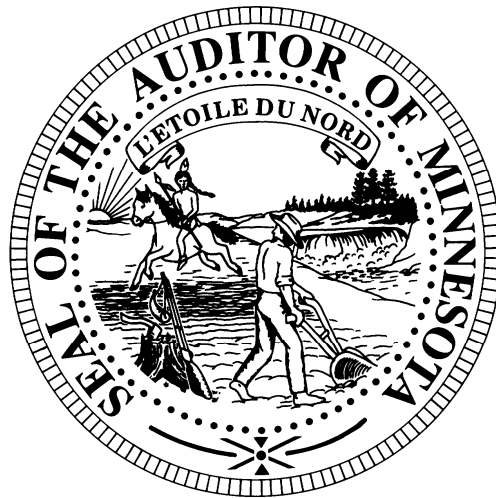


STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SIBLEY COUNTY
GAYLORD, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

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, 2009



**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**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2009**

Office	Name	Term	
		From	To
Commissioners			
1st District	Leo "Lee" Anderly**	January 2003	January 2011
2nd District	William "Bill" Pinske	January 2003	January 2013
3rd District	Jim Swanson	January 2009	January 2013
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 Amatzio, 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, 2009, 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. 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, 2009, 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.

The Management's Discussion and Analysis and required supplementary information schedules as listed in the table of contents 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 September 29, 2010, 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

September 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

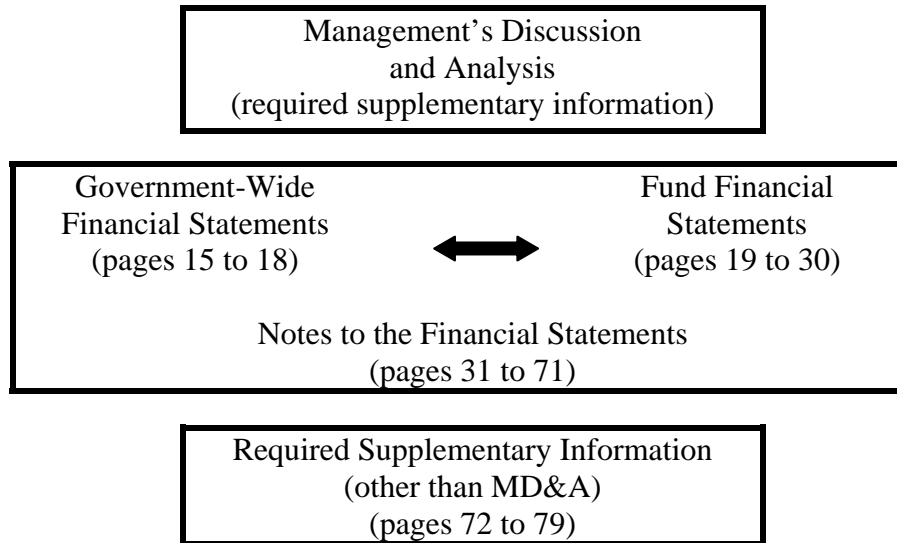
The financial management of Sibley County offers the readers of Sibley County's financial statements this narrative overview and analysis of the financial activity of Sibley County for the year ended December 31, 2009. We encourage our readers to consider the information presented here in combination 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 \$62,811,999, of which \$43,652,885 is invested in capital assets, net of related debt; \$2,768,547 is restricted for specific purposes; and \$16,390,597 is available to spend at the discretion of the County Board.
- Sibley County's governmental activities' net assets increased by \$5,162,589 in 2009. 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 \$18,619,726. Of that amount, \$14,484,594, or 77.792 percent, is available for spending at the discretion of the County Board (unreserved fund balance). Of the total unreserved fund balance, \$11,662,679, or 62.636 percent, has been designated for a specific purpose by the County Board.
- At the close of 2009, the unreserved fund balance for the General Fund was \$7,732,956, or 88.807 percent, of the total General Fund expenditures. This amount is available for 2009 budgeting purposes.
- The net cost of governmental activities in 2009 decreased by \$2,273,940 from the previous year to \$6,977,594. The net cost was funded by general revenues totaling \$12,140,183.

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. Sibley County's assets exceeded liabilities by \$62,811,999 at the close of the current fiscal year. Table I shows a two year Net Asset comparison.

Table I
Net Assets

	2009	2008	\$ Change	% Change
Current and noncurrent assets	\$ 23,666,344	\$ 21,954,867	\$ 1,711,477	7.795
Capital assets	<u>46,120,873</u>	<u>42,610,940</u>	<u>3,509,933</u>	8.237
Total Assets	<u>\$ 69,787,217</u>	<u>\$ 64,565,807</u>	<u>\$ 5,221,410</u>	8.087
Long-term debt outstanding	\$ 4,923,624	\$ 4,872,129	\$ 51,495	1.057
Other liabilities	<u>2,051,594</u>	<u>2,044,268</u>	<u>7,326</u>	0.358
Total Liabilities	<u>\$ 6,975,218</u>	<u>\$ 6,916,397</u>	<u>\$ 58,821</u>	0.850
Net Assets				
Invested in capital assets - net related debt	\$ 43,652,885	\$ 39,728,591	\$ 3,924,294	9.878
Restricted	2,768,547	2,784,398	(15,851)	(0.569)
Unrestricted	<u>16,390,567</u>	<u>15,136,421</u>	<u>1,254,146</u>	8.286
Total Net Assets	<u><u>\$ 62,811,999</u></u>	<u><u>\$ 57,649,410</u></u>	<u><u>\$ 5,162,589</u></u>	8.955

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 \$43,652,885. This represents 69.498 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 \$2,768,547; this is a \$15,851 decrease from 2008. The remaining unrestricted net assets of \$16,390,567 may be used to meet the County's ongoing obligations to citizens and creditors.

Sibley County's net assets increased \$5,162,589, or 8.955 percent, from 2008; this increase can be attributed to an increase in infrastructure (roads and bridges) of about \$3.4 million as well as budget savings from the three major funds. Table II illustrates the change in net assets:

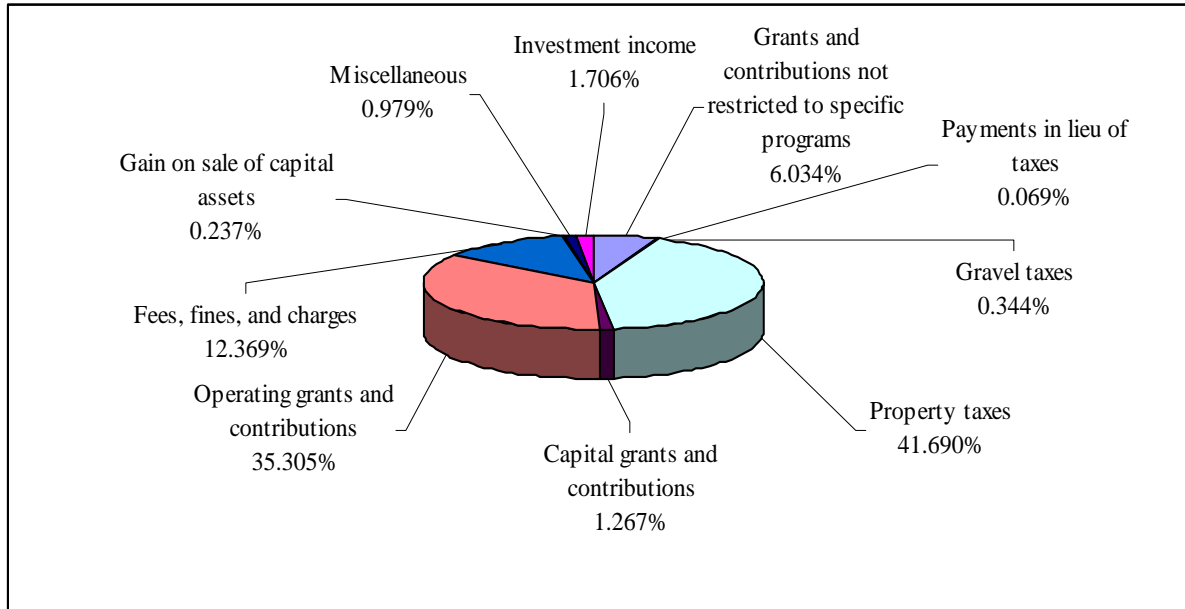
Table II
Change in Net Assets

	2009	2008	\$ Change	% Change
Revenues				
Program revenues				
Fees, fines, and charges	\$ 2,940,910	\$ 2,647,590	\$ 293,320	11.079
Operating grants and contributions	8,394,318	6,842,709	1,551,609	22.675
Capital grants and contributions	301,239	729,522	(428,283)	(58.707)
General revenues				
Property taxes	9,912,479	9,337,163	575,316	6.162
Gravel taxes	81,812	55,921	25,891	46.299
Payments in lieu of tax	16,310	19,386	(3,076)	(15.867)
Grants and contributions not restricted to specific programs	1,434,656	1,290,342	144,314	11.184
Investment income	405,706	682,599	(276,893)	(40.565)
Miscellaneous	232,787	240,833	(8,046)	(3.341)
Gain on sale of capital assets	56,433	10,558	45,875	434.505
Total Revenues	\$ 23,776,650	\$ 21,856,623	\$ 1,920,027	8.785
Expenses				
Governmental activities				
General government	\$ 3,494,742	\$ 3,606,664	\$ (111,922)	(3.103)
Public safety	2,341,932	2,347,585	(5,653)	(0.241)
Highways and streets	4,378,243	5,593,235	(1,214,992)	(21.723)
Sanitation	489,027	412,008	77,019	18.694
Human services	4,313,228	4,236,073	77,155	1.821
Health	1,659,459	1,642,488	16,971	1.033
Culture and recreation	322,253	303,930	18,323	6.029
Conservation of natural resources	1,272,824	931,144	341,680	36.695
Economic development	180,680	212,815	(32,135)	(15.100)
Interest	161,673	185,413	(23,740)	(12.804)
Total Expenses	\$ 18,614,061	\$ 19,471,355	\$ (857,294)	(4.403)
Increase (Decrease) in Net Assets	\$ 5,162,589	\$ 2,385,268	\$ 2,777,321	116.436
Net Assets - Beginning January 1	57,649,410	55,264,142	2,385,268	4.316
Net Assets - Ending December 31	\$ 62,811,999	\$ 57,649,410	\$ 5,162,589	8.955

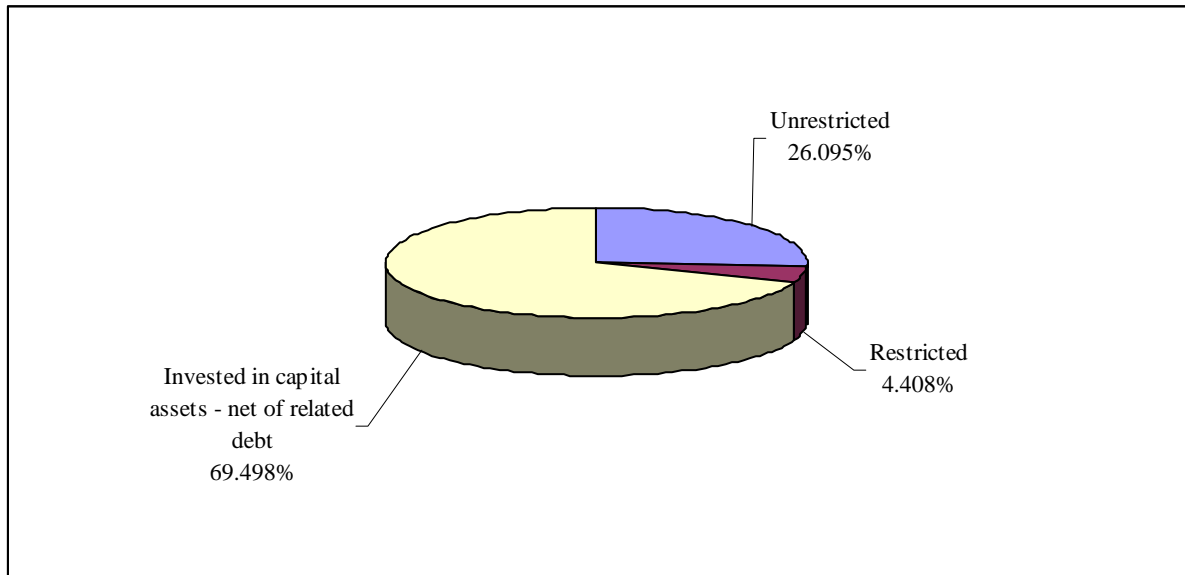
The County's expenses decreased \$857,294, or 4.403 percent, from 2008. This decrease is mainly a result of decreased spending on highways and streets, general government, and human services. Sibley County expects highway and street expense to increase in the next fiscal year.

The following tables represent the 2009 revenues by revenue source and net assets.

2009 Revenues by Source



2009 Net Assets



GOVERNMENTAL ACTIVITIES

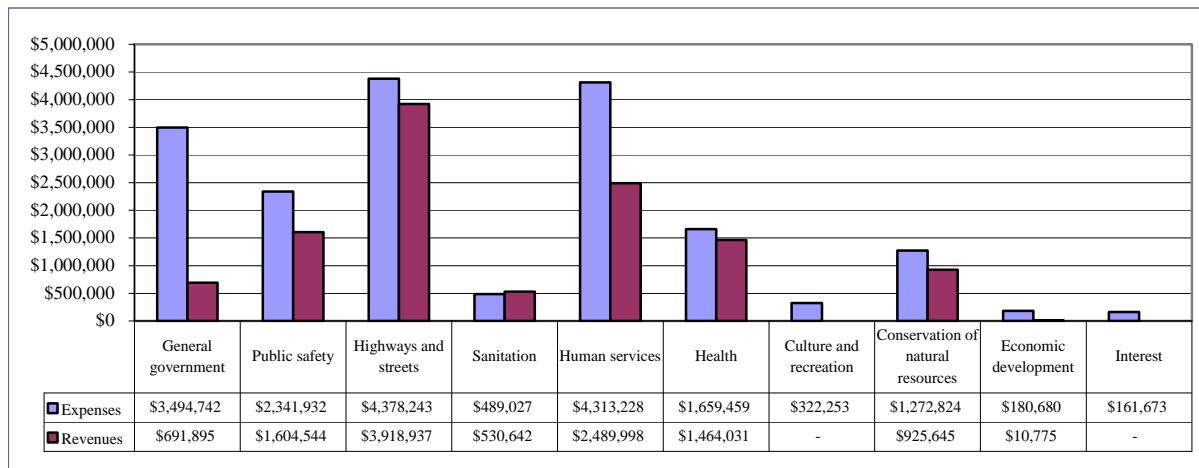
As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$6,977,594 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations 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		
	2009	2008	\$ Change	2009	2008	\$ Change
Expenses						
Governmental activities						
General government	\$ 3,494,742	\$ 3,606,664	\$ (111,922)	\$ 2,802,847	\$ 2,733,942	\$ 68,905
Public safety	2,341,932	2,347,585	(5,653)	737,388	1,884,339	(1,146,951)
Highways and streets	4,378,243	5,593,235	(1,214,992)	459,306	1,490,631	(1,031,325)
Sanitation	489,027	412,008	77,019	(41,615)	(22,537)	(19,078)
Human services	4,313,228	4,236,073	77,155	1,823,230	1,997,038	(173,808)
Health	1,659,459	1,642,488	16,971	195,428	108,494	86,934
Culture and recreation	322,253	303,930	18,323	322,253	298,019	24,234
Conservation of natural resources	1,272,824	931,144	341,680	347,179	393,312	(46,133)
Economic development	180,680	212,815	(32,135)	169,905	182,883	(12,978)
Interest	161,673	185,413	(23,740)	161,673	185,413	(23,740)
Total Expenses	\$ 18,614,061	\$ 19,471,355	\$ (857,294)	\$ 6,977,594	\$ 9,251,534	\$ (2,273,940)

2009 Program Cost and Program Revenues



(Unaudited)

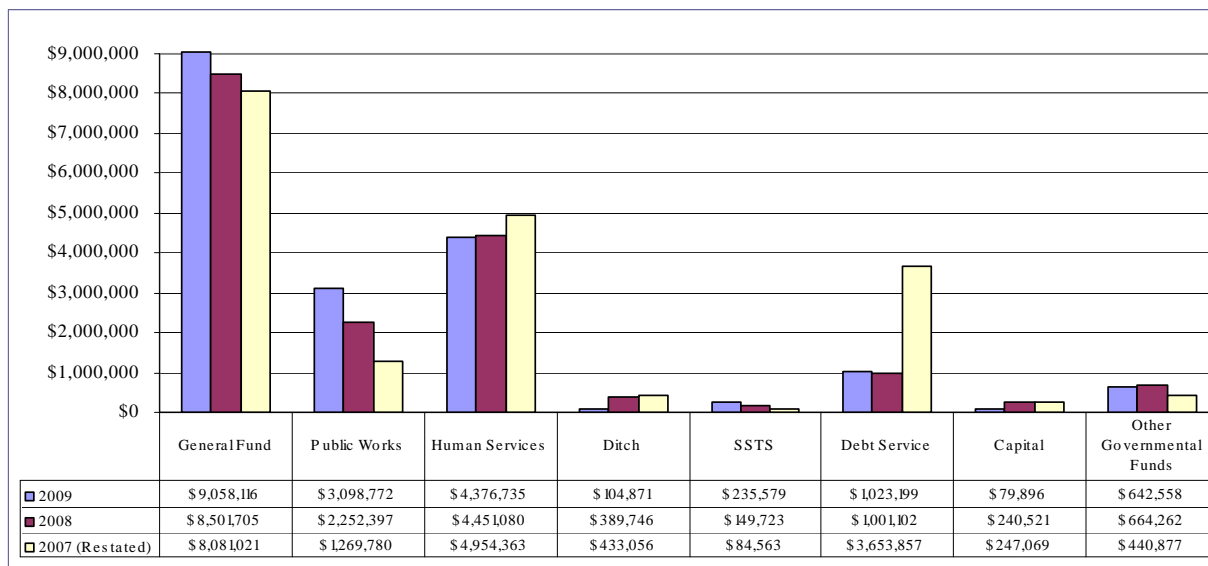
THE COUNTY'S FUNDS

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 three non-major 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 \$18,619,726. This is an increase of \$969,190 in comparison to the prior fiscal year. Of the \$18,619,726 total fund balances, \$14,484,594 constitutes unreserved fund balances, which are available for spending at the government's discretion. Of the \$14,484,594, \$11,662,679 has been designated to be spent on a specific purpose/project by the County Board. The remaining \$4,135,132 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 \$7,732,956 (85.370 percent), and reserved fund balance was \$1,325,160 (14.630 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 88.807 percent of the total General Fund expenditures of \$8,707,641, while total fund balance represents 104.025 percent of that same amount.

The Public Works Special Revenue Fund had a total fund balance of \$3,098,772 at the end of 2009. The increase of \$846,375 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 \$4,376,735 at the end of the current fiscal year. This is a decrease of \$74,345 due in part to the use of fund balance to balance the 2009 budget.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual revenues exceeded budgeted revenues by \$475,776, and actual expenditures were less than expected by \$834,357.

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
	2009	2008	\$ Change	
Land	\$ 1,448,281	\$ 1,362,488	\$ 85,793	6.297
Construction in progress	-	206,322	(206,322)	(100.000)
Infrastructure	36,861,455	33,479,039	3,382,416	10.103
Buildings	5,558,232	5,509,472	48,760	0.885
Machinery, vehicles, and equipment	2,233,675	2,032,608	201,067	9.892
Improvements other than buildings	19,230	21,011	(1,781)	(8.477)
Total Capital Assets	\$ 46,120,873	\$ 42,610,940	\$ 3,509,933	8.237

The County's investment in capital assets for its governmental activities as of December 31, 2009, was \$46,120,873 (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 8.237 percent, or \$3,509,933. The most significant increase in capital assets was in the area of infrastructure. The 2009 increase amounted to about \$3.38 million, about 10.103 percent.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$5,549,327 versus \$5,640,591 last year--a decrease of 1.618 percent--as shown in Table V.

**Table V
Outstanding Debt at Year-End**

	2009	2008	\$ Change
Bonds payable			
General obligation capital improvement bonds	\$ 2,530,000	\$ 2,925,000	\$ (395,000)
Special assessment debt with governmental commitment	785,000	845,000	(60,000)
Revenue notes	103,300	103,300	-
Less: unamortized discounts	(39,082)	(42,642)	3,560
Total bonds and notes payable	\$ 3,379,218	\$ 3,830,658	\$ (451,440)
MnPCA Loans	1,057,373	789,058	268,315
Compensated absences	1,040,380	980,154	60,226
Net OPEB obligation	72,356	40,721	31,635
Long-Term Liabilities	<u>\$ 5,549,327</u>	<u>\$ 5,640,591</u>	<u>\$ (91,264)</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 2009, the taxable market value was \$2,018,265,400 and, in 2008, the amount was \$1,908,603,400. The County’s outstanding net debt of \$5,549,327 is significantly below the state-imposed limit of \$60,547,962.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$83,450 outstanding at year-end compared with \$35,191 last year.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The County’s elected and appointed officials considered many factors when setting the fiscal year 2010 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 2010 state aid cuts with little mandate relief will put significant pressure on Sibley County’s 2010 budget and beyond.

- For fiscal year 2010, Sibley County's total taxable market value is \$2,305,902,000. This is an increase of \$287,636,600, or 14.252 percent, over the 2009 total taxable market value of \$2,018,265,400. 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 8.4 percent. Sibley County's unemployment rate is slightly higher than the state unemployment rate of 8.0 percent.
- On December 22, 2009, the Sibley County Board of Commissioners approved the 2010 budget for \$25,557,829. The 2010 total levy is \$11,116,979 and the total net tax levy was \$10,884,118, which is an increase of \$342,665 compared to the 2009 total net tax levy of \$10,541,453. The 2010 budget includes a 3.250 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, 2009**

	Primary Government Governmental Activities	Sibley County Library System Component Unit
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 16,889,985	\$ 94,495
Petty cash and change funds	6,150	20
Departmental cash	40,203	-
Cash with fiscal agent	594,806	-
Investments	-	3,166
Taxes receivable		
Prior - net	210,528	-
Special assessments receivable		
Prior - net	14,082	-
Noncurrent - net	2,509,732	-
Accounts receivable - net	162,463	201
Accrued interest receivable	114,950	-
Due from other governments	1,450,020	35,734
Loans receivable	154,313	-
Inventories	809,806	-
Prepaid items	5,409	1,410
Noncurrent assets		
Advance to other governments	190,370	-
Advance to other agencies	25,000	-
Deferred charges	23,690	-
Long-term receivables	125,028	-
Investment in joint venture	339,809	-
Capital assets		
Non-depreciable	1,448,281	-
Depreciable - net of accumulated depreciation	44,672,592	-
	\$ 69,787,217	\$ 135,026
Total Assets	\$ 69,787,217	\$ 135,026

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Primary Government Governmental Activities	Sibley County Library System Component Unit
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 463,004	\$ 5,531
Salaries payable	414,421	18,283
Contracts payable	56,360	-
Due to other governments	297,256	17,630
Accrued interest payable	47,403	-
Claims payable	83,450	-
Unearned revenue	63,997	-
Compensated absences payable - current	280,903	10,555
General obligation bonds payable - current	235,000	-
General obligation special assessment debt payable - current	55,000	-
Revenue notes payable - current	5,000	-
MnPCA loans payable - current	49,800	-
Noncurrent liabilities		
Compensated absences payable	759,477	28,538
General obligation bonds payable	2,255,918	-
General obligation special assessment debt payable	730,000	-
Revenue notes payable	98,300	-
MnPCA loans payable	1,007,573	-
Net OPEB obligation	72,356	-
Total Liabilities	\$ 6,975,218	\$ 80,537
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 43,652,885	\$ -
Restricted for		
General government	304,800	-
Public safety	529,218	-
Highways and streets	96,320	-
Culture and recreation	49,693	-
Sanitation	235,579	-
Conservation of natural resources	395,143	-
Economic development	93,102	-
Capital projects	79,896	-
Debt service	984,796	-
Unrestricted	16,390,567	54,489
Total Net Assets	\$ 62,811,999	\$ 54,489

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Governmental activities		
General government	\$ 3,494,742	\$ 553,288
Public safety	2,341,932	189,986
Highways and streets	4,378,243	81,397
Sanitation	489,027	530,642
Human services	4,313,228	337,467
Health	1,659,459	420,026
Culture and recreation	322,253	-
Conservation of natural resources	1,272,824	822,576
Economic development	180,680	5,528
Interest	161,673	-
Total	\$ 18,614,061	\$ 2,940,910
Component Unit		
Sibley County Library System	\$ 457,855	\$ 173,351

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

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
\$ 138,607	\$ -	\$ (2,802,847)	
1,414,558	-	(737,388)	
3,536,301	301,239	(459,306)	
-	-	41,615	
2,152,531	-	(1,823,230)	
1,044,005	-	(195,428)	
-	-	(322,253)	
103,069	-	(347,179)	
5,247	-	(169,905)	
-	-	(161,673)	
\$ 8,394,318	\$ 301,239	\$ (6,977,594)	
\$ 298,471	\$ -		\$ 13,967
		\$ 9,912,479	\$ -
		81,812	-
		16,310	-
		1,434,656	-
		405,706	-
		232,787	-
		56,433	-
		\$ 12,140,183	\$ -
		\$ 5,162,589	\$ 13,967
		57,649,410	40,522
		\$ 62,811,999	\$ 54,489

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Public Works	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 8,242,522	\$ 2,075,488	\$ 4,503,018
Petty cash and change funds	6,150	-	-
Departmental cash	40,203	-	-
Cash with fiscal agent	594,806	-	-
Taxes receivable			
Delinquent	104,417	59,104	35,637
Special assessments receivable			
Delinquent	6,890	-	-
Noncurrent	-	-	-
Accounts receivable	66	80,778	42,999
Accrued interest receivable	114,950	-	-
Due from other funds	156,786	4,896	3,256
Due from other governments	239,583	956,887	201,936
Loans receivable	-	-	-
Inventories	-	809,806	-
Prepaid items	2,899	2,510	-
Advances to other governments	190,370	-	-
Advances to other agencies	-	-	-
Long-term receivables	125,028	-	-
	\$ 9,824,670	\$ 3,989,469	\$ 4,786,846
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 76,821	\$ 169,693	\$ 177,660
Salaries payable	239,994	84,059	88,229
Contracts payable	-	56,360	-
Due to other funds	7,927	109	208
Due to other governments	115,931	56,830	108,377
Deferred revenue - unavailable	178,434	523,646	35,637
Deferred revenue - unearned	63,997	-	-
Claims payable	83,450	-	-
	\$ 766,554	\$ 890,697	\$ 410,111

EXHIBIT 3

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 289,427	\$ 196,449	\$ 1,023,199	\$ 79,896	\$ 479,986	\$ 16,889,985
-	-	-	-	-	6,150
-	-	-	-	-	40,203
-	-	-	-	-	594,806
-	-	11,370	-	-	210,528
1,199	5,993	-	-	-	14,082
1,511,868	997,864	-	-	-	2,509,732
38,620	-	-	-	-	162,463
-	-	-	-	-	114,950
-	-	-	-	-	164,938
12,484	39,130	-	-	-	1,450,020
-	-	-	-	154,313	154,313
-	-	-	-	-	809,806
-	-	-	-	-	5,409
-	-	-	-	-	190,370
-	-	-	-	25,000	25,000
-	-	-	-	-	125,028
\$ 1,853,598	\$ 1,239,436	\$ 1,034,569	\$ 79,896	\$ 659,299	\$ 23,467,783
\$ 26,363	\$ -	\$ -	\$ -	\$ 12,467	\$ 463,004
-	-	-	-	2,139	414,421
-	-	-	-	-	56,360
156,578	-	-	-	116	164,938
14,099	-	-	-	2,019	297,256
1,551,687	1,003,857	11,370	-	-	3,304,631
-	-	-	-	-	63,997
-	-	-	-	-	83,450
\$ 1,748,727	\$ 1,003,857	\$ 11,370	\$ -	\$ 16,741	\$ 4,848,057

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Public Works	Human Services
<u>Liabilities and Fund Balances</u>			
(Continued)			
Fund Balances			
Reserved for			
Prepaid items	\$ 2,899	\$ 2,510	\$ -
Law library	33,907	-	-
Recorder's equipment	121,081	-	-
Juvenile restitution	14,856	-	-
Inventories	-	809,806	-
Gravel pit closure	-	96,320	-
Advances to other governments	190,370	-	-
Loans receivable	-	-	-
Economic development revolving loans receivable	125,028	-	-
Sheriff's contingency	11,570	-	-
Conceal and carry	4,804	-	-
Alcohol education	23,149	-	-
Land records technology	62,430	-	-
Revolving loan fund (SEDCO)	-	-	-
Attorney's forfeited property	32,104	-	-
County parks improvements	49,693	-	-
Check diversion	255	-	-
HAVA grant	23,931	-	-
Enhanced 911	385,047	-	-
Traffic diversion	104,393	-	-
Public transit	16,491	-	-
SCORE	120,685	-	-
Water projects	-	-	-
Shore land ordinance	2,467	-	-
Debt service	-	-	-
Sub-surface sewage treatment system loan program	-	-	-
Federal lands	-	-	-
Unreserved			
Designated for capital improvement	141,000	-	-
Designated for cash flows	4,763,891	1,988,665	4,362,216
Designated for petty cash and change funds	6,150	-	-
Designated for future road projects	-	51,471	-
Designated for capital equipment	-	150,000	-
Designated for South Country Health Alliance program interpreter	-	-	14,519
Undesignated	2,821,915	-	-
	\$ 9,058,116	\$ 3,098,772	\$ 4,376,735
Total Fund Balances			
	\$ 9,824,670	\$ 3,989,469	\$ 4,786,846
Total Liabilities and Fund Balances			

EXHIBIT 3
(Continued)

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,409
-	-	-	-	-	33,907
-	-	-	-	-	121,081
-	-	-	-	-	14,856
-	-	-	-	-	809,806
-	-	-	-	-	96,320
-	-	-	-	-	190,370
-	-	-	-	154,313	154,313
-	-	-	-	-	125,028
-	-	-	-	-	11,570
-	-	-	-	-	4,804
-	-	-	-	-	23,149
-	-	-	-	-	62,430
-	-	-	-	93,102	93,102
-	-	-	-	-	32,104
-	-	-	-	-	49,693
-	-	-	-	-	255
-	-	-	-	-	23,931
-	-	-	-	-	385,047
-	-	-	-	-	104,393
-	-	-	-	-	16,491
-	-	-	-	-	120,685
-	-	-	-	314,226	314,226
-	-	-	-	-	2,467
-	-	1,023,199	-	-	1,023,199
-	235,579	-	-	-	235,579
-	-	-	-	80,917	80,917
-	-	-	79,896	-	220,896
104,871	-	-	-	-	11,219,643
-	-	-	-	-	6,150
-	-	-	-	-	51,471
-	-	-	-	-	150,000
-	-	-	-	-	14,519
-	-	-	-	-	2,821,915
\$ 104,871	\$ 235,579	\$ 1,023,199	\$ 79,896	\$ 642,558	\$ 18,619,726
\$ 1,853,598	\$ 1,239,436	\$ 1,034,569	\$ 79,896	\$ 659,299	\$ 23,467,783

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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, 2009**

Fund balance - total governmental funds (Exhibit 3)	\$	18,619,726
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.		46,120,873
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		339,809
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,304,631
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	\$ (3,275,918)	
Revenue notes payable	(103,300)	
MnPCA loans payable	(1,057,373)	
Compensated absences	(1,040,380)	
Net OPEB obligation	(72,356)	
Accrued interest payable	(47,403)	
Deferred debt issuance charges	23,690	
	(5,573,040)	
Net Assets of Governmental Activities (Exhibit 1)	\$	<u>62,811,999</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 5,065,351	\$ 2,887,292	\$ 1,528,768
Special assessments	133,889	-	-
Licenses and permits	23,851	-	-
Intergovernmental	2,120,678	5,212,696	2,383,390
Charges for services	1,281,548	58,028	83,685
Fines and forfeits	17,237	-	-
Gifts and contributions	1,950	-	-
Investment earnings	427,367	-	-
Miscellaneous	158,752	87,759	253,782
Total Revenues	\$ 9,230,623	\$ 8,245,775	\$ 4,249,625
Expenditures			
Current			
General government	\$ 3,498,091	\$ -	\$ -
Public safety	2,264,596	-	-
Highways and streets	-	7,051,796	-
Sanitation	171,891	-	-
Human services	-	-	4,183,470
Health	1,636,990	-	-
Culture and recreation	321,326	-	-
Conservation of natural resources	426,191	-	-
Economic development	180,680	-	-
Capital outlay	207,876	479,003	-
Intergovernmental	-	226,739	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 8,707,641	\$ 7,757,538	\$ 4,183,470
Excess of Revenues Over (Under)			
Expenditures	\$ 522,982	\$ 488,237	\$ 66,155

EXHIBIT 5

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 479,575	\$ -	\$ -	\$ 9,960,986
375,223	144,254	-	-	-	653,366
-	-	-	-	-	23,851
-	-	37,682	-	178,755	9,933,201
30,274	-	-	-	60	1,453,595
-	-	-	-	-	17,237
-	-	-	-	18,600	20,550
-	-	-	-	2,670	430,037
32,858	-	-	-	4,977	538,128
\$ 438,355	\$ 144,254	\$ 517,257	\$ -	\$ 205,062	\$ 23,030,951
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,498,091
-	-	-	-	-	2,264,596
-	-	-	-	-	7,051,796
-	317,136	-	-	-	489,027
-	-	-	-	-	4,183,470
-	-	-	-	-	1,636,990
-	-	-	-	-	321,326
612,938	-	-	-	226,766	1,265,895
-	-	-	-	-	180,680
-	-	-	33,696	-	720,575
-	-	-	-	-	226,739
60,000	48,821	395,000	-	-	503,821
49,172	9,577	99,304	-	-	158,053
1,120	-	856	-	-	1,976
\$ 723,230	\$ 375,534	\$ 495,160	\$ 33,696	\$ 226,766	\$ 22,503,035
\$ (284,875)	\$ (231,280)	\$ 22,097	\$ (33,696)	\$ (21,704)	\$ 527,916

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 126,929	\$ 234,000	\$ -
Transfers out	(93,500)	-	(140,500)
Loans issued	-	-	-
Proceeds from the sale of capital assets	-	58,084	-
Total Other Financing Sources (Uses)	\$ 33,429	\$ 292,084	\$ (140,500)
Net Change in Fund Balance	\$ 556,411	\$ 780,321	\$ (74,345)
Fund Balance - January 1	8,501,705	2,252,397	4,451,080
Increase (decrease) in reserved for inventories	-	66,054	-
Fund Balance - December 31	\$ 9,058,116	\$ 3,098,772	\$ 4,376,735

EXHIBIT 5
(Continued)

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 360,929
-	-	-	(126,929)	-	(360,929)
-	317,136	-	-	-	317,136
-	-	-	-	-	58,084
\$ -	\$ 317,136	\$ -	\$ (126,929)	\$ -	\$ 375,220
\$ (284,875)	\$ 85,856	\$ 22,097	\$ (160,625)	\$ (21,704)	\$ 903,136
389,746	149,723	1,001,102	240,521	664,262	17,650,536
-	-	-	-	-	66,054
\$ 104,871	\$ 235,579	\$ 1,023,199	\$ 79,896	\$ 642,558	\$ 18,619,726

**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, 2009**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 903,136

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. (114,490)

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	\$ 3,304,631	
Deferred revenue - January 1	<u>(2,599,855)</u>	704,776

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 funds, 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	\$ 5,588,937	
Net book value of disposed assets	(208,733)	
Current year depreciation	<u>(1,870,271)</u>	3,509,933

New borrowing on MnCPA loans (317,136)

Repayment of debt principal - general obligation bonds 503,821

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	\$ 5,907	
Change in deferred charges	(3,991)	
Amortization of bond discounts	(3,560)	
Change in compensated absences	(60,226)	
Net OPEB obligation	(31,635)	
Change in inventories	<u>66,054</u>	<u>(27,451)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 5,162,589

FIDUCIARY FUNDS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	Private-Purpose Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 22,926	\$ 234,428
Investments	38,837	-
Accrued interest	397	-
	\$ 62,160	\$ 234,428
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 60,070
Due to other governments	-	174,358
	\$ -	\$ 234,428
<u>Net Assets</u>		
Net assets, held in trust	\$ 62,160	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 1,378
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>1,000</u>
Change in Net Assets	\$ 378
Net Assets - Beginning of the Year	<u>61,782</u>
Net Assets - End of the Year	<u><u>\$ 62,160</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009. 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 are 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 infrastructure.

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 the 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. This is a program supported by the Minnesota Pollution Control Agency and Minnesota Department of Agriculture.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

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, 2009, 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 2009, the County recorded total investments earnings of \$430,037. Total pooled investments earnings in the General Fund were \$427,367.

Sibley County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2A-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

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."

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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 all cities, townships, 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.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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 retirements and resignations.

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 Law Enforcement Labor Services union members).

6. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Long-Term Obligations (Continued)

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 an other 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.

7. 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.

8. 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.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues (Continued)

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.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Ditch Fund Equity

On the full accrual basis of accounting, 6 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, 2009, using the full accrual basis of accounting.

Account balances	\$	1,115,646
Account deficits		(244,088)
Fund Balance - Accrual Basis	\$	871,558

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	\$	288,946
Account deficits		(184,075)
Fund Balance - Modified Accrual Basis	\$	104,871

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	\$	16,889,985
Petty cash and change funds		6,150
Departmental cash		40,203
Cash with fiscal agent		594,806
Fiduciary funds		
Private-purpose trust funds		
Cash and pooled investments		22,926
Fund investments		38,837
Agency funds		
Cash and pooled investments		234,428
Library cash held by the Treasurer		91,985
Total Cash and Investments	\$	17,919,320

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	\$ 8,598,670
Petty cash and change funds	6,150
Departmental cash	40,203
Investments	<u>9,274,297</u>
Total	<u>\$ 17,919,320</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better 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, 2009, Sibley County's deposits were exposed to custodial credit risk in the amount of \$60,411.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. 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 day-to-day 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.

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, 2009, the investments held with brokerage accounts, which totaled \$6,313,474, were subject to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy 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, 2009, and information relating to potential investment risks:

<u>Investment - Issuer</u>	<u>Credit Risk</u>		<u>Concentration Risk (%)</u>	<u>Interest Rate Risk</u>	<u>Carrying (Fair) Value</u>
	<u>Credit Rating</u>	<u>Rating Agency</u>		<u>Maturity Date</u>	
Federal Home Loan Bank					
Wells Fargo Advisors					
Federal Home Loan Bank	Aaa	Moody's		07/22/2016	\$ 250,859
Federal Home Loan Bank	Aaa	Moody's		10/15/2014	501,094
Federal Home Loan Bank	Aaa	Moody's		10/19/2016	250,078
Federal Home Loan Bank	Aaa	Moody's		11/07/2014	300,469
Federal Home Loan Bank	Aaa	Moody's		11/23/2016	149,514
Federal Home Loan Bank	Aaa	Moody's		12/17/2019	449,392
Federal Home Loan Bank	Aaa	Moody's		12/23/2019	500,000
Total Federal Home Loan Bank			25.89		\$ 2,401,406
Wells Fargo Advisors					
Federal Home Loan Mortgage Corporation	Aaa	Moody's	4.27	06/11/2019	\$ 395,633
Fannie Mae					
Wells Fargo Advisors					
Fannie Mae	Aaa	Moody's		09/23/2016	\$ 248,010
Fannie Mae	Aaa	Moody's		12/31/2019	245,948
Wells Fargo Securities					
Fannie Mae Note	Aaa	Moody's		11/24/2015	197,188
Fannie Mae Note	Aaa	Moody's		06/09/2015	244,297
Total Fannie Mae			10.08		\$ 935,443
Wells Fargo Securities					
Federal Farm Credit Bank Bond	Aaa	N/A	2.72	08/18/2014	\$ 252,735

**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					
Wells Fargo Advisors					
Discover Bk Greenwood DE	N/A	N/A	1.05	04/16/2010	\$ 96,926
M I BK FSB Las Vegas NV	N/A	N/A	1.05	07/16/2010	97,719
Merrick Bk Corp S Jordan UT	N/A	N/A	1.04	03/15/2010	96,729
GE Capital Finance Salt Lake City UT	N/A	N/A	1.06	09/20/2010	98,153
GE Money Bk Salt Lake City UT	N/A	N/A	1.06	09/21/2010	98,153
United Cmnty Bks Ink Blrsvl GA	N/A	N/A	1.06	09/22/2010	98,203
Morgan Stanley Bk SLC UT	N/A	N/A	1.06	10/15/2010	98,292
CIT Bk Salt Lk Cty UT	N/A	N/A	1.05	05/25/2010	97,185
Am Exp Bk Centurion UT	N/A	N/A	1.06	09/27/2010	98,507
BMW Bk Salt Lk City UT	N/A	N/A	1.06	09/29/2010	98,531
Am Exp Centurion Bk SLC UT	N/A	N/A	1.56	01/15/2010	145,016
Am Exp Bk FSB UT	N/A	N/A	1.56	01/15/2010	145,016
Wells Fargo Securities					
Columbia St Bk Tacome WA	N/A	N/A	1.03	02/01/2010	95,195
Oceanside Bk FL	N/A	N/A	1.03	02/06/2010	95,252
Capital One McLean VA	N/A	N/A	1.06	03/12/2012	98,420
Nicolet NB Greenbay WI	N/A	N/A	1.06	09/14/2011	98,015
Byron BK Byron Ctr MI	N/A	N/A	0.67	03/14/2012	62,035
Dardy Bk & Tr Vidalia GA	N/A	N/A	1.07	04/23/2013	98,987
Golden Sachs Bk SLC UT	N/A	N/A	1.08	04/30/2013	99,729
Sallie Mae Bk Murry UT	N/A	N/A	1.11	10/29/2010	102,671
First Natl Bk Fox Vly Neenah WI	N/A	N/A	1.08	12/30/2011	100,543
Bloomfield St Bk Blmfld IN	N/A	N/A	1.08	01/05/2012	100,535
Westside Bk Hiram GA	N/A	N/A	1.04	01/17/2012	96,275
The Bk of Henderson KY	N/A	N/A	1.04	07/12/2011	96,587
Branch Bk & Tr Salem NC	N/A	N/A	1.06	03/19/2012	98,424
BB&T Fin FSB Columbus GA	N/A	N/A	1.06	03/18/2011	98,105
Sallia Mae Bk Murray UT	N/A	N/A	1.37	06/10/2013	126,951
Capmark Bk Midvale UT	N/A	N/A	2.18	07/08/2013	201,946
Tradition Capital Bk Edina MN	N/A	N/A	2.16	07/15/2013	200,128
Graystone Tower Bk PA	N/A	N/A	1.02	07/22/2014	94,922
Citizens Union Bk Shelby KY	N/A	N/A	1.03	07/28/2014	95,108
Total negotiable certificates of deposit			35.90		\$ 3,328,258
Mutual Fund					
Prime Vest Financial Services	N/A	N/A	14.72	N/A	\$ 1,365,016
MAGIC	N/A	N/A	0.01	N/A	1,000
Total mutual funds			14.73		\$ 1,366,016
Cash with fiscal agent					
MCIT	N/A	N/A	6.41		\$ 594,806
Total			100.00		\$ 9,274,297

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

a. Deferred Revenue

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities for the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds are as follows:

	Deferred Unavailable	Deferred Unearned
Delinquent property taxes	\$ 210,529	\$ -
Special assessments receivable, delinquent and deferred	2,523,814	-
Other receivables that do not provide current financial resources	15,120	-
Receivable from Ditch Fund petitioners	38,620	-
Highway allotments that do not provide current financial resources	464,542	-
Deferred revenue from accrued interest	52,006	-
Grant drawdowns prior to meeting all eligibility requirements	-	63,997
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 3,304,631	\$ 63,997

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

b. Long-Term 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
2010	\$ 9,546
2011	9,934
2012	10,340
2013	10,096
2014	85,112
Total	\$ 125,028

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,362,488	\$ 85,793	\$ -	\$ 1,448,281
Construction in progress	206,322	-	206,322	-
Total capital assets not depreciated	\$ 1,568,810	\$ 85,793	\$ 206,322	\$ 1,448,281

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Infrastructure	\$ 43,263,854	\$ 4,570,049	\$ 568,881	\$ 47,265,022
Buildings	7,824,139	258,258	-	8,082,397
Machinery, furniture, and equipment	5,620,823	674,837	246,357	6,049,303
Improvements other than buildings	34,339	-	-	34,339
Total capital assets depreciated	<u>\$ 56,743,155</u>	<u>\$ 5,503,144</u>	<u>\$ 815,238</u>	<u>\$ 61,431,061</u>
Less: accumulated depreciation for				
Infrastructure	\$ 9,784,815	\$ 1,187,633	\$ 568,881	\$ 10,403,567
Buildings	2,314,667	209,498	-	2,524,165
Machinery, furniture, and equipment	3,588,215	471,359	243,946	3,815,628
Improvements other than buildings	13,328	1,781	-	15,109
Total accumulated depreciation	<u>\$ 15,701,025</u>	<u>\$ 1,870,271</u>	<u>\$ 812,827</u>	<u>\$ 16,758,469</u>
Total capital assets depreciated, net	<u>\$ 41,042,130</u>	<u>\$ 3,632,873</u>	<u>\$ 2,411</u>	<u>\$ 44,672,592</u>
Total Capital Assets, Net	<u>\$ 42,610,940</u>	<u>\$ 3,718,666</u>	<u>\$ 208,733</u>	<u>\$ 46,120,873</u>

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

Governmental Activities	
General government	\$ 281,255
Public safety	62,410
Highways and streets, including depreciation of infrastructure assets	1,505,442
Human services	4,418
Public health	3,316
Culture and recreation	927
Conservation of natural resources	12,503
Total Depreciation Expense	<u>\$ 1,870,271</u>

**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, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Fund Ditch Fund	\$ 208 156,578
Public Works Fund	General Fund	4,896
Human Services Fund	General Fund Public Works Fund Water Projects	3,031 109 116
Total Due To/From Other Funds		\$ 164,938

The above interfund balances are for services performed and a short-term loan between the General Fund and Ditch Special Revenue Fund.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfers from the Capital Projects Fund to the General Fund	\$ 126,929	To reimburse the General Fund for capital expenditures and improvements
Transfers from the General Fund and the Human Services Fund to the Public Works Fund	234,000	To help fund capital improvement projects
Total Interfund Transfers	\$ 360,929	

**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:

2010		\$	4,590
2011			4,590
2012			4,208
Total		\$	13,388

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General obligation bonds					
2003 G.O. Jail Facility Refunding Bonds	2010	\$60,000 - \$70,000	1.65 - 3.55	\$ 385,000	\$ 65,000
2005 G.O. Capital Improvement Refunding Bonds	2021	\$165,000 - \$250,000	2.65 - 4.15	2,630,000	2,465,000
Total general obligation bonds				\$ 3,015,000	\$ 2,530,000
Less: unamortized discount					(39,082)
Net General Obligation Bonds					\$ 2,490,918
General obligation special assessment bonds					
1996 G.O. Special Assessment Drainage Ditch Bonds	2017	\$20,000 - \$95,000	4.00 - 5.70	\$ 700,000	\$ 160,000
2002 G.O. Special Assessment Watershed District Bonds	2023	\$25,000 - \$60,000	2.00 - 5.00	800,000	625,000
Total General Obligation Special Assessment Bonds				\$ 1,500,000	\$ 785,000

**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, 2009
General obligation revenue notes					
2001 G.O. Revenue Note - County-Wide	2021	\$103,300	-	\$ 103,300	\$ 103,300
Minnesota Pollution Control Agency (MnPCA)					
MnPCA Loan - High Island I	2017	N/A	2.00	\$ 261,561	\$ 213,329
MnPCA Loan - High Island II	N/A	N/A	2.00	203,028	203,028
MnPCA Loan - Rush River I	N/A	N/A	2.00	265,347	228,831
MnPCA Loan - Rush River II	2018	N/A	2.00	359,186	359,186
MnPCA Loan - Buffalo Creek	N/A	N/A	2.00	45,499	45,499
MnPCA Loan - Middle Minnesota 1	N/A	N/A	2.00	7,500	7,500
Total MnPCA Loans				\$ 1,142,121	\$ 1,057,373

3. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
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	195,000	64,946	60,000	26,650
2015 - 2019	1,070,000	209,283	285,000	88,570
2020 - 2023	490,000	20,483	220,000	22,750
Total	\$ 2,530,000	\$ 616,564	\$ 785,000	\$ 270,551

Year Ending December 31	General Obligation Revenue Notes		MnPCA Loans	
	Principal	Interest	Principal	Interest
2010	\$ 5,000	\$ -	\$ 49,800	\$ 8,596
2011	5,000	-	50,803	7,594
2012	10,330	-	51,824	6,573
2013	10,330	-	52,866	5,532
2014	10,330	-	53,929	4,469
2015 - 2019	51,650	-	182,938	6,961
2020 - 2021	10,660	-	-	-
Total	\$ 103,300	\$ -	\$ 442,160	\$ 39,725

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

MnPCA loans in the amount of \$615,213 are not included in the debt service requirements because a fixed repayment schedule is not available.

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 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 MnPCA loans are borrowed against loan agreements with the Minnesota Pollution Control Agency.

On November 9, 2004, the County approved a loan agreement with the MnPCA 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 \$261,561 being issued, thus closing High Island Phase I. Repayment of the loan started in 2008 and will end in 2021.

On November 13, 2007, the County entered into an amended loan agreement with the MnPCA 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

On May 23, 2006, the County approved an agreement with the MnPCA for the Rush River Project loan. The loan is not to exceed the principal 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 for \$333,333 has become Rush River Project II. On March 10, 2009, another amended loan agreement was approved for an additional \$220,000. Payment on Rush River Project I began on 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 22, 2006, the County approved an agreement with MnPCA 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. During 2009, the County reached its loan capacity and, on September 8, 2009, the County amended the current loan, reducing the principal amount from \$50,000 to \$45,499. Repayment is projected to start June 2010 and end December 2019.

On July 10, 2007, the County approved an agreement with the MnPCA 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 loan. The remaining \$30,000 will require a new or amended agreement with the MnPCA. On April 14, 2009, the County entered into an amended loan agreement for an additional \$22,500. The total loan agreement is now \$37,500. Payments on this loan are projected to begin in December 2011 and end June 2021.

Interest rates on all MnPCA loans are at two percent. The County charges an additional one percent to offset administration costs.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Long-Term Liabilities					
Bonds payable					
General obligation bonds	\$ 2,925,000	\$ -	\$ 395,000	\$ 2,530,000	\$ 235,000
General obligation special assessment bonds	845,000	-	60,000	785,000	55,000
Less: discounts	(42,642)	-	(3,560)	(39,082)	-
Total bonds payable	\$ 3,727,358	\$ -	\$ 451,440	\$ 3,275,918	\$ 290,000
General obligation revenue notes	103,300	-	-	103,300	5,000
MnPCA Loans	789,058	317,136	48,821	1,057,373	49,800
Net OPEB obligation	40,721	31,635	-	72,356	-
Compensated absences	980,154	67,203	6,977	1,040,380	280,903
Governmental Activities Long-Term Liabilities	<u>\$ 5,640,591</u>	<u>\$ 415,974</u>	<u>\$ 507,238</u>	<u>\$ 5,549,327</u>	<u>\$ 625,703</u>

5. Other Postemployment Benefits (OPEB)

Plan Description

The County provides a defined benefit health care 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 (OPEB) (Continued)

Funding Policy

Retirees and their spouses contribute to the County health care 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 2009, the County contributed \$25,590 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 accrued 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	1,832
Adjustment to ARC	<u>(2,445)</u>
Annual OPEB cost	\$ 57,225
Contributions made (pay-as-you-go)	<u>(25,590)</u>
Increase in net OPEB obligation	\$ 31,635
Net OPEB Obligation - Beginning of Year	<u>40,721</u>
Net OPEB Obligation - End of Year	<u>\$ 72,356</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB)

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 2009 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
December 31, 2009	57,225	25,590	44.2	72,356

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 health care 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 - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB) (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 does not plan to pre-fund for this benefit. At the actuarial valuation date, the annual health care 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the 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. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2009	2008	2007
Public Employees Retirement Fund	\$ 387,406	\$ 359,811	\$ 323,531
Public Employees Police and Fire Fund	87,035	78,870	69,981
Public Employees Correctional Fund	32,996	32,031	31,585

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,108	\$ 4,108
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 Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. 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.

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 2009, 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	
	2008	2009
Unpaid claims, beginning of fiscal year	\$ 66,911	\$ 35,191
Incurred claims (including IBNRs)	685,776	999,426
Claims payments	(717,496)	(951,167)
Unpaid Claims, End of Fiscal Year	\$ 35,191	\$ 83,450

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

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.

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 2009 is \$116,109. The proportionate shares of the counties may change for the years 2010 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Tri-County Solid Waste (Continued)

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 \$82,237 in 2009. Sibley County is the fiscal agent.

Current audited financial statements are not available.

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 2009.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota River Basin (Continued)

Complete audited financial statements for the Minnesota River Basin can be obtained from its administrative office at 184 Trafton Science Center, Minnesota State University at Mankato, Mankato, Minnesota 56001.

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 2009 was \$339,809. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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.

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 2009, Sibley County made contributions of \$184,789.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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

D. Jointly-Governed Organizations

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

South Central Minnesota Regional Radio Board

The South Central Minnesota Regional Radio Board was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. The Board was formed for the planning, financing, development, design, construction, operation, management, control, and administration of the regional enhancement to the statewide public safety radio and communications system (ARMER) in accordance with the Statewide Public Safety Radio Plan and the operational standards of the Statewide Radio Board. The Regional Radio Board consists of one County Commissioner or City Council member of member organizations. Sibley County contributed \$1,522 to the Regional Radio Board in 2009.

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
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Sibley County Children’s Collaborative (Continued)

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. Financial information can be obtained by contacting the Brown County Family Services Department.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

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.

B. Detailed Notes on the General Fund

1. Assets

a. Deposits

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

Cash held by the County Treasurer	\$ 91,985
Cash with the Arlington Branch	1,713
Cash with the Henderson Branch	<u>797</u>
Total Cash and Pooled Investments	<u>\$ 94,495</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

B. Detailed Notes on the General Fund

1. Assets

a. Deposits (Continued)

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.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Sibley County Library System's deposits may not be returned to it. As of December 31, 2009, the Sibley County Library System's deposits were not exposed to custodial credit risk.

b. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

B. Detailed Notes on the General Fund (Continued)

2. Liabilities

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities Long-Term Liabilities					
Compensated absences	\$ 35,536	\$ 3,557	\$ -	\$ 39,093	\$ 10,555

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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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,302,364	\$ 5,302,364	\$ 5,065,351	\$ (237,013)
Special assessments	130,000	130,000	133,889	3,889
Licenses and permits	56,320	56,320	23,851	(32,469)
Intergovernmental	1,479,081	1,479,081	2,120,678	641,597
Charges for services	1,091,260	1,091,260	1,281,548	190,288
Fines and forfeits	1,500	1,500	17,237	15,737
Gifts and contributions	1,000	1,000	1,950	950
Investment earnings	495,227	495,227	427,367	(67,860)
Miscellaneous	198,095	198,095	158,752	(39,343)
Total Revenues	\$ 8,754,847	\$ 8,754,847	\$ 9,230,623	\$ 475,776
Expenditures				
Current				
General government				
Commissioners	\$ 336,158	\$ 336,158	\$ 329,395	\$ 6,763
Courts	55,500	55,500	46,652	8,848
Law library	28,000	28,000	26,206	1,794
County auditor	425,546	425,546	384,851	40,695
County treasurer	167,274	167,274	165,578	1,696
County assessor	313,004	313,004	311,014	1,990
Audit services	67,500	67,500	56,220	11,280
Elections/voter registration	35,808	35,808	22,423	13,385
Election technology	-	-	17,644	(17,644)
Information services	347,687	347,687	362,465	(14,778)
Truth in taxation	5,200	5,200	5,076	124
Human resources	131,297	131,297	107,568	23,729
County attorney	445,927	445,927	368,111	77,816
County recorder	416,807	416,807	376,770	40,037
County surveyor	47,500	47,500	47,495	5
Planning and zoning	101,312	101,312	89,477	11,835
Courthouse building	113,978	113,978	93,736	20,242
Building custodians	146,057	146,057	147,571	(1,514)
Jail building	101,346	101,346	70,768	30,578
Sibley County service center	77,506	77,506	65,471	12,035
Barclay property	-	-	4,753	(4,753)
Veterans service officer	101,025	101,025	100,364	661
Public transit	91,400	91,400	184,789	(93,389)
County fleet car	9,668	9,668	8,526	1,142
Feedlot program	55,544	55,544	55,034	510
Shoreland ordinance	3,076	3,076	1,875	1,201
Other general government activities	-	-	48,259	(48,259)
Total general government	\$ 3,624,120	\$ 3,624,120	\$ 3,498,091	\$ 126,029

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,150,602	\$ 2,150,602	\$ 1,982,760	\$ 167,842
Court services	195,315	195,315	203,154	(7,839)
Sentenced to serve	18,950	18,950	18,449	501
Emergency management	68,606	68,606	58,711	9,895
South Central Minnesota Regional Radio Board	2,000	2,000	1,522	478
Total public safety	\$ 2,435,473	\$ 2,435,473	\$ 2,264,596	\$ 170,877
Sanitation				
SCORE solid waste	\$ 187,717	\$ 187,717	\$ 171,380	\$ 16,337
County landfill	498	498	511	(13)
Total sanitation	\$ 188,215	\$ 188,215	\$ 171,891	\$ 16,324
Health				
Public health nurse	\$ 1,634,287	\$ 1,634,287	\$ 1,634,332	\$ (45)
Community health services board	2,163	2,163	2,658	(495)
Total health	\$ 1,636,450	\$ 1,636,450	\$ 1,636,990	\$ (540)
Culture and recreation				
Historical society	\$ 13,500	\$ 13,500	\$ 13,281	\$ 219
Sibley County Library System	267,216	267,216	266,350	866
Parks	39,482	59,482	30,891	28,591
Tourism	2,755	2,755	1,644	1,111
County park trail project	5,000	5,000	9,160	(4,160)
Total culture and recreation	\$ 327,953	\$ 347,953	\$ 321,326	\$ 26,627
Conservation of natural resources				
Soil and water conservation	\$ 124,237	\$ 124,237	\$ 159,574	\$ (35,337)
County extension	154,990	154,990	147,854	7,136
Agriculture ditch inspector	127,428	127,428	110,763	16,665
County fair	8,000	8,000	8,000	-
Total conservation of natural resources	\$ 414,655	\$ 414,655	\$ 426,191	\$ (11,536)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Minnesota Valley Action Council	\$ 9,314	\$ 9,314	\$ 7,948	\$ 1,366
Economic Development Commission	71,027	71,027	56,102	14,925
Housing and Redevelopment Authority	117,409	117,409	116,630	779
Total economic development	\$ 197,750	\$ 197,750	\$ 180,680	\$ 17,070
Capital outlay				
General government	\$ 503,511	\$ 503,511	\$ 143,901	\$ 359,610
Public safety	133,650	133,650	53,447	80,203
Culture and recreation	60,221	60,221	10,528	49,693
Total capital outlay	\$ 697,382	\$ 697,382	\$ 207,876	\$ 489,506
Total Expenditures	\$ 9,521,998	\$ 9,541,998	\$ 8,707,641	\$ 834,357
Excess of Revenues Over (Under)				
Expenditures	\$ (767,151)	\$ (787,151)	\$ 522,982	\$ 1,310,133
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 126,929	\$ 126,929
Transfers out	(93,500)	(93,500)	(93,500)	-
Total Other Financing Sources (Uses)	\$ (93,500)	\$ (93,500)	\$ 33,429	\$ 126,929
Net Change in Fund Balance	\$ (860,651)	\$ (880,651)	\$ 556,411	\$ 1,437,062
Fund Balance - January 1	8,501,705	8,501,705	8,501,705	-
Fund Balance - December 31	\$ 7,641,054	\$ 7,621,054	\$ 9,058,116	\$ 1,437,062

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,099,077	\$ 3,099,077	\$ 2,887,292	\$ (211,785)
Intergovernmental	6,698,596	5,074,596	5,212,696	138,100
Charges for services	52,500	72,500	58,028	(14,472)
Miscellaneous	130,816	130,816	87,759	(43,057)
Total Revenues	\$ 9,980,989	\$ 8,376,989	\$ 8,245,775	\$ (131,214)
Expenditures				
Current				
Highways and streets				
Administration	\$ 316,349	\$ 316,349	\$ 314,396	\$ 1,953
Maintenance	2,530,687	2,530,687	2,252,107	278,580
Engineering/construction	5,735,597	4,111,597	3,840,021	271,576
Equipment, maintenance, and shop	945,356	945,356	601,912	343,444
Land restoration	5,500	5,500	-	5,500
Highway township allotments	-	-	34,771	(34,771)
Highway equipment purchase levy	-	-	8,589	(8,589)
CIP buildings	150,000	150,000	-	150,000
Total highways and streets	\$ 9,683,489	\$ 8,059,489	\$ 7,051,796	\$ 1,007,693
Intergovernmental				
Highways and streets	245,500	245,500	226,739	18,761
Capital outlay				
Highways and streets	431,000	431,000	479,003	(48,003)
Total Expenditures	\$ 10,359,989	\$ 8,735,989	\$ 7,757,538	\$ 978,451
Excess of Revenues Over (Under)				
Expenditures	\$ (379,000)	\$ (359,000)	\$ 488,237	\$ 847,237
Other Financing Sources (Uses)				
Transfers in	\$ 254,000	\$ 234,000	\$ 234,000	\$ -
Proceeds from sale of assets	-	-	58,084	58,084
Total Other Financing Sources (Uses)	\$ 254,000	\$ 234,000	\$ 292,084	\$ 58,084

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 2
(Continued)

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Net Change in Fund Balance	\$ (125,000)	\$ (125,000)	\$ 780,321	\$ 905,321
Fund Balance - January 1	2,252,397	2,252,397	2,252,397	-
Increase (decrease) in reserved for inventories	-	-	66,054	66,054
Fund Balance - December 31	<u>\$ 2,127,397</u>	<u>\$ 2,127,397</u>	<u>\$ 3,098,772</u>	<u>\$ 971,375</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,652,901	\$ 1,652,901	\$ 1,528,768	\$ (124,133)
Intergovernmental	2,095,726	2,095,726	2,383,390	287,664
Charges for services	54,450	54,450	83,685	29,235
Miscellaneous	145,945	145,945	253,782	107,837
Total Revenues	\$ 3,949,022	\$ 3,949,022	\$ 4,249,625	\$ 300,603
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,012,449	\$ 1,012,449	\$ 1,022,739	\$ (10,290)
Social services	3,183,951	3,183,951	3,117,846	66,105
South Country Health Alliance	-	-	18,187	(18,187)
Miscellaneous social service programs	21,622	21,622	24,698	(3,076)
Total Expenditures	\$ 4,218,022	\$ 4,218,022	\$ 4,183,470	\$ 34,552
Excess of Revenues Over (Under) Expenditures	\$ (269,000)	\$ (269,000)	\$ 66,155	\$ 335,155
Other Financing Sources (Uses)				
Transfers out	(140,500)	(140,500)	(140,500)	-
Net Change in Fund Balance	\$ (409,500)	\$ (409,500)	\$ (74,345)	\$ 335,155
Fund Balance - January 1	4,451,080	4,451,080	4,451,080	-
Fund Balance - December 31	\$ 4,041,580	\$ 4,041,580	\$ 4,376,735	\$ 335,155

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009

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%

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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. 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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 522,130	\$ 522,130	\$ 479,575	\$ (42,555)
Intergovernmental	-	-	37,682	37,682
Total Revenues	<u>\$ 522,130</u>	<u>\$ 522,130</u>	<u>\$ 517,257</u>	<u>\$ (4,873)</u>
Expenditures				
Debt service				
Principal	\$ 395,000	\$ 395,000	\$ 395,000	\$ -
Interest	99,304	99,304	99,304	-
Administrative charges	27,826	27,826	856	26,970
Total Expenditures	<u>\$ 522,130</u>	<u>\$ 522,130</u>	<u>\$ 495,160</u>	<u>\$ 26,970</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 22,097	\$ 22,097
Fund Balance - January 1	<u>1,001,102</u>	<u>1,001,102</u>	<u>1,001,102</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 1,001,102</u></u>	<u><u>\$ 1,001,102</u></u>	<u><u>\$ 1,023,199</u></u>	<u><u>\$ 22,097</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Capital outlay				
General government				
Information services	\$ 39,464	\$ 39,464	\$ 12,809	\$ 26,655
Election technology reserves	110,000	110,000	-	110,000
Courthouse buildings	2,834	2,834	-	2,834
Other general government	20,742	20,742	-	20,742
Total general government	\$ 173,040	\$ 173,040	\$ 12,809	\$ 160,231
Public safety	20,887	20,887	20,887	-
Land restoration	49,815	49,815	-	49,815
Total capital outlay	\$ 243,742	\$ 243,742	\$ 33,696	\$ 210,046
Total Expenditures	\$ 243,742	\$ 243,742	\$ 33,696	\$ 210,046
Excess of Revenues Over (Under) Expenditures	\$ (243,742)	\$ (243,742)	\$ (33,696)	\$ (210,046)
Other Financing Sources (Uses)				
Transfers out	-	-	(126,929)	126,929
Net Change in Fund Balance	\$ (243,742)	\$ (243,742)	\$ (160,625)	\$ (83,117)
Fund Balance - January 1	240,521	240,521	240,521	-
Fund Balance - December 31	\$ (3,221)	\$ (3,221)	\$ 79,896	\$ (83,117)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NONMAJOR FUNDS

Nonmajor Special Revenue Funds

Revolving Loan Fund (SEDCO) - 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.

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, 2009**

	Special Revenue Funds			Permanent Fund Federal Lands	Total Nonmajor Governmental Funds (Exhibit 3)
	Revolving Loan Fund (SEDCO)	Water Projects	Total		
<u>Assets</u>					
Cash and pooled investments	\$ 68,102	\$ 330,967	\$ 399,069	\$ 80,917	\$ 479,986
Loans receivable	154,313	-	154,313	-	154,313
Advance to other agencies	25,000	-	25,000	-	25,000
Total Assets	\$ 247,415	\$ 330,967	\$ 578,382	\$ 80,917	\$ 659,299
 <u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 12,467	\$ 12,467	\$ -	\$ 12,467
Salaries payable	-	2,139	2,139	-	2,139
Due to other funds	-	116	116	-	116
Due to other governments	-	2,019	2,019	-	2,019
Total Liabilities	\$ -	\$ 16,741	\$ 16,741	\$ -	\$ 16,741
Fund Balances					
Reserved for					
Loans receivable	154,313	\$ -	\$ 154,313	\$ -	\$ 154,313
Revolving loan fund (SEDCO)	93,102	-	93,102	-	93,102
Water projects	-	314,226	314,226	-	314,226
Federal lands	-	-	-	80,917	80,917
Total Fund Balances	\$ 247,415	\$ 314,226	\$ 561,641	\$ 80,917	\$ 642,558
Total Liabilities and Fund Balances	\$ 247,415	\$ 330,967	\$ 578,382	\$ 80,917	\$ 659,299

**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, 2009**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
	<u>Revolving Loan Fund (SEDCO)</u>	<u>Water Projects</u>	<u>Total</u>		
Revenues					
Intergovernmental	\$ -	\$ 175,000	\$ 175,000	\$ 3,755	\$ 178,755
Charges for services	60	-	60	-	60
Gifts and contributions	-	18,600	18,600	-	18,600
Investment earnings	-	-	-	2,670	2,670
Miscellaneous	4,977	-	4,977	-	4,977
Total Revenues	\$ 5,037	\$ 193,600	\$ 198,637	\$ 6,425	\$ 205,062
Expenditures					
Current					
Conservation of natural resources	-	220,341	220,341	6,425	226,766
Excess of Revenues Over (Under) Expenditures	\$ 5,037	\$ (26,741)	\$ (21,704)	\$ -	\$ (21,704)
Fund Balance - January 1	242,378	340,967	583,345	80,917	664,262
Fund Balance - December 31	\$ 247,415	\$ 314,226	\$ 561,641	\$ 80,917	\$ 642,558

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 325,000	\$ 325,000	\$ 175,000	\$ (150,000)
Gifts and contributions	18,700	18,700	18,600	(100)
Total Revenues	<u>\$ 343,700</u>	<u>\$ 343,700</u>	<u>\$ 193,600</u>	<u>\$ (150,100)</u>
Expenditures				
Current				
Conservation of natural resources				
High Island Project Phase II	\$ 162,000	\$ 162,000	\$ 103,546	\$ 58,454
Rush River Project Phase II	181,700	181,700	116,795	64,905
Total Expenditures	<u>\$ 343,700</u>	<u>\$ 343,700</u>	<u>\$ 220,341</u>	<u>\$ 123,359</u>
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (26,741)	\$ (26,741)
Fund Balance - January 1	<u>340,967</u>	<u>340,967</u>	<u>340,967</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 340,967</u></u>	<u><u>\$ 340,967</u></u>	<u><u>\$ 314,226</u></u>	<u><u>\$ (26,741)</u></u>

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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, 2009**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,670	\$ 21,256	\$ 22,926
Investments	7,500	31,337	38,837
Accrued interest	4	393	397
Total Assets	<u>\$ 9,174</u>	<u>\$ 52,986</u>	<u>\$ 62,160</u>
<u>Net Assets</u>			
Net assets, held in trust	<u>\$ 9,174</u>	<u>\$ 52,986</u>	<u>\$ 62,160</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, 2009**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Additions</u>			
Interest	\$ 159	\$ 1,219	\$ 1,378
<u>Deductions</u>			
Payments in accordance with trust agreements	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Change in Net Assets	\$ (841)	\$ 1,219	\$ 378
Net Assets - Beginning of the Year	<u>10,015</u>	<u>51,767</u>	<u>61,782</u>
Net Assets - End of the Year	<u><u>\$ 9,174</u></u>	<u><u>\$ 52,986</u></u>	<u><u>\$ 62,160</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, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 72,872	\$ 1,184,011	\$ 1,163,743	\$ 93,140
<u>Liabilities</u>				
Accounts payable	\$ 21,754	\$ 495,027	497,073	\$ 19,708
Due to other governments	51,118	688,984	666,670	73,432
Total Liabilities	\$ 72,872	\$ 1,184,011	\$ 1,163,743	\$ 93,140
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 78,890	\$ 20,007,511	\$ 20,001,963	\$ 84,438
<u>Liabilities</u>				
Unapportioned taxes and special assessments	\$ -	\$ 97,605	\$ 97,605	\$ -
Due to other governments	78,890	84,438	78,890	84,438
Total Liabilities	\$ 78,890	\$ 182,043	\$ 176,495	\$ 84,438
 <u>TRI-COUNTY SOLID WASTE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 433	\$ 329,140	\$ 313,085	\$ 16,488
<u>Liabilities</u>				
Due to other governments	\$ 433	\$ 329,140	\$ 313,085	\$ 16,488

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 5
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 25,776	\$ 92,190	\$ 77,604	\$ 40,362
<u>Liabilities</u>				
Accounts payable	\$ 25,776	\$ 92,190	\$ 77,604	\$ 40,362
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 177,971	\$ 21,612,852	\$ 21,556,395	\$ 234,428
<u>Liabilities</u>				
Accounts payable	\$ 47,530	\$ 587,217	\$ 574,677	\$ 60,070
Unapportioned taxes and special assessments	-	97,605	97,605	-
Due to other governments	130,441	1,102,562	1,058,645	174,358
Total Liabilities	\$ 177,971	\$ 1,787,384	\$ 1,730,927	\$ 234,428

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, 2009**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 94,495	\$ -	\$ 94,495
Investments	3,166	-	3,166
Petty cash and change funds	20	-	20
Accounts receivable	201	-	201
Due from other governments	35,734	-	35,734
Prepaid items	1,410	-	1,410
Total Assets	\$ 135,026	\$ -	\$ 135,026
<u>Liabilities and Fund Balance/Net Assets</u>			
Current liabilities			
Accounts payable	\$ 5,531	\$ -	\$ 5,531
Salaries payable	18,283	-	18,283
Due to other governments	17,630	-	17,630
Compensated absences payable - current	-	10,555	10,555
Noncurrent liabilities			
Compensated absences payable	-	28,538	28,538
Total Liabilities	\$ 41,444	\$ 39,093	\$ 80,537
Fund Balance			
Unreserved			
Undesignated	93,582	(93,582)	
Net Assets			
Unrestricted	-	54,489	54,489
Total Liabilities and Fund Balance/Net Assets	\$ 135,026	\$ -	\$ 135,026
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 93,582
Noncurrent liabilities are reported in the Statement of Net Assets but not in the Fund Balance Sheet.			(39,093)
Net Assets - Governmental Activities			\$ 54,489

**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, 2009**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 265,581	-	\$ 265,581
Charges for services	65,091	-	65,091
Gifts and contributions	32,890	-	32,890
Miscellaneous	108,260	-	108,260
Total Revenues	\$ 471,822	\$ -	\$ 471,822
Expenditures/Expenses			
Current			
Culture and recreation			
County library	454,298	3,557	457,855
Net Change in Fund Balance/Net Assets	\$ 17,524	\$ (3,557)	\$ 13,967
Fund Balance/Net Assets - January 1	76,058	(35,536)	40,522
Fund Balance/Net Assets - December 31	\$ 93,582	\$ (39,093)	\$ 54,489
 Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Statement of Activities of Governmental Activities			
Net Change in Fund Balance			\$ 17,524
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.			(3,557)
Change in Net Assets of Governmental Activities			\$ 13,967

OTHER SCHEDULES

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 8

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS
DECEMBER 31, 2009**

	Taxes Levied for Collection					
	2008		2009		2010	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 16,603,334		\$ 17,196,762		\$ 19,469,263	
Personal property	491,863		487,134		479,975	
Total Tax Capacity	<u>\$ 17,095,197</u>		<u>\$ 17,683,896</u>		<u>\$ 19,949,238</u>	
Taxes Levied for County Purposes						
General	\$ 5,314,894	29.082	\$ 5,650,407	29.516	\$ 5,733,623	27.713
Public Works	2,910,980	16.297	3,263,834	17.431	3,168,786	15.646
Human Services	1,939,484	10.858	1,773,101	9.470	1,870,770	9.237
Debt Service	512,730	3.032	522,130	2.974	343,800	1.735
Total Levy for County Purposes	<u>\$ 10,678,088</u>	<u>59.269</u>	<u>\$ 11,209,472</u>	<u>59.391</u>	<u>\$ 11,116,979</u>	<u>54.331</u>
Less: credits payable by state	541,797		668,019		543,619	
Net Levy for County Purposes	<u>\$ 10,136,291</u>		<u>\$ 10,541,453</u>		<u>\$ 10,573,360</u>	
Tax Capacity - Light and Power						
Transmission lines	\$ 2,942		\$ 2,796		\$ 2,742	
Distribution lines	1,967		1,890		1,862	
Total Tax Capacity - Light and Power	<u>\$ 4,909</u>		<u>\$ 4,686</u>		<u>\$ 4,604</u>	
Tax Levies - Light and Power						
Transmission lines	\$ 3,060	104.029	\$ 2,869	102.619	\$ 2,633	96.012
Distribution lines	2,046	104.029	1,939	102.619	1,787	96.012
Total Tax Levies - Light and Power	<u>\$ 5,106</u>		<u>\$ 4,808</u>		<u>\$ 4,420</u>	
Special Assessments						
Ditch liens and all other assessments	<u>\$ 1,127,278</u>		<u>\$ 1,283,810</u>		<u>\$ 1,703,261</u>	
Percentage of Tax Collections for All Purposes	97.76%		97.11%			

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
ACCRUAL BASIS
DECEMBER 31, 2009**

	Assets					
	Cash	Special Assessments Receivable		One Year Repair Liens	Receivables	Total
		Delinquent	Deferred			
County Ditches						
C.D. #1A	\$ 5,479	\$ 44	\$ -	\$ 27,083	\$ -	\$ 32,606
C.D. #2	1,046	1	-	15,578	-	16,625
C.D. #4A	7,296	-	-	-	-	7,296
C.D. #6A	758	-	-	227	-	985
C.D. BEV CREEK 1	5,691	-	-	-	-	5,691
C.D. #9A	184	-	-	5,429	-	5,613
C.D. #10	42	-	-	2,878	-	2,920
C.D. #11	16	-	-	37,375	-	37,391
C.D. #12A	461	-	-	992	-	1,453
C.D. #13A	1,155	-	-	18,688	-	19,843
C.D. #18A	8,279	-	-	5,710	-	13,989
C.D. #21A	3,530	-	-	2,214	-	5,744
C.D. #22	4,173	-	-	10,588	-	14,761
C.D. #23A	67	-	-	45,678	-	45,745
C.D. #24A	5,207	-	-	-	-	5,207
C.D. #25A	62	-	-	5,029	-	5,091
C.D. #26	99	-	-	1,633	-	1,732
C.D. #29M	4,372	2	-	-	-	4,374
C.D. #29 Impr. DACEY	-	-	-	-	25	25
C.D. #29 Impr. SCHWARTZ	91	-	-	-	38,595	38,686
C.D. #30A	603	-	-	-	-	603
C.D. #31A	6,735	-	-	-	-	6,735
C.D. #32A	1,601	-	-	3,222	-	4,823
C.D. #37A	9,843	-	-	-	-	9,843
C.D. #38	273	-	-	-	-	273
C.D. #39A	4,154	-	-	12,802	-	16,956
C.D. #40A	868	-	-	1,324	-	2,192
C.D. #42	1,408	7	-	51,579	-	52,994
C.D. #43	63	-	-	6,388	-	6,451
C.D. #44	2,682	-	-	3,878	-	6,560
C.D. #45	94	-	-	3,842	-	3,936
C.D. #46	1,277	-	-	-	-	1,277
C.D. #47	1,808	-	-	763	-	2,571
C.D. #48	2,535	-	-	-	-	2,535
C.D. #49	6,269	-	-	6,608	-	12,877
C.D. #50	4,154	-	-	5,089	-	9,243
C.D. #54	2,895	14	-	30,322	-	33,231
C.D. #55	4,296	-	-	20,766	-	25,062
C.D. #56	(3,780)	-	-	19,519	-	15,739
C.D. #57A	2,122	-	-	-	-	2,122
C.D. #58	1,010	3	-	709	-	1,722
C.D. #59	5,302	426	-	7,320	-	13,048

Schedule 9

Liabilities							Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total	Fund Balance	
\$ -	\$ 99	\$ -	\$ -	\$ -	\$ 99	\$ 32,507	\$ 32,606
2,789	219	-	-	-	3,008	13,617	16,625
-	10	-	-	-	10	7,286	7,296
-	-	-	-	-	-	985	985
-	5	-	-	-	5	5,686	5,691
-	52	-	-	-	52	5,561	5,613
-	37	-	-	-	37	2,883	2,920
657	65	-	-	-	722	36,669	37,391
-	16	-	-	-	16	1,437	1,453
-	5	-	-	-	5	19,838	19,843
-	40	-	-	-	40	13,949	13,989
-	27	-	-	-	27	5,717	5,744
229	30	-	-	-	259	14,502	14,761
-	30	-	-	-	30	45,715	45,745
-	30	-	-	-	30	5,177	5,207
-	36	-	-	-	36	5,055	5,091
-	5	-	-	-	5	1,727	1,732
-	5	-	-	-	5	4,369	4,374
-	-	-	-	-	-	25	25
-	-	-	-	-	-	38,686	38,686
-	22	-	-	-	22	581	603
-	10	-	-	-	10	6,725	6,735
-	34	-	-	-	34	4,789	4,823
-	-	-	-	-	-	9,843	9,843
-	12	-	-	-	12	261	273
148	65	140	-	-	353	16,603	16,956
-	28	-	-	-	28	2,164	2,192
-	186	-	-	-	186	52,808	52,994
-	117	-	-	-	117	6,334	6,451
-	5	-	-	-	5	6,555	6,560
-	36	-	-	-	36	3,900	3,936
-	-	-	-	-	-	1,277	1,277
11,617	33	-	-	-	11,650	(9,079)	2,571
-	-	-	-	-	-	2,535	2,535
229	85	-	-	-	314	12,563	12,877
-	15	-	-	-	15	9,228	9,243
-	197	-	-	-	197	33,034	33,231
50	127	-	-	-	177	24,885	25,062
-	65	-	-	-	65	15,674	15,739
-	31	-	-	-	31	2,091	2,122
-	111	-	-	-	111	1,611	1,722
-	139	-	-	-	139	12,909	13,048

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
ACCRUAL BASIS
DECEMBER 31, 2009**

	Assets					Total
	Cash	Special Assessments Receivable		One Year Repair Liens	Receivables	
		Delinquent	Deferred			
County Ditches (Continued)						
C.D. #60	1,398	-	-	1,556	-	2,954
C.D. #61	7,007	-	-	4,784	-	11,791
C.D. #64	12,032	-	-	-	-	12,032
C.D. #65	5,495	-	-	-	-	5,495
C.D. #66	9,495	-	-	-	-	9,495
C.D. #67	23,029	-	-	26,701	-	49,730
C.D. #61 Outlet Impr	80	-	9,733	-	-	9,813
Total County Ditches	\$ 162,756	\$ 497	\$ 9,733	\$ 386,274	\$ 38,620	\$ 597,880
High Island Project						
H.I. Proj. #2	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ 21
H.I. Proj. #5	15	-	-	-	-	15
H.I. Proj. #7	(4)	-	-	-	-	(4)
H.I. Proj. #8	10	-	-	-	-	10
H.I. Proj. #9	10	-	-	-	-	10
H.I. Proj. #10	5,568	-	25,244	-	-	30,812
H.I. Proj. #11	27,430	-	448,005	-	-	475,435
Total High Island Project	\$ 33,050	\$ -	\$ 473,249	\$ -	\$ -	\$ 506,299
Judicial Ditches						
JD #1A S&N	\$ 14,477	\$ -	\$ -	\$ -	\$ 766	\$ 15,243
JD #3A SCM	181	-	-	22,205	2,152	24,538
JD #5 M&S	29	-	-	1,865	-	1,894
JD #5 S&N	334	-	-	38,568	476	39,378
JD #6A S&N	12,669	109	-	-	1,271	14,049
JD #6 N&S	1,510	-	-	-	4	1,514
JD #8 S&R	5,116	-	-	-	546	5,662
JD #8 M&S	1,555	-	-	-	-	1,555
JD #11 RSM	8,141	-	-	-	2,120	10,261
JD #12 Sibley	4,811	20	-	4,402	-	9,233
JD #13 SRN	26	-	-	14,440	577	15,043
JD #13 N&S	661	-	-	-	-	661
JD #14 S&N	1,342	-	-	-	-	1,342
JD #15 S&M	2,283	-	-	1,436	-	3,719
JD #15 R&S	713	-	-	1,022	19	1,754
JD #15 N&S	53	-	-	3,363	189	3,605
JD #16 N&S	1,059	-	-	-	-	1,059
JD #17 S&M	649	-	-	586	-	1,235
JD #18 S&M	5,112	-	-	13,693	-	18,805
JD #19 S&M	1,316	-	-	943	-	2,259
JD #20 S&N	216	573	-	34,563	1,816	37,168
JD #21 S&C	737	-	-	-	129	866

