

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SIBLEY COUNTY
GAYLORD, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

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.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Year Ended December 31, 2011



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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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GAYLORD, MINNESOTA**

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GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2011**

Office	Name	Term	
		From	To
Commissioners			
1st District	Jim Nytes	January 2011	January 2015
2nd District	William "Bill" Pinske*	January 2003	January 2013
3rd District	Jim Swanson	January 2009	January 2013
4th District	Joy Cohrs	January 2011	January 2015
5th District	Harold Pettis**	January 1999	January 2015
Officers			
Elected			
Attorney	David E. Schauer	February 1988	January 2015
Auditor	Lisa Pfarr	January 1999	January 2015
Recorder	Kathy Dietz	February 2005	January 2015
Registrar of Titles	Kathy Dietz	February 2005	January 2015
Sheriff	Bruce Ponath	January 2003	January 2015
Treasurer	Mary Fisher	January 1999	January 2015
Appointed			
Assessor	Calvin Roberts	November 1978	December 2012
Court Administrator	Karen Messner (State)		Indefinite
Court Services Director	Mary Karl (State)		Indefinite
Emergency Management Director	Bryan Gorman		Indefinite
Environmental Services Director	Jeffrey Majeski		Indefinite
Examiner of Titles	Ross Arneson		Indefinite
Extension/Economic Development Director	Tim Dolan		Indefinite
Human Resources Director	Roseann Nagel		Indefinite
Human Services Director	Vicky Stock		Indefinite
Information Service Director	Beth Wilson		Indefinite
Medical Examiner	A. Quinn Strobl, MD	January 2010	December 2014
Public Health Director	Laura Reid (Interim)		Indefinite
Public Works Director	Darin Mielke	March 2005	April 2014
Surveyor	Avery Grochow	January 2011	December 2014
Veterans Services Officer	Lisa Klenk	August 2008	August 2012

*Chair

**Vice Chair

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REBECCA OTTO
STATE AUDITOR

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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, 2011, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.8. to the financial statements, Sibley County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sibley County's basic financial statements as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133 and the other information section listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, 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, 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 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(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, 2011. We encourage our readers to consider the information presented here in conjunction 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 \$70,797,464, of which \$49,971,679 is invested in capital assets, net of related debt; \$3,080,145 is restricted for specific purposes; and \$17,745,640 is available to spend at the discretion of the County Board.
- Sibley County's net assets increased by \$3,037,303 in 2011. This increase can be attributed to additional capital assets and budgeted savings from operations.
- At the close of 2011, the unassigned fund balance for the General Fund was \$8,692,286, or 99.038 percent, of the total General Fund expenditures. This amount will be available for 2012 budgeting purposes.
- The net cost of governmental activities in 2011 decreased by \$2,306,234 from the previous year to \$8,819,529. The net cost was funded by general revenues totaling \$11,856,832.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and 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, certain budgetary comparisons, and a schedule of funding process for other postemployment benefits are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

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).

Both of the government-wide financial statements distinguish functions of Sibley County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Sibley County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide financial statements include not only Sibley County itself (known as the primary government), but also a legally separate component unit, Sibley County Library System, for which Sibley County is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Government-wide financial statements can be found on pages 15 to 18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sibley County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The County Board may also establish 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. All of the funds of Sibley County can be divided into two categories: governmental funds and fiduciary funds.

The analysis of the County's major funds begins with Exhibit 3 on page 19.

Governmental Funds - Governmental funds are used to account for essentially the same function as governmental activities in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Sibley County maintains seven individual major governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, Public Works Special Revenue Fund, Human Services Special Revenue Fund, Ditch Special Revenue Fund, Sub-Surface Sewage Treatment System Loans Special Revenue Fund, Debt Service Fund, and Capital Projects Fund. The Revolving Loan (SEDCO) and Water Projects Special Revenue Funds, along with the Federal Land Permanent Fund, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements within the Supplementary Information section of this report.

Governmental fund financial statements can be found on pages 19 to 26 of this report.

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 ongoing operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on pages 27 to 28.

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 \$70,797,464 at the close of the current fiscal year. Table I shows a two-year Net Asset comparison.

Table I
Net Assets

	2011	2010	\$ Change	% Change
Current and noncurrent assets	\$ 26,284,972	\$ 25,591,081	\$ 693,891	2.711
Capital assets	52,009,312	49,840,002	2,169,310	4.353
Total Assets	<u>\$ 78,294,284</u>	<u>\$ 75,431,083</u>	<u>\$ 2,863,201</u>	3.796
Long-term debt outstanding	\$ 4,773,655	\$ 4,871,043	\$ (97,388)	(1.999)
Other liabilities	2,723,165	2,799,879	(79,714)	(2.740)
Total Liabilities	<u>\$ 7,496,820</u>	<u>\$ 7,670,922</u>	<u>\$ (174,102)</u>	(2.270)
Net Assets				
Invested in capital assets - net of related debt	\$ 49,971,679	\$ 47,633,847	\$ 2,337,832	4.908
Restricted	3,080,145	3,105,778	(25,633)	(0.825)
Unrestricted	17,745,640	17,020,536	725,104	4.260
Total Net Assets	<u>\$ 70,797,464</u>	<u>\$ 67,760,161</u>	<u>\$ 3,037,303</u>	4.482

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 \$49,971,679. This represents 70.584 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 \$3,080,145; this is a \$25,633 decrease from 2010. The remaining unrestricted net assets of \$17,745,640 may be used to meet the County's ongoing obligations to citizens and creditors.

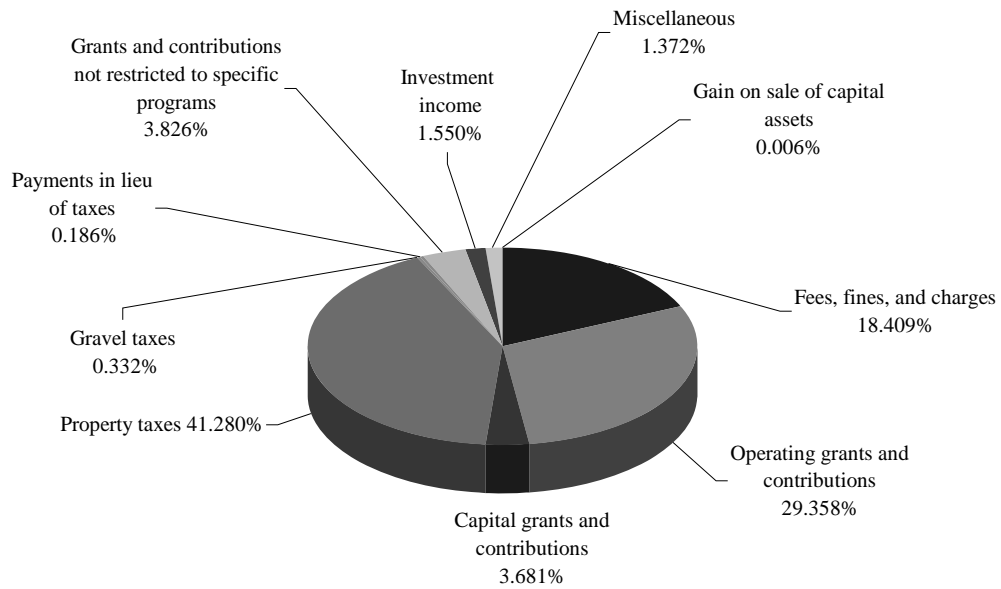
Sibley County's net assets increased \$3,037,303, or 4.482 percent, from 2011; this increase can be attributed to an increase in infrastructure (roads and bridges) of about \$2.2 million as well as budget savings from the two major funds. Table II illustrates the change in net assets:

Table II
Change in Net Assets

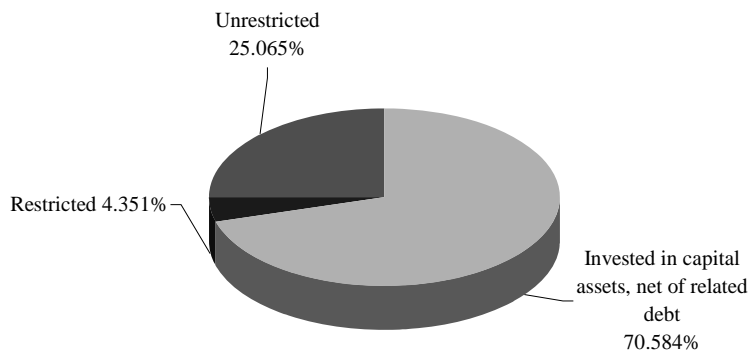
	2011	2010	\$ Change	% Change
Revenues				
Program revenues				
Fees, fines, and charges	\$ 4,495,481	\$ 3,801,582	\$ 693,899	18.253
Operating grants and contributions	7,169,271	7,599,085	(429,814)	(5.656)
Capital grants and contributions	898,821	2,760,526	(1,861,705)	(67.440)
General revenues				
Property taxes	10,080,634	10,116,060	(35,426)	(0.350)
Gravel taxes	81,558	96,407	(14,849)	(15.402)
Payments in lieu of tax	45,502	29,380	16,122	54.874
Grants and contributions not restricted to specific programs	934,327	933,690	637	0.068
Investment income	378,406	325,318	53,088	16.319
Miscellaneous	335,002	270,804	64,198	23.706
Gain on sale of capital assets	1,403	4,024	(2,621)	(65.134)
Total Revenues	\$ 24,420,405	\$ 25,936,876	\$ (1,516,471)	(5.847)
Expenses				
Governmental activities				
General government	\$ 3,728,263	\$ 3,461,384	\$ 266,879	7.710
Public safety	2,563,756	2,652,977	(89,221)	(3.363)
Highways and streets	5,564,183	5,849,324	(285,141)	(4.875)
Sanitