3,588,215
Improvements other than buildings	10,633	2,695	-	13,328
Total accumulated depreciation	\$ 14,157,613	\$ 1,676,820	\$ 133,408	\$ 15,701,025
Total capital assets depreciated, net	\$ 40,091,209	\$ 953,298	\$ 2,377	\$ 41,042,130
Total Capital Assets, Net	\$ 41,413,356	\$ 1,225,915	\$ 28,331	\$ 42,610,940

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

Governmental Activities	
General government	\$ 278,946
Public safety	58,137
Highways and streets, including depreciation of infrastructure assets	1,321,756
Human services	3,900
Public health	3,604
Culture and recreation	927
Conservation of natural resources	9,550
Total Depreciation Expense	\$ 1,676,820

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Fund	\$ 170
Public Works Fund	General Fund	6,032
	Ditch Fund	84
Human Services Fund	General Fund	646
	Water Projects	31
Total Due To/From Other Funds		<u>\$ 6,963</u>

The above interfund balances are for services performed.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers from Human Services Fund to the General Fund	\$ 15,575	To help pay for a van for Trailblazer Transit
Transfers from General Fund and Human Services Fund to the Public Works Fund	508,199	\$448,000 of the transfer was used for one-time budgeted expenses--\$60,199 of the transfer was used to purchase the Muck property
Transfer from the General Fund to the Human Services Fund	<u>25,591</u>	These funds helped fund a joint interpreter between Public Health and Human Services
Total Interfund Transfers	<u>\$ 549,365</u>	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Operating Leases

In November 2007, the County entered into an operating lease for a Cannon copier.
Minimum future rental payments are:

2009	\$ 4,590
2010	4,590
2011	4,590
2012	<u>4,208</u>
Total	<u>\$ 17,978</u>

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation bonds					
2001 G.O. Law Enforcement Refunding Bonds	2009	\$125,000 - \$160,000	2.25 - 3.70	\$ 1,005,000	\$ 160,000
2003 G.O. Jail Facility Refunding Bonds	2010	\$60,000 - \$70,000	1.65 - 3.55	385,000	135,000
2005 G.O. Capital Improvement Refunding Bonds	2021	\$165,000 - \$250,000	2.65 - 4.15	<u>2,630,000</u>	<u>2,630,000</u>
Total general obligation bonds				<u>\$ 4,020,000</u>	\$ 2,925,000
Less: unamortized discount					<u>(42,642)</u>
Net General Obligation Bonds					<u>\$ 2,882,358</u>
General obligation special assessment bonds					
1996 G.O. Special Assessment Drainage Ditch Bonds	2017	\$20,000 - \$95,000	4.00 - 5.70	\$ 700,000	\$ 180,000
2002 G.O. Special Assessment Watershed District Bonds	2023	\$25,000 - \$60,000	2.00 - 5.00	800,000	655,000
2003 G.O. Special Assessment Refunding Drainage Ditch Bonds	2009	\$10,000 - \$30,000	1.65 - 3.20	<u>115,000</u>	<u>10,000</u>
Total General Obligation Special Assessment Bonds				<u>\$ 1,615,000</u>	<u>\$ 845,000</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation revenue notes					
2001 G.O. Revenue Note - County-Wide	2021	\$103,300	-	\$ 103,300	\$ 103,300
General obligation promissory notes					
G.O. Promissory Notes High Island I	2017	N/A	2.00	\$ 258,560	\$ 258,560
G.O. Promissory Notes High Island II	N/A	N/A	2.00	76,641	76,641
G.O. Promissory Notes Rush River I	N/A	N/A	2.00	253,296	253,296
G.O. Promissory Notes Rush River II	N/A	N/A	2.00	159,062	159,062
G.O. Promissory Notes Buffalo Creek	N/A	N/A	2.00	33,999	33,999
G.O. Promissory Notes Middle Minnesota 1	N/A	N/A	2.00	7,500	7,500
Total General Obligation Promissory Notes				\$ 789,058	\$ 789,058

3. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 395,000	\$ 99,304	\$ 60,000	\$ 39,203
2010	235,000	89,461	55,000	36,814
2011	175,000	83,215	55,000	34,412
2012	180,000	77,623	55,000	31,950
2013	185,000	71,553	55,000	29,405
2014 - 2018	1,035,000	249,356	295,000	102,970
2019 - 2021	720,000	45,355	270,000	35,000
Total	\$ 2,925,000	\$ 715,867	\$ 845,000	\$ 309,754

On April 30, 1998, the County entered into an agreement with the Minnesota Department of Agriculture for a \$50,000 1998 General Obligation Revenue Note. On August 14, 2001, the County entered into an agreement with the Minnesota Department of Agriculture Countywide ISTS and Well Loan program for a \$53,300

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

2001A General Obligation Revenue Note. On December 23, 2002, the County entered into a Contract Consolidation and Funding Agreement with the Minnesota Department of Agriculture to combine the two previous note agreements into one. Repayment of the note is projected to begin on May 2010 and end May 2021.

Amounts reported as general obligation promissory notes are borrowed against loan agreements with the Minnesota Pollution Control Agency (MPCA).

On November 9, 2004, the County approved an agreement with the MPCA for the High Island Implementation Project loan. The loan is not to exceed the amount of \$1,000,000, but the County may draw up to \$545,000. The remaining \$455,000 will require a new or amended agreement. Payments on this loan began in 2008 and end in 2017. The project implementation time frame for the original \$545,000 expired on August 31, 2007, with only \$258,560 being issued, thus closing High Island Phase I.

On November 13, 2007, the County entered into an amended note agreement with the MPCA for an additional \$330,000 to implement High Island Phase II. Payments on High Island Phase II are projected to start in June 2011 and end in 2020.

On May 23, 2006, the County approved an agreement with the MPCA for the Rush River Project loan. The loan is not to exceed the amount of \$1,000,000, but the County may draw up to \$259,000 at this time. During 2007, the County reached its loan capacity and had an amended loan agreement approved on September 11, 2007, for \$333,333. The amended loan agreement has become Rush River Project II. Payments on the Rush River Project I loan are projected to begin in June 2009 and end in December 2018. Payments on Rush River Project II are projected to begin in June 2011 and end December 2020.

On May 23, 2006, the County approved an agreement with MPCA for the Buffalo Creek Project loan. The loan is not to exceed \$250,000, but the County may draw up to \$50,000 at this time. The remaining \$200,000 will require a new or amended agreement with the MPCA. Payments on the loan are projected to begin in June 2009 and end December 2018.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

On July 10, 2007, the County approved an agreement with the MPCA for the Middle Minnesota Watershed Project loan. The loan is not to exceed \$45,000; the County can currently draw up to \$15,000 on this note. The remaining \$30,000 will require a new or amended agreement with the MPCA. Payments on this loan are projected to begin in December 2011 and end in June 2021.

Interest rates on all General Obligation Promissory Notes are at two percent. The County charges three percent to land owners.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Long-Term Liabilities					
Bonds payable					
General obligation bonds	\$ 5,925,000	\$ -	\$ 3,000,000	\$ 2,925,000	\$ 395,000
General obligation special assessment bonds	920,000	-	75,000	845,000	60,000
Less: discounts	(42,965)	-	(323)	(42,642)	-
Total bonds payable	\$ 6,802,035	\$ -	\$ 3,074,677	\$ 3,727,358	\$ 455,000
General obligation revenue notes	103,300	-	-	103,300	-
General obligation promissory notes	561,489	263,496	35,927	789,058	48,820
Net OPEB obligation	-	40,721	-	40,721	-
Compensated absences	945,385	61,317	26,548	980,154	264,642
Governmental Activities Long-Term Liabilities	<u>\$ 8,412,209</u>	<u>\$ 365,534</u>	<u>\$ 3,137,152</u>	<u>\$ 5,640,591</u>	<u>\$ 768,462</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Other Postemployment Benefits

Plan Description

For the year ended December 31, 2008, Sibley County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

GASB Statement 45 required the County to calculate and record a net other postemployment benefits (OPEB) obligation at December 31, 2008. The net OPEB obligation is, in general, the difference between the actuarial required contributions and the actual contributions since January 1, 2008.

The County provides a defined benefit healthcare plan to qualifying retirees and their spouses. The plan offers medical, dental, and life coverage. As of the actuarial report, no retirees have opted to receive dental or life coverage. Medical coverage is administered by Medica. Dental coverage is administered through the Humana Dental Plan. Minnesota Life is the life insurance provider. The County is self-insured for medical coverage through the McLeod Sibley Joint Health Insurance Program. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minn. Stat. ch. 471.61, subd. 2b. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate “subsidy”. As of January 1, 2008, there were four retirees and two spouses receiving health benefits from the County’s health plan. It is the County’s policy to periodically review its medical, dental, and life insurance coverage in order to provide the most favorable benefits and premiums for County employees and retirees.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (Continued)

Funding Policy

Retirees and their spouses contribute to the County healthcare plan at the same rate as current County employees. If retirees are over age 65 and Medicare eligible, their health coverage, if elected, is considered supplemental coverage and their premiums would be discounted. Contribution requirements for health insurance are established by the McLeod Sibley Joint Health Insurance Committee, based on contract terms with Medica. Contribution requirements for dental and life insurance are established by the County Board along with contract requirements with Humana Dental and Minnesota Life. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2008, the County contributed \$17,117 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, 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 cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$ 57,838
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	\$ 57,838
Contributions made (pay-as-you-go)	(17,117)
	<hr/>
Increase in net OPEB obligation	\$ 40,721
Net OPEB Obligation - Beginning of Year	-
	<hr/>
Net OPEB Obligation - End of Year	<u>\$ 40,721</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$57,838	\$17,117	29.6%	\$40,721

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the County had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$439,762, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$439,762. The covered payroll (annual payroll of active employees covered by the plan) was \$5,555,369, and the ratio of the UAAL to the covered payroll was 7.92 percent.

Actuarial valuations 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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC 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, 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions

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 costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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.

For January 1, 2008, the actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent discount rate, which is based on the investment yield expected to finance benefits. The County currently does not plan to pre-fund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 9.0 percent initially and grading to 5.0 percent over eight years.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.75 percent, respectively, of their annual covered salary in 2008. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.40 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 359,811	\$ 323,531	\$ 291,942
Public Employees Police and Fire Fund	78,870	69,981	57,262
Public Employees Correctional Fund	32,031	31,585	28,803

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

Two of Sibley County's elected officials are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. 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 the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,667	\$ 2,667
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008 and \$430,000 per claim in 2009. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

In 2000, the County entered into an agreement with McLeod County to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to MCIT, which provides bookkeeping services to the counties, including the payment of claims. For 2008, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2007	2008
Unpaid claims, beginning of fiscal year	\$ 57,610	\$ 66,911
Incurred claims (including IBNRs)	676,198	685,776
Claims payments	(666,897)	(717,496)
Unpaid Claims, End of Fiscal Year	<u>\$ 66,911</u>	<u>\$ 35,191</u>

B. Contingent Liabilities

Amounts received or receivable from grant 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Sibley County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of the housing units constructed. Sibley County's proportionate share of the operating deficit for 2008 is \$113,832. The proportionate shares of the counties may change for the years 2009 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Joint Ventures

Tri-County Solid Waste

Sibley County entered into a joint powers agreement to create and operate Tri-County Solid Waste pursuant to the Waste Management Act, Minn. Stat. § 471.59, and a joint powers agreement, effective November 3, 1987. Management of Tri-County Solid Waste is vested in the Tri-County Solid Waste Joint Powers Board, which consists of six representatives, two representatives from each Board of Commissioners from Le Sueur, Nicollet, and Sibley Counties. The primary function of Tri-County Solid Waste is to coordinate solid waste management services within the multi-county area. Emphasis is placed on planning, recycling, hazardous waste, problem materials, and education.

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$35,187 in 2008. Sibley County is the fiscal agent.

Current audited financial statements are not available.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Meeker-McLeod-Sibley Community Health Services Board

The Meeker-McLeod-Sibley Community Health Services Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.13, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Health Services Board consists of 15 members, five members each from Meeker, McLeod, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services.

The joint venture is financed primarily from state and federal grants. McLeod County is the fiscal agent.

Complete audited financial statements for the Health Services Board can be obtained at P. O. Box 398, Hutchinson, Minnesota 55350.

Minnesota River Basin

Sibley County entered into a joint powers agreement to promote the orderly water quality improvement and management of the Minnesota River Watershed pursuant to Minn. Stat. § 471.59.

The management of the Minnesota River Basin is vested in the Board of Directors consisting of one member and an alternate from each County Board of Commissioners included in this agreement. According to the latest information available, 37 counties are members under this agreement.

Financing is provided by a contribution from each member county based on its share of the annual budget. Sibley County paid dues in the amount of \$1,438 in 2008.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. The agreement was amended in 2006 to give the original counties an equity interest in the joint venture, retroactive to 2001. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined the joint venture. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordination of social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated to all members based on the percentage of their utilization. The County's equity interest in the SCHA at the end of 2008 was \$454,299. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets.

Complete financial statements for the SCHA can be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

Trailblazer Transit Board

Sibley County entered into a joint powers agreement creating and operating the Trailblazer Transit Board, pursuant to Minn. Stat. § 471.59, and a joint powers agreement, effective June 8, 1999. Management of the Trailblazer Transit Board is vested in the Joint Powers Board consisting of three members appointed by McLeod County and two members appointed by Sibley County from each County Board of Commissioners. The primary purpose of the Trailblazer Transit Board is to provide centralized planning and implementation of needed public transit services.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Trailblazer Transit Board (Continued)

Financing is primarily provided from user fees and state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2008, Sibley County made contributions of \$112,591.

Complete financial statements for the Trailblazer Transit Board can be obtained from the administrative office at P. O. Box 88, Gaylord, Minnesota 55334.

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Meeker, Pope, Renville, Stearns, and Wright Counties, creating the Crow River Joint Powers Agreement. The agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Board. The purpose of this agreement is the joint exercise of powers by the member counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement.

The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds.

Current audited financial statements are available at 322 South Minnesota Avenue, St. Peter, Minnesota 56082.

South Central Community Based Initiative

The South Central Community Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Community Based Initiative (Continued)

community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Martin, Freeborn, LeSueur, Nicollet, Rice, Sibley, and Watonwan Counties.

D. Jointly-Governed Organizations

Sibley County Children's Collaborative

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

Sibley County Children's Collaborative

Sibley County and Independent School District Nos. 2310 and 2365 have created the Sibley County Children's Collaborative, pursuant to Minn. Stat. § 471.59 and a joint powers agreement. The purpose of the Collaborative is to facilitate early intervention and prevention services to at-risk children and their families.

Sibley County is the fiscal agent of the Collaborative. Sibley County has no operational or financial control over the Collaborative. Audited financial statements can be obtained from the Collaborative's office at the Sibley County Courthouse, 400 Court Avenue, P. O. Box 207, Gaylord, Minnesota 55334.

Three Counties for Kids Collaborative

Brown, Sibley, and Watonwan Counties; the Sioux Trails Mental Health Center; and the River Bend Education District, representing the school districts served by River Bend, have formed the Three Counties for Kids Collaborative, pursuant to Minn. Stat. § 471.59 and a joint powers agreement. The purpose of the Collaborative is to join local units of government to ensure a unified, unduplicated, and "family friendly" system of intervention and care for families and children.

Brown County is the fiscal agent of the Collaborative. Sibley County has no operational or financial control over the Collaborative. Currently, the Collaborative is not required to be audited; therefore, no audited financial statements are available.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

South Central Minnesota Emergency Medical Services

This jointly-governed organization provides various health services to several counties. During the year, the County made no payments to the South Central Minnesota Emergency Medical Services.

6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component unit has the following significant accounting policies.

Reporting Entity

The Sibley County Library System is an organization formed by the County to provide library services to Sibley County. There are branch libraries in five cities: Arlington, Gaylord, Gibbon, Henderson, and Winthrop. The Library Board consists of seven members, one member from each of the five cities, one Sibley County Commissioner, and one at-large representative from Sibley County. Sibley County is required by Minnesota statutes to provide financial support to the Library Board, which it does by means of an appropriation each year.

Because of the significance of the financial relationship, Sibley County considers this entity a major component unit.

Basis of Presentation

The Sibley County Library System does not prepare separate financial statements. The Sibley County Library System presents its one fund as a governmental fund.

Basis of Accounting

The Sibley County Library System's General Fund is accounted for on the modified accrual basis of accounting.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures (Continued)

B. Restatement of Net Assets

Net Assets - January 1, as previously reported	\$ 74,993
Less: Compensated absences balance at January 1, 2008	<u>(26,548)</u>
Net Assets - January 1, as Restated	<u>\$ 48,445</u>

In 2007, the Sibley County Library System reported its compensated absences with the County's compensated absences liability. In 2008, the Sibley County Library System reported compensated absences on its financial statements.

C. Detailed Notes on the General Fund

Deposits

Details of the Sibley County Library System's cash and pooled investments are:

Cash held by the County Treasurer	\$ 70,851
Cash with the Arlington Branch	2,847
Cash with the Henderson Branch	<u>2,833</u>
Total Cash and Pooled Investments	<u>\$ 76,531</u>

The Sibley County Library System is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. All Sibley County Library System deposits are required by Minn. Stat. § 118A.03 to be protected by 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 that is not covered by insurance or bonds.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Detailed Notes on the General Fund (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Sibley County Library System deposits may not be returned to it. As of December 31, 2008, the Sibley County Library System's deposits were not exposed to custodial credit risk.

Investments

The Sibley County Library System received 72 shares of Medtronic, Inc., as a gift several years ago. The Sibley County Library System has chosen to hold on to the stock, and the City of Arlington has possession of the stock certificates.

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REQUIRED SUPPLEMENTARY INFORMATION

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,036,973	\$ 5,036,973	\$ 4,628,955	\$ (408,018)
Special assessments	130,000	130,000	132,610	2,610
Licenses and permits	55,720	55,720	48,931	(6,789)
Intergovernmental	1,695,294	1,695,294	1,863,712	168,418
Charges for services	1,222,535	1,222,535	1,348,153	125,618
Fines and forfeits	2,500	2,500	21,043	18,543
Gifts and contributions	1,000	1,000	3,709	2,709
Investment earnings	595,586	595,586	627,873	32,287
Miscellaneous	178,916	178,916	350,186	171,270
Total Revenues	\$ 8,918,524	\$ 8,918,524	\$ 9,025,172	\$ 106,648
Expenditures				
Current				
General government				
Commissioners	\$ 389,617	\$ 389,617	\$ 291,863	\$ 97,754
Courts	19,000	19,000	47,865	(28,865)
Law library	28,000	28,000	21,975	6,025
County auditor	405,481	405,481	388,551	16,930
County treasurer	165,922	165,922	159,531	6,391
County assessor	299,406	299,406	300,164	(758)
Audit services	75,000	75,000	81,324	(6,324)
Elections/voter registration	66,940	66,940	65,036	1,904
Information services	309,627	309,627	323,811	(14,184)
Truth in taxation	4,900	4,900	4,985	(85)
Human resources	126,892	126,892	114,969	11,923
County attorney	418,963	418,963	359,986	58,977
County recorder	391,550	462,050	356,067	105,983
County surveyor	31,000	31,000	31,535	(535)
Planning and zoning	117,762	117,762	88,577	29,185
Courthouse building	96,907	96,907	142,780	(45,873)
Building custodians	138,416	138,416	142,410	(3,994)
Jail building	77,856	77,856	82,760	(4,904)
Sibley County service center	71,864	71,864	69,702	2,162
Barclay property	1,825	1,825	965	860
Veterans service officer	77,909	77,909	89,991	(12,082)
Public transit	224,000	224,000	112,591	111,409
County fleet car	9,247	9,247	9,326	(79)
Feedlot program	60,433	60,433	51,383	9,050
Shoreland ordinance	3,076	3,076	3,129	(53)
Other general government activities	-	-	(31,720)	31,720
Total general government	\$ 3,611,593	\$ 3,682,093	\$ 3,309,556	\$ 372,537

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,144,988	\$ 2,145,988	\$ 2,029,458	\$ 116,530
Court services	186,151	186,151	190,348	(4,197)
Sentenced to serve	18,104	18,104	17,904	200
Emergency management	40,362	40,362	43,464	(3,102)
South Central Minnesota				
Regional Radio Board	-	-	313	(313)
Total public safety	\$ 2,389,605	\$ 2,390,605	\$ 2,281,487	\$ 109,118
Sanitation				
SCORE solid waste	\$ 187,577	\$ 187,577	\$ 127,385	\$ 60,192
County landfill	478	478	384	94
Total sanitation	\$ 188,055	\$ 188,055	\$ 127,769	\$ 60,286
Health				
Public health nurse	\$ 1,730,301	\$ 1,730,301	\$ 1,622,115	\$ 108,186
Community health services board	2,163	2,163	2,225	(62)
Total health	\$ 1,732,464	\$ 1,732,464	\$ 1,624,340	\$ 108,124
Culture and recreation				
Historical society	\$ 13,500	\$ 13,500	\$ 12,800	\$ 700
Sibley County library system	247,451	247,451	246,762	689
Parks	94,066	94,066	34,842	59,224
Park improvement	-	-	14,615	(14,615)
Tourism	2,355	2,355	2,220	135
County park trail project	5,000	5,000	840	4,160
County seat trail	-	-	17,472	(17,472)
Total culture and recreation	\$ 362,372	\$ 362,372	\$ 329,551	\$ 32,821
Conservation of natural resources				
Soil and water conservation	\$ 119,186	\$ 119,186	\$ 119,186	\$ -
County extension	150,927	150,927	146,275	4,652
Agriculture ditch inspector	118,532	118,532	125,241	(6,709)
County fair	7,500	7,500	7,500	-
Total conservation of natural resources	\$ 396,145	\$ 396,145	\$ 398,202	\$ (2,057)

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Minnesota Valley Action Council	\$ 8,619	\$ 8,619	\$ 8,662	\$ (43)
Economic development commission	69,272	69,272	89,683	(20,411)
Housing and redevelopment authority	115,132	115,132	114,470	662
Total economic development	\$ 193,023	\$ 193,023	\$ 212,815	\$ (19,792)
Capital outlay				
General government	\$ 394,042	\$ 394,042	\$ 61,997	\$ 332,045
Public safety	158,500	158,500	69,658	88,842
Culture and recreation	74,836	74,836	-	74,836
Total capital outlay	\$ 627,378	\$ 627,378	\$ 131,655	\$ 495,723
Total Expenditures	\$ 9,500,635	\$ 9,572,135	\$ 8,415,375	\$ 1,156,760
Excess of Revenues Over (Under)				
Expenditures	\$ (582,111)	\$ (653,611)	\$ 609,797	\$ 1,263,408
Other Financing Sources (Uses)				
Transfers in	\$ 1,697	\$ 1,697	\$ 15,575	\$ 13,878
Transfers out	(204,000)	(263,200)	(239,199)	24,001
Proceeds from the sale of capital assets	11,500	11,500	34,511	23,011
Total Other Financing Sources (Uses)	\$ (190,803)	\$ (250,003)	\$ (189,113)	\$ 60,890
Net Change in Fund Balance	\$ (772,914)	\$ (903,614)	\$ 420,684	\$ 1,324,298
Fund Balance - January 1	8,081,021	8,081,021	8,081,021	-
Fund Balance - December 31	\$ 7,308,107	\$ 7,177,407	\$ 8,501,705	\$ 1,324,298

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,807,592	\$ 2,807,592	\$ 2,568,586	\$ (239,006)
Intergovernmental	6,145,566	4,022,426	4,708,788	686,362
Charges for services	112,500	112,500	104,452	(8,048)
Miscellaneous	72,011	72,011	80,691	8,680
Total Revenues	\$ 9,137,669	\$ 7,014,529	\$ 7,462,517	\$ 447,988
Expenditures				
Current				
Highways and streets				
Administration	\$ 298,250	\$ 298,250	\$ 283,814	\$ 14,436
Maintenance	2,355,680	2,355,680	2,184,745	170,935
Engineering/construction	5,302,880	3,179,740	3,064,207	115,533
Equipment, maintenance, and shop	802,859	803,059	878,337	(75,278)
Highway township allotments	21,000	21,000	15,675	5,325
County share gravel tax	-	-	24,700	(24,700)
Highway equipment purchase levy	-	-	38,368	(38,368)
Total highways and streets	\$ 8,780,669	\$ 6,657,729	\$ 6,489,846	\$ 167,883
Intergovernmental				
Highways and streets	201,000	201,000	207,728	(6,728)
Capital outlay				
Highways and streets	581,000	641,000	290,932	350,068
Total Expenditures	\$ 9,562,669	\$ 7,499,729	\$ 6,988,506	\$ 511,223
Excess of Revenues Over (Under)				
Expenditures	\$ (425,000)	\$ (485,200)	\$ 474,011	\$ 959,211
Other Financing Sources (Uses)				
Transfers in	\$ 472,000	\$ 47,000	\$ 508,199	\$ 461,199
Transfers out	(47,000)	(47,000)	-	47,000
Proceeds from sale of assets	-	-	2,001	2,001
Total Other Financing Sources (Uses)	\$ 425,000	\$ -	\$ 510,200	\$ 510,200
Net Change in Fund Balance	\$ -	\$ (485,200)	\$ 984,211	\$ 1,469,411
Fund Balance - January 1	1,269,780	1,269,780	1,269,780	-
Increase (decrease) in reserved for inventories	-	-	(1,594)	(1,594)
Fund Balance - December 31	\$ 1,269,780	\$ 784,580	\$ 2,252,397	\$ 1,467,817

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,825,294	\$ 1,825,294	\$ 1,676,819	\$ (148,475)
Intergovernmental	1,704,674	1,704,674	2,240,987	536,313
Charges for services	38,500	38,500	50,867	12,367
Miscellaneous	157,257	157,257	181,767	24,510
Total Revenues	\$ 3,725,725	\$ 3,725,725	\$ 4,150,440	\$ 424,715
Expenditures				
Current				
Human services				
Income maintenance	\$ 952,634	\$ 952,634	\$ 1,003,974	\$ (51,340)
Social services	2,750,091	2,750,091	2,864,816	(114,725)
South Country Health Alliance	-	-	444,042	(444,042)
Miscellaneous social service programs	25,000	25,000	21,707	3,293
Total human services	\$ 3,727,725	\$ 3,727,725	\$ 4,334,539	\$ (606,814)
Capital outlay				
Human services	-	-	34,609	(34,609)
Total Expenditures	\$ 3,727,725	\$ 3,727,725	\$ 4,369,148	\$ (641,423)
Excess of Revenues Over (Under)				
Expenditures	\$ (2,000)	\$ (2,000)	\$ (218,708)	\$ (216,708)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 25,591	\$ 25,591
Transfers out	(269,000)	(269,000)	(310,166)	(41,166)
Total Other Financing Sources (Uses)	\$ (269,000)	\$ (269,000)	\$ (284,575)	\$ (15,575)
Net Change in Fund Balance	\$ (271,000)	\$ (271,000)	\$ (503,283)	\$ (232,283)
Fund Balance - January 1	4,954,363	4,954,363	4,954,363	-
Fund Balance - December 31	\$ 4,683,363	\$ 4,683,363	\$ 4,451,080	\$ (232,283)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$439,762	\$439,762	0.0%	\$5,555,369	7.92%

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, Public Works Special Revenue, and Human Services Special Revenue Funds. The Sibley County Board of Commissioners holds public hearings, and a final budget must be prepared and adopted no later than December 31. The appropriated budget is prepared by fund. Revisions that increase or decrease the budgeted revenues or expenditures of any fund must be approved by the Board of Commissioners. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Expenditures in Excess of Appropriations

The Human Services Special Revenue Fund expenditures exceeded appropriations by \$641,423. This is a result of budgeting for use of fund balance for the current year's expenditures as well as not budgeting for the South Country Health Alliance expenditures of \$444,042 and capital outlay of \$34,609.

3. Other Postemployment Benefits

Beginning in 2008, Sibley County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Currently, only one year's worth of data is available. Future reports will provide additional trend analysis to meet the three-year funding status requirements as the information becomes available.

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SUPPLEMENTARY INFORMATION

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 512,730	\$ 512,730	\$ 469,192	\$ (43,538)
Intergovernmental	-	-	42,099	42,099
Investment earnings	-	-	11,417	11,417
Miscellaneous	-	-	826	826
Total Revenues	\$ 512,730	\$ 512,730	\$ 523,534	\$ 10,804
Expenditures				
Debt service				
Principal	\$ 360,000	\$ 360,000	\$ 460,000	\$ (100,000)
Interest	125,355	125,355	174,657	(49,302)
Administrative charges	27,375	27,375	1,632	25,743
Total Expenditures	\$ 512,730	\$ 512,730	\$ 636,289	\$ (123,559)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (112,755)	\$ (112,755)
Other Financing Sources (Uses)				
Payment to refunded bond escrow agent	-	-	(2,540,000)	(2,540,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (2,652,755)	\$ (2,652,755)
Fund Balance - January 1	3,653,857	3,653,857	3,653,857	-
Fund Balance - December 31	\$ 3,653,857	\$ 3,653,857	\$ 1,001,102	\$ (2,652,755)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current				
General government				
Commissioners	\$ 3,192	\$ 3,192	\$ 3,192	\$ -
County auditor	135	135	135	-
Other general government	-	-	3,221	(3,221)
Total general government	\$ 3,327	\$ 3,327	\$ 6,548	\$ (3,221)
Capital outlay				
General government				
Information services	\$ 39,464	\$ 39,464	\$ -	\$ 39,464
Election technology reserves	110,000	110,000	-	110,000
Sibley County service center	2,834	2,834	-	2,834
Other general government	20,742	20,742	-	20,742
Total general government	\$ 173,040	\$ 173,040	\$ -	\$ 173,040
Public safety	20,887	20,887	-	20,887
Land restoration	49,815	49,815	-	49,815
Total capital outlay	\$ 243,742	\$ 243,742	\$ -	\$ 243,742
Total Expenditures	\$ 247,069	\$ 247,069	\$ 6,548	\$ 240,521
Excess of Revenues Over (Under)				
Expenditures	\$ (247,069)	\$ (247,069)	\$ (6,548)	\$ 240,521
Fund Balance - January 1	247,069	247,069	247,069	-
Fund Balance - December 31	\$ -	\$ -	\$ 240,521	\$ 240,521

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NONMAJOR FUNDS

Nonmajor Special Revenue Funds

Economic Development Revolving Loan - To account for housing rehabilitation, working capital, expansion, renovation, or start-up financing for businesses as a result of the Economic Recovery Fund Grant and the Small Cities Development Program Grant.

Water Projects - To account for the administration of the water quality and flowage of the High Island and Rush River Watershed Districts.

Forfeited Tax - To account for all funds collected under state statute for the sale of property forfeited for unpaid tax.

Nonmajor Permanent Fund

Federal Land - To account for all funds related to land purchased by the federal government.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	Special Revenue Funds				Permanent Fund Federal Land	Total Nonmajor Governmental Funds (Exhibit 3)
	Economic Development Revolving Loan	Water Projects	Forfeited Tax	Total		
<u>Assets</u>						
Cash and pooled investments	\$ 75,323	\$ 354,055	\$ -	\$ 429,378	\$ 80,917	\$ 510,295
Petty cash and change funds	-	18	-	18	-	18
Loans receivable	167,055	-	-	167,055	-	167,055
Total Assets	\$ 242,378	\$ 354,073	\$ -	\$ 596,451	\$ 80,917	\$ 677,368
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ -	\$ 8,725	\$ -	\$ 8,725	\$ -	\$ 8,725
Salaries payable	-	3,815	-	3,815	-	3,815
Due to other funds	-	31	-	31	-	31
Due to other governments	-	535	-	535	-	535
Total Liabilities	\$ -	\$ 13,106	\$ -	\$ 13,106	\$ -	\$ 13,106
Fund Balances						
Reserved for						
Loans receivable	\$ 167,055	\$ -	\$ -	\$ 167,055	\$ -	\$ 167,055
Economic development revolving loan	75,323	-	-	75,323	-	75,323
Prepaid items	-	18	-	18	-	18
Water projects	-	340,949	-	340,949	-	340,949
Federal lands	-	-	-	-	80,917	80,917
Total Fund Balances	\$ 242,378	\$ 340,967	\$ -	\$ 583,345	\$ 80,917	\$ 664,262
Total Liabilities and Fund Balances	\$ 242,378	\$ 354,073	\$ -	\$ 596,451	\$ 80,917	\$ 677,368

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Special Revenue Funds				Permanent Fund Federal Land	Total Nonmajor Governmental Funds (Exhibit 5)
	Economic Development Revolving Loan	Water Projects	Forfeited Tax	Total		
Revenues						
Intergovernmental	\$ -	\$ 358,943	\$ -	\$ 358,943	\$ 4,840	\$ 363,783
Charges for services	460	-	-	460	-	460
Gifts and contributions	-	19,600	-	19,600	-	19,600
Investment earnings	-	-	-	-	4,167	4,167
Miscellaneous	11,908	-	-	11,908	-	11,908
Total Revenues	\$ 12,368	\$ 378,543	\$ -	\$ 390,911	\$ 9,007	\$ 399,918
Expenditures						
Current						
Conservation of natural resources	-	167,560	-	167,560	8,973	176,533
Excess of Revenues Over (Under) Expenditures	\$ 12,368	\$ 210,983	\$ -	\$ 223,351	\$ 34	\$ 223,385
Fund Balance - January 1	230,010	129,984	-	359,994	80,883	440,877
Fund Balance - December 31	\$ 242,378	\$ 340,967	\$ -	\$ 583,345	\$ 80,917	\$ 664,262

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
WATER PROJECTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 381,000	\$ 381,000	\$ 358,943	\$ (22,057)
Gifts and contributions	18,600	18,600	19,600	1,000
Total Revenues	\$ 399,600	\$ 399,600	\$ 378,543	\$ (21,057)
Expenditures				
Current				
Conservation of natural resources				
High Island Project Phase II	\$ 177,000	\$ 177,000	\$ 94,410	\$ 82,590
Rush River Project Phase II	222,600	222,600	73,150	149,450
Total Expenditures	\$ 399,600	\$ 399,600	\$ 167,560	\$ 232,040
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 210,983	\$ 210,983
Fund Balance - January 1	129,984	129,984	129,984	-
Fund Balance - December 31	\$ 129,984	\$ 129,984	\$ 340,967	\$ 210,983

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

TRUST AND AGENCY FUNDS

Private-Purpose Trust Funds

Nurse Development - To account for a donation to be used to foster the personal and professional growth of the nursing staff.

Missing Heirs - To account for all unclaimed legacies held by the County.

Agency Funds

Other Agency - To account for collection and payment of fines and fees due to the state and other government and non-government entities.

Taxes and Penalties - To account for the collection of taxes and penalties and their payment to the various taxing districts.

Tri-County Solid Waste - To account for collections and disbursements for the Tri-County Solid Waste joint venture.

Sibley County Children's Collaborative - To account for all funds used in the implementation and administration of services for at-risk children and their families.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2008**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 2,509	\$ 20,001	\$ 22,510
Investments	7,500	31,337	38,837
Accrued interest	<u>6</u>	<u>429</u>	<u>435</u>
Total Assets	<u>\$ 10,015</u>	<u>\$ 51,767</u>	<u>\$ 61,782</u>
<u>Net Assets</u>			
Net assets, held in trust	<u>\$ 10,015</u>	<u>\$ 51,767</u>	<u>\$ 61,782</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 4

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Additions</u>			
Interest	\$ 257	\$ 1,287	\$ 1,544
<u>Deductions</u>			
Payments in accordance with trust agreements	<u>730</u>	<u>1,000</u>	<u>1,730</u>
Change in Net Assets	\$ (473)	\$ 287	\$ (186)
Net Assets - Beginning of the Year, as restated (Note 1.F.)	<u>10,488</u>	<u>51,480</u>	<u>61,968</u>
Net Assets - End of the Year	<u><u>\$ 10,015</u></u>	<u><u>\$ 51,767</u></u>	<u><u>\$ 61,782</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 115,771	\$ 907,141	\$ 950,040	\$ 72,872
<u>Liabilities</u>				
Accounts payable	\$ 29,797	\$ 458,869	\$ 466,912	\$ 21,754
Due to other governments	85,974	443,460	478,316	51,118
Total Liabilities	\$ 115,771	\$ 902,329	\$ 945,228	\$ 72,872
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 355,226	\$ 19,132,081	\$ 19,408,417	\$ 78,890
<u>Liabilities</u>				
Unapportioned taxes and special assessments	\$ -	\$ 85,075	\$ 85,075	\$ -
Due to other governments	355,226	78,890	355,226	78,890
Total Liabilities	\$ 355,226	\$ 163,965	\$ 440,301	\$ 78,890
<u>TRI-COUNTY SOLID WASTE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 30,410	\$ 261,271	\$ 291,248	\$ 433
<u>Liabilities</u>				
Accounts payable	\$ 21,361	\$ 249,271	\$ 270,632	\$ -
Due to other governments	9,049	12,000	20,616	433
Total Liabilities	\$ 30,410	\$ 261,271	\$ 291,248	\$ 433

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 5
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 30,157	\$ 86,710	\$ 91,091	\$ 25,776
<u>Liabilities</u>				
Accounts payable	\$ 30,157	\$ 86,710	\$ 91,091	\$ 25,776
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 531,564	\$ 20,387,203	\$ 20,740,796	\$ 177,971
<u>Liabilities</u>				
Accounts payable	\$ 81,315	\$ 794,850	\$ 828,635	\$ 47,530
Unapportioned taxes and special assessments	-	85,075	85,075	-
Due to other governments	450,249	534,350	854,158	130,441
Total Liabilities	\$ 531,564	\$ 1,414,275	\$ 1,767,868	\$ 177,971

LIBRARY BOARD COMPONENT UNIT

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 6

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS
SIBLEY COUNTY LIBRARY BOARD COMPONENT UNIT
DECEMBER 31, 2008**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<u>Assets</u>			
Cash and pooled investments	\$ 76,531	\$ -	\$ 76,531
Investments	2,262	-	2,262
Petty cash and change funds	20	-	20
Departmental cash	141	-	141
Accounts receivable	390	-	390
Due from other governments	35,532	-	35,532
Prepaid items	718	-	718
Total Assets	\$ 115,594	\$ -	\$ 115,594
<u>Liabilities and Fund Balance/Net Assets</u>			
Current liabilities			
Accounts payable	\$ 5,963	\$ -	\$ 5,963
Salaries payable	15,622	-	15,622
Due to other governments	17,951	-	17,951
Compensated absences payable - current	-	9,595	9,595
Noncurrent liabilities			
Compensated absences payable	-	25,941	25,941
Total Liabilities	\$ 39,536	\$ 35,536	\$ 75,072
Fund Balance			
Unreserved			
Undesignated	76,058	(76,058)	-
Net Assets			
Unrestricted	-	40,522	40,522
Total Liabilities and Fund Balance/Net Assets	\$ 115,594	\$ -	\$ 115,594
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 76,058
Noncurrent liabilities are reported in the Statement of Net Assets but not in the Fund Balance Sheet.			(35,536)
Net Assets - Governmental Activities			\$ 40,522

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 7

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
SIBLEY COUNTY LIBRARY BOARD COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
Revenues			
Intergovernmental	\$ 246,026	\$ -	\$ 246,026
Charges for services	6,961	-	6,961
Gifts and contributions	37,102	-	37,102
Miscellaneous	<u>172,143</u>	<u>-</u>	<u>172,143</u>
Total Revenues	\$ 462,232	\$ -	\$ 462,232
Expenditures/Expenses			
Current			
Culture and recreation			
County Library	<u>461,167</u>	<u>8,988</u>	<u>470,155</u>
Net Change in Fund Balance/Net Assets	\$ 1,065	\$ (8,988)	\$ (7,923)
Fund Balance/Net Assets - January 1, as restated	<u>74,993</u>	<u>(26,548)</u>	<u>48,445</u>
Fund Balance/Net Assets - December 31	<u><u>\$ 76,058</u></u>	<u><u>\$ (35,536)</u></u>	<u><u>\$ 40,522</u></u>
 Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities of Governmental Activities			
Net Change in Fund Balance			\$ 1,065
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.			<u>(8,988)</u>
Change in Net Assets of Governmental Activities			<u><u>\$ (7,923)</u></u>

OTHER SCHEDULES

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 8

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS
DECEMBER 31, 2008**

	Taxes Levied for Collection					
	2007		2008		2009	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 15,367,104		\$ 16,603,334		\$ 17,196,762	
Personal property	586,484		491,863		487,134	
Total Tax Capacity	\$ 15,953,588		\$ 17,095,197		\$ 17,683,896	
Taxes Levied for County Purposes						
General	\$ 5,235,322	30.539	\$ 5,314,894	29.082	\$ 5,650,407	29.516
Public Works	2,419,991	14.444	2,910,980	16.297	3,263,834	17.431
Human Services	2,003,638	11.959	1,939,484	10.858	1,773,101	9.470
Debt Service	637,940	4.049	512,730	3.032	522,130	2.974
Total Levy for County Purposes	\$ 10,296,891	60.991	\$ 10,678,088	59.269	\$ 11,209,472	59.391
Less: credits payable by state	574,874		541,797		668,019	
Net Levy for County Purposes	\$ 9,722,017		\$ 10,136,291		\$ 10,541,453	
Tax Capacity - Light and Power						
Transmission lines	\$ 3,160		\$ 2,942		\$ 2,796	
Distribution lines	2,094		1,967		1,890	
Total Tax Capacity - Light and Power	\$ 5,254		\$ 4,909		\$ 4,686	
Tax Levies - Light and Power						
Transmission lines	\$ 3,338	105.641	\$ 3,060	104.029	\$ 2,869	102.619
Distribution lines	2,202	105.641	2,046	104.029	1,939	102.619
Total Tax Levies - Light and Power	\$ 5,540		\$ 5,106		\$ 4,808	
Special Assessments						
Ditch liens and all other assessments	\$ 1,229,933		\$ 1,127,278		\$ 1,283,810	
Percentage of Tax Collections for All Purposes	98.85%		97.76%			

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
ACCRUAL BASIS
DECEMBER 31, 2008**

	Assets					
	Special		One Year		Receivables	Total
	Cash	Assessments Receivable	Deferred	Repair Liens		
		Delinquent				
County Ditches						
C.D. #1A	\$ 2,693	\$ 19	\$ -	\$ 5,417	\$ -	\$ 8,129
C.D. #2	7,687	24	-	5,842	-	13,553
C.D. #4A	7,356	-	-	-	-	7,356
C.D. #6A	131	-	-	682	-	813
C.D. BEV CREEK 1	5,696	-	-	-	-	5,696
C.D. #9A	79	-	-	7,238	-	7,317
C.D. #10	(16)	-	-	576	-	560
C.D. #11	7,519	-	-	-	-	7,519
C.D. #12A	508	-	-	826	-	1,334
C.D. #13A	8,673	-	-	-	-	8,673
C.D. #18A	16,319	-	-	-	-	16,319
C.D. #21A	969	-	-	2,657	-	3,626
C.D. #22	8,347	-	-	-	-	8,347
C.D. #23A	22,137	-	-	-	-	22,137
C.D. #24A	13,753	-	-	-	-	13,753
C.D. #25A	45	-	-	3,520	-	3,565
C.D. #26	253	-	-	-	-	253
C.D. #29M	6,119	2	-	-	-	6,121
C.D. #29 DACEY	9,196	-	-	-	6,789	15,985
C.D. #29 SCHWARTZ	595	-	-	-	37,427	38,022
C.D. #30A	101	-	-	2,160	-	2,261
C.D. #31A	6,501	-	-	-	-	6,501
C.D. #32A	49	-	-	4,296	-	4,345
C.D. #37A	4,748	-	-	-	-	4,748
C.D. #38	38	-	-	440	-	478
C.D. #39A	6,111	-	-	-	-	6,111
C.D. #40A	67	-	-	2,649	-	2,716
C.D. #42	575	4	-	15,473	-	16,052
C.D. #43	10	-	-	4,791	-	4,801
C.D. #44	6,340	-	-	-	-	6,340
C.D. #45	2	-	-	3,169	-	3,171
C.D. #46	1,277	-	-	-	-	1,277
C.D. #47	1,744	-	-	1,908	-	3,652
C.D. #48	2,535	-	-	-	-	2,535
C.D. #49	6,213	-	-	5,286	-	11,499
C.D. #50	5,353	-	-	-	-	5,353
C.D. #54	22	-	-	21,226	-	21,248
C.D. #55	(38)	344	-	35,599	-	35,905
C.D. #56	76	-	-	15,615	-	15,691
C.D. #57A	84	-	-	2,476	-	2,560
C.D. #58	566	-	-	709	-	1,275
C.D. #59	227	104	-	21,960	-	22,291
C.D. #60	1,398	-	-	-	-	1,398
C.D. #61	3,782	-	-	4,783	-	8,565
C.D. #64	6,732	-	-	-	-	6,732
C.D. #65	5,507	-	-	-	-	5,507
C.D. #66	7,255	-	-	-	-	7,255
C.D. #67	4,838	-	-	-	-	4,838
C.D. #61 Outlet Impr	16	-	10,950	-	-	10,966
Total County Ditches	\$ 190,188	\$ 497	\$ 10,950	\$ 169,298	\$ 44,216	\$ 415,149

Schedule 9

Liabilities						Fund Balance	Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,129	\$ 8,129
-	-	-	-	3,000	3,000	10,553	13,553
-	-	-	-	-	-	7,356	7,356
-	-	-	-	-	-	813	813
-	-	-	-	-	-	5,696	5,696
-	-	-	-	-	-	7,317	7,317
-	-	-	-	-	-	560	560
-	25	-	-	-	25	7,494	7,519
-	-	-	-	-	-	1,334	1,334
-	-	-	-	-	-	8,673	8,673
150	-	-	-	2,000	2,150	14,169	16,319
-	-	-	-	-	-	3,626	3,626
-	59	-	-	-	59	8,288	8,347
-	-	-	-	-	-	22,137	22,137
1,920	-	-	-	5,000	6,920	6,833	13,753
-	-	-	-	-	-	3,565	3,565
-	-	-	-	-	-	253	253
-	-	-	-	-	-	6,121	6,121
-	-	-	-	-	-	15,985	15,985
-	-	-	-	-	-	38,022	38,022
-	-	-	-	-	-	2,261	2,261
-	-	-	-	-	-	6,501	6,501
-	-	-	-	-	-	4,345	4,345
-	-	-	-	-	-	4,748	4,748
-	-	-	-	-	-	478	478
19	-	140	-	-	159	5,952	6,111
-	-	-	-	-	-	2,716	2,716
100	-	-	-	-	100	15,952	16,052
-	-	-	-	-	-	4,801	4,801
-	-	-	-	-	-	6,340	6,340
-	-	-	-	-	-	3,171	3,171
-	-	-	-	-	-	1,277	1,277
-	-	-	-	-	-	3,652	3,652
-	-	-	-	-	-	2,535	2,535
-	-	-	-	-	-	11,499	11,499
-	-	-	-	-	-	5,353	5,353
4,012	-	-	-	-	4,012	17,236	21,248
-	-	-	-	-	-	35,905	35,905
-	-	-	-	-	-	15,691	15,691
-	-	-	-	-	-	2,560	2,560
-	-	-	-	-	-	1,275	1,275
-	-	-	-	-	-	22,291	22,291
-	-	-	-	-	-	1,398	1,398
-	-	-	-	-	-	8,565	8,565
-	-	-	-	-	-	6,732	6,732
-	-	-	-	-	-	5,507	5,507
-	-	-	-	-	-	7,255	7,255
200	-	-	-	-	200	4,638	4,838
-	-	-	-	-	-	10,966	10,966
\$ 6,401	\$ 84	\$ 140	\$ -	\$ 10,000	\$ 16,625	\$ 398,524	\$ 415,149

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
ACCRUAL BASIS
DECEMBER 31, 2008**

	Assets					
	Special		One Year Repair Liens	Receivables	Total	
	Cash	Assessments Receivable Delinquent Deferred				
High Island Project						
H.I. Proj. #2	\$ 21	\$ -	\$ -	\$ -	\$ 21	
H.I. Proj. #5	15	-	-	-	15	
H.I. Proj. #7	(5)	-	-	-	(5)	
H.I. Proj. #8	10	-	-	-	10	
H.I. Proj. #9	10	-	-	-	10	
H.I. Proj. #10	5,316	-	28,399	-	33,715	
H.I. Proj. #11	58,042	-	483,056	-	541,098	
Total High Island Project	\$ 63,409	\$ -	\$ 511,455	\$ -	\$ 574,864	
Judicial Ditches						
JD #1A S&N	\$ 13,752	\$ -	\$ -	\$ 1,032	\$ 14,784	
JD #3A SCM	5,321	-	7,402	1,133	13,856	
JD #5 M&S	416	-	-	-	416	
JD #5 S&N	2,475	-	-	2	2,477	
JD #6A S&N	1,638	-	19,998	6,754	28,390	
JD #6 N&S	660	-	856	-	1,516	
JD #8 S&R	6,232	-	-	15	6,247	
JD #8 M&S	1,304	-	-	508	1,812	
JD #11 RSM	18,645	-	-	4,339	22,984	
JD #12 Sibley	5,981	20	-	-	6,001	
JD #13 SRN	5,082	-	-	-	5,082	
JD #13 N&S	733	-	-	432	1,165	
JD #14 S&N	1,342	-	-	-	1,342	
JD #15 S&M	2,402	-	-	10	2,412	
JD #15 R&S	16	-	1,636	5	1,657	
JD #15 N&S	65	-	6,725	682	7,472	
JD #16 N&S	1,059	-	-	-	1,059	
JD #17 S&M	1,200	-	-	6	1,206	
JD #18 S&M	4,576	-	-	582	5,158	
JD #19 S&M	1,942	-	-	2	1,944	
JD #20 S&N	15	-	17,281	585	17,881	
JD #21 S&C	785	-	-	94	879	
JD #22 S&C	731	-	896	42	1,669	
JD #24 RSM	4,207	-	-	541	4,748	
JD #30 R&S	49	-	-	5	54	
JD #31 RSN	1,501	-	3,540	41	5,082	
JD #13 Lt A SRN	100	-	-	-	100	
JT #1A N&S Impr	6,532	-	-	2,036	8,568	
JT #1 RS	322	-	-	12	334	
JT #7 SNR	41,865	25	146,130	7,733	195,753	
JT #24 CS	349	-	-	-	349	
JT #7 Lat 17 IMP Berger	62	133	183,786	475	184,456	
JT #5 YAHNKE S&N Impr	82	-	170,661	3,208	173,951	
Total Judicial Ditches	\$ 131,441	\$ 178	\$ 500,577	\$ 58,334	\$ 720,804	
Total All Ditches	\$ 385,038	\$ 675	\$ 1,022,982	\$ 227,632	\$ 1,710,817	
Reconcile to Exhibit 3	-	-	-	-	-	
Total Modified Accrual	\$ 385,038	\$ 675	\$ 1,022,982	\$ 227,632	\$ 1,710,817	

Schedule 9
(Continued)

Liabilities						Fund Balance	Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 21
-	-	-	-	-	-	15	15
-	-	-	-	-	-	(5)	(5)
-	-	-	-	-	-	10	10
-	-	-	-	-	-	10	10
-	-	-	-	-	-	33,715	33,715
-	-	-	-	655,000	655,000	(113,902)	541,098
\$ -	\$ -	\$ -	\$ -	\$ 655,000	\$ 655,000	\$ (80,136)	\$ 574,864
\$ -	\$ -	\$ 630	\$ -	\$ -	\$ 630	\$ 14,154	\$ 14,784
-	-	293	-	-	293	13,563	13,856
-	-	13	-	-	13	403	416
-	-	43	-	-	43	2,434	2,477
300	-	32	-	-	332	28,058	28,390
-	-	-	-	-	-	1,516	1,516
-	-	224	-	-	224	6,023	6,247
-	-	242	-	-	242	1,570	1,812
-	-	183	-	-	183	22,801	22,984
-	-	-	-	-	-	6,001	6,001
-	-	9,591	-	-	9,591	(4,509)	5,082
-	-	72	-	-	72	1,093	1,165
-	-	-	-	-	-	1,342	1,342
-	-	10	-	-	10	2,402	2,412
-	-	736	-	-	736	921	1,657
-	-	2,656	-	-	2,656	4,816	7,472
-	-	-	-	-	-	1,059	1,059
-	-	207	-	-	207	999	1,206
250	-	10	-	-	260	4,898	5,158
-	-	8	-	-	8	1,936	1,944
150	-	22	-	-	172	17,709	17,881
-	-	-	-	-	-	879	879
-	-	-	-	-	-	1,669	1,669
-	-	453	-	-	453	4,295	4,748
-	-	53	-	-	53	1	54
-	-	30	-	-	30	5,052	5,082
-	-	-	-	-	-	100	100
-	-	-	-	-	-	8,568	8,568
-	-	887	-	-	887	(553)	334
-	-	1,846	-	180,000	181,846	13,907	195,753
-	-	-	-	-	-	349	349
-	-	-	-	-	-	184,456	184,456
-	-	-	-	-	-	173,951	173,951
\$ 700	\$ -	\$ 18,241	\$ -	\$ 180,000	\$ 198,941	\$ 521,863	\$ 720,804
\$ 7,101	\$ 84	\$ 18,381	\$ -	\$ 845,000	\$ 870,566	\$ 840,251	\$ 1,710,817
-	-	-	1,295,505	(845,000)	450,505	(450,505)	-
\$ 7,101	\$ 84	\$ 18,381	\$ 1,295,505	\$ -	\$ 1,321,071	\$ 389,746	\$ 1,710,817

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Highway users tax	\$ 3,645,612
Market value credit	626,485
Market value credit - mobile home	1,377
Market value credit - agricultural	216,625
PERA rate reimbursement	25,092
Disparity reduction aid	55,211
County program aid	364,317
Police aid	69,981
E-911	89,645
Petroleum tax relief	1,235

Total Shared Revenue	<u>\$ 5,095,580</u>
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Reimbursement for Services

Minnesota Department of Human Services	<u>\$ 517,331</u>
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Payments

Local

Local contributions	\$ 36,386
Payments in lieu of taxes	19,386

Total Payments	<u>\$ 55,772</u>
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Grants

State

Minnesota Department of Corrections	\$ 42,817
Transportation	713,062
Health	198,336
Natural Resources	17,472
Human Services	933,445
Water and Soil Resources Board	84,893
Peace Officer Standards and Training Board	4,406
Pollution Control Agency	413,943

Total State	<u>\$ 2,408,374</u>
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Grants

Federal

Department of Agriculture	\$ 167,256
Health and Human Services	961,813
Homeland Security	11,097
Environmental Protection Agency	2,146

Total Federal	<u>\$ 1,142,312</u>
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Total State and Federal Grants	<u>\$ 3,550,686</u>
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Total Intergovernmental Revenue	<u><u>\$ 9,219,369</u></u>
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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 11

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Sibley County.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of Sibley County and is reported in the "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*." The significant deficiency is not a material weakness.
- C. No instances of noncompliance material to the financial statements of Sibley County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Sibley County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Matching Grants for Food Stamp Program	CFDA #10.561
Child Support Enforcement Title IV-D	CFDA #93.563
Medical Assistance Program	CFDA #93.778
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Sibley County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

01-2 Accounting Policies and Procedures

A formal policies and procedures manual does not exist for purchasing, journal entries, cash disbursements, or budget adjustments. The absence of this manual causes difficulty in assessing which controls are in place and functioning. A formal written policy that establishes required procedures enables management to determine if adequate controls exist, provides a standard to monitor compliance against, and ensures that consistent policies and procedures will be passed on to new employees.

We recommend that the County develop and implement formal policies and procedures for purchasing, journal entries, cash disbursements, and budget adjustments. The County currently has developed a draft version of these policies and procedures and hopes to have them completed and approved by the beginning of 2010.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

00-2 Outdated Disaster Recovery Plan

The County's Disaster Recovery Plan was last updated in December 1997. It has never been tested. An outdated, untested plan that assigns responsibility to untrained personnel may not prove to be nearly as effective as intended in times of actual need. In addition, the County has not determined a method to continue processing critical financial and

other information in case of a disaster. However, the County Board has approved the formation of a Disaster Recovery Committee, and the County is working toward a continuity of operations plan.

We recommend the County update the Disaster Recovery Plan on an annual basis and sufficiently train its team members so that it may be effectively implemented in times of need. We also recommend that the recovery plan be periodically tested and the County determine a method to continue processing critical information in case of a disaster. The County is currently in the beginning stages of implementing a Disaster Recovery Plan and has designated an alternate location for continuing operations in the event of an emergency.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Sibley County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sibley County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 01-2 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Sibley County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sibley County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except we did not test the legal compliance requirements where the activities took place in the various cities included in the Sibley County Library System. We relied upon the city audits completed by other auditors that audit the amounts that make up the city activities within the Sibley County Library System.

The results of our tests indicate that, for the items tested, Sibley County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe the recommendation to be of benefit to Sibley County, and it is reported for that purpose.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Sibley County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 21, 2009

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Sibley County

Compliance

We have audited the compliance of Sibley County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Sibley County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sibley County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Sibley County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Sibley County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2009. Our audit was performed for the purpose of forming opinions on Sibley County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a

required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 21, 2009

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 84,315
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	82,941
Total U.S. Department of Agriculture		\$ 167,256
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Human Services State Indoor Radon Grants	66.032	\$ 737
Passed Through Minnesota Department of Health and Meeker-McLeod-Sibley Community Health Services State Indoor Radon Grants	66.032	1,409
Total U.S. Environmental Protection Agency		\$ 2,146
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	\$ 130,339
Refugee and Entrant Assistance - State-Administered Programs Child Care Cluster	93.566	210
Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	6,107
	93.596	1,185
Child Support Enforcement	93.563	252,002
Children's Health Insurance Program	93.767	228
Child Welfare Services - State Grants	93.645	6,226
Foster Care Title IV-E	93.658	79,469
Social Services Block Grant	93.667	100,222
Chafee Foster Care Independent Living	93.674	804
Medical Assistance	93.778	303,735
Block Grants for Community Mental Health Services	93.958	2,447
Passed Through Minnesota Department of Health and Meeker-McLeod-Sibley Community Health Services Centers for Disease Control and Prevention Block Grant	93.283	30,140
Temporary Assistance for Needy Families (TANF)	93.558	20,015
Medical Assistance	93.778	13,705
Maternal and Child Health Services Block Grant	93.994	14,979
Total U.S. Department of Health and Human Services		\$ 961,813

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 12
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance	97.042	\$ 11,097
Total Federal Awards		\$ 1,142,312

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Sibley County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2008, the County did not pass any federal money to subrecipients.