Schedule 9
(Continued)

Liabilities							Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total	Fund Balance	
-	-	-	-	-	-	2,954	2,954
-	41	-	-	-	41	11,750	11,791
-	-	-	-	-	-	12,032	12,032
-	5	-	-	-	5	5,490	5,495
-	-	-	-	-	-	9,495	9,495
-	25	-	-	-	25	49,705	49,730
-	14	-	-	-	14	9,799	9,813
\$ 15,719	\$ 2,114	\$ 140	\$ -	\$ -	\$ 17,973	\$ 579,907	\$ 597,880
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 21
-	-	-	-	-	-	15	15
-	-	-	-	-	-	(4)	(4)
-	-	-	-	-	-	10	10
-	-	-	-	-	-	10	10
-	21	-	-	-	21	30,791	30,812
-	44	-	-	625,000	625,044	(149,609)	475,435
\$ -	\$ 65	\$ -	\$ -	\$ 625,000	\$ 625,065	\$ (118,766)	\$ 506,299
\$ -	\$ 25	\$ -	\$ -	\$ -	\$ 25	\$ 15,218	\$ 15,243
9,933	82	10	-	-	10,025	14,513	24,538
-	20	10	-	-	30	1,864	1,894
-	35	-	-	-	35	39,343	39,378
-	291	-	-	-	291	13,758	14,049
-	11	-	-	-	11	1,503	1,514
-	15	-	-	-	15	5,647	5,662
-	5	2	-	-	7	1,548	1,555
-	25	2,974	-	-	2,999	7,262	10,261
-	-	-	-	-	-	9,233	9,233
-	35	-	-	-	35	15,008	15,043
-	-	-	-	-	-	661	661
-	-	-	-	-	-	1,342	1,342
-	10	8,480	-	-	8,490	(4,771)	3,719
-	29	1,481	-	-	1,510	244	1,754
-	37	-	-	-	37	3,568	3,605
-	-	-	-	-	-	1,059	1,059
-	20	4	-	-	24	1,211	1,235
-	40	928	-	-	968	17,837	18,805
-	20	6	-	-	26	2,233	2,259
-	362	-	-	-	362	36,806	37,168
-	5	-	-	-	5	861	866

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
ACCRUAL BASIS
DECEMBER 31, 2009**

	Assets					Total
	Cash	Special Assessments Receivable		One Year Repair Liens	Receivables	
		Delinquent	Deferred			
Judicial Ditches (Continued)						
JD #22 S&C	1,631	-	-	-	25	1,656
JD #24 RSM	81	-	-	11,213	795	12,089
JD #30 R&S	97	-	-	108	5	210
JD #31 RSN	4,996	-	-	3,540	50	8,586
JD #13 Lt A SRN Outlet	98	-	-	-	-	98
JT #1A N&S Impr	9,686	-	-	-	427	10,113
JT #1 RS	155	-	108,689	2,219	84	111,147
JT #7 SNR	12,569	-	-	74,763	529	87,861
JT #24 CS	64	-	-	208	479	751
JT #7 Lat 17 IMP Berger	32	-	145,322	-	9	145,363
JT #5 YAHNKE S&N Impr	1,222	-	159,464	-	16	160,702
Total Judicial Ditches	\$ 93,621	\$ 702	\$ 413,475	\$ 229,137	\$ 12,484	\$ 749,419
Total All Ditches	\$ 289,427	\$ 1,199	\$ 896,457	\$ 615,411	\$ 51,104	\$ 1,853,598
Reconcile to Exhibit 3	-	-	-	-	-	-
Total Modified Accrual	\$ 289,427	\$ 1,199	\$ 896,457	\$ 615,411	\$ 51,104	\$ 1,853,598

Schedule 9
(Continued)

Liabilities							Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total	Fund Balance	
-	29	-	-	-	29	1,627	1,656
-	40	58	-	-	98	11,991	12,089
-	10	6	-	-	16	194	210
-	52	-	-	-	52	8,534	8,586
-	-	-	-	-	-	98	98
-	20	-	-	-	20	10,093	10,113
-	10	-	-	-	10	111,137	111,147
711	113	-	-	160,000	160,824	(72,963)	87,861
-	5	-	-	-	5	746	751
-	153,025	-	-	-	153,025	(7,662)	145,363
-	28	-	-	-	28	160,674	160,702
\$ 10,644	\$ 154,399	\$ 13,959	\$ -	\$ 160,000	\$ 339,002	\$ 410,417	\$ 749,419
\$ 26,363	\$ 156,578	\$ 14,099	\$ -	\$ 785,000	\$ 982,040	\$ 871,558	\$ 1,853,598
-	-	-	1,551,687	(785,000)	766,687	(766,687)	-
\$ 26,363	\$ 156,578	\$ 14,099	\$ 1,551,687	\$ -	\$ 1,748,727	\$ 104,871	\$ 1,853,598

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Shared Revenue

State

Highway users tax	\$ 3,325,021
Market value credit	604,165
Market value credit - mobile home	1,189
Market value credit - agricultural	212,710
PERA rate reimbursement	25,207
Disparity reduction aid	55,190
County program aid	534,742
Police aid	74,263
E-911	89,646
Petroleum tax relief	1,453
	<u>1,453</u>

Total shared revenue **\$ 4,923,586**

Reimbursement for Services

Minnesota Department of Human Services	\$ 645,416
	<u>645,416</u>

Payments

Local

Local contributions	\$ 35,040
Payments in lieu of taxes	16,310
	<u>16,310</u>

Total payments **\$ 51,350**

Grants

State

Minnesota Department/Board of Corrections	\$ 80,768
Transportation	317,699
Health	229,030
Natural Resources	6,152
Human Services	909,340
Veteran's Affairs	30,790
Water and Soil Resources	78,317
Pollution Control Agency	240,475
	<u>240,475</u>

Total state **\$ 1,892,571**

Federal

Department of Agriculture	\$ 214,109
Transportation	1,148,772
Health and Human Services	1,036,044
Homeland Security	19,409
Environmental Protection Agency	1,944
	<u>1,944</u>

Total federal **\$ 2,420,278**

Total state and federal grants **\$ 4,312,849**

Total Intergovernmental Revenue **\$ 9,933,201**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 11

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Sibley County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Sibley County and are 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*." None were material weaknesses.
- 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:
- | | |
|-----------------------------------|--------------|
| Highway Planning and Construction | CFDA #20.205 |
| Child Support Enforcement Cluster | |
| Child Support Enforcement | CFDA #93.563 |
| Child Support Enforcement - ARRA | CFDA #93.563 |
| Social Services Block Grant | CFDA #93.667 |
- 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 for purchasing, journal entries, cash disbursements, or budget adjustments has not been finalized and approved by the County Board. 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. The County currently has developed a draft version of these policies and procedures and hopes to have them completed and approved during 2011.

We recommend that the County implement formal policies and procedures for purchasing, journal entries, cash disbursements, and budget adjustments.

ITEM ARISING THIS YEAR

09-1 Assessing and Monitoring Internal Controls

County management is responsible for monitoring its internal controls. This requires performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and external financial reporting. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Our review this year found this risk assessment process has not been completed.

We recommend that County management implement procedures to document the significant internal controls in its accounting system. We also recommend a formal plan be developed that calls for assessing and monitoring significant internal controls on a regular basis, no less than annually. The assessment of risks should be documented and procedures implemented to address those risks found. Monitoring procedures should be documented to show the results of the review, changes required, and who performed the work.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

09-2 Safekeeping of Investments

At December 31, 2009, Wells Fargo Advisors held security investments on behalf of Sibley County. Minnesota law in effect at this time only permitted brokers with a “principal executive office” in the State of Minnesota to hold public securities. Wells Fargo Advisors does not have a principal executive office in the State of Minnesota.

The 2010 Legislature changed this requirement so that as of August 1, 2010, brokers can hold public investments to the extent they have insurance to protect their clients through the Securities Investors Protection Corporation (SIPC) or excess SIPC coverage. We recommend that all County securities only be held by entities that meet the criteria of Minn. Stat. § 118A.06. For brokers such as Wells Fargo Advisors, the County must verify that Wells Fargo Advisors has SIPC and excess SIPC coverage sufficient to protect all County securities in its possession in order to be in compliance with Minn. Stat. § 118A.06 after August 1, 2010.

B. 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 towards implementing a continuity of operations plan. They are currently holding table-top exercises and gaining feedback from departments to help establish the business continuity 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.

C. OTHER ITEMS FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2010. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 01-2 and 09-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except tax increment financing and testing the legal compliance requirements where the activities took place in the various cities that are included in the Sibley County Library System (SCLS). Compliance over tax increment financing was not tested because Sibley County does not use tax increment financing. We did not test the legal compliance requirements where the activities took place in the various cities included in the SCLS, because we relied upon the city audits completed by other auditors.

The results of our tests indicate that, for the items tested, Sibley County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 09-2.

Also included in the Schedule of Findings and Questioned Costs is a management practice comment and an other item for consideration. We believe this recommendation and information to be of benefit to the County, and they are 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

September 29, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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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, 2009. 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, 2009.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 2009, and have issued our report thereon dated September 29, 2010. Our audit was performed for the purpose of forming opinions on the County's financial statements that collectively comprise the 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

September 29, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 132,923
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	79,462
State Administrative Matching Grants for SNAP	10.561	1,724
State Administrative Matching Grants for SNAP -- ARRA		<u>1,724</u>
Total U.S. Department of Agriculture		<u>\$ 214,109</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 915,757
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	233,015
Total U.S. Department of Transportation		<u>\$ 1,148,772</u>
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Health State Indoor Radon Grants	66.032	<u>\$ 1,944</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	\$ 140,441
Refugee and Entrant Assistance - State-Administered Programs	93.566	202
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	7,185
Child Support Enforcement Cluster Child Support Enforcement	93.563	240,950
Child Support Enforcement -- ARRA	93.563	27,918
Children's Health Insurance Program	93.767	1,123
Promoting Safe And Stable Families	93.556	2,836
Child Welfare Services - State Grants	93.645	7,466
Foster Care Title IV-E Cluster Foster Care Title IV-E	93.658	118,657
Foster Care Title IV-E -- ARRA	93.658	4,821
Social Services Block Grant	93.667	100,580
Medical Assistance Program	93.778	273,386
Block Grants for Community Mental Health Services	93.958	752

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**Schedule 12
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Meeker-McLeod-Sibley Community Health Services		
Public Health Emergency Preparedness	93.069	25,565
Immunization Grants	93.268	800
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	29,873
Temporary Assistance for Needy Families	93.558	27,105
Medical Assistance Program	93.778	11,793
Maternal and Child Health Services Block Grant to the States	93.994	14,591
Total U.S. Department of Health and Human Services		\$ 1,036,044
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	\$ 19,409
Total Federal Awards		\$ 2,420,278

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Sibley County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sibley County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Sibley County, it is not intended to and does not present the financial position or changes in net assets of Sibley County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

5. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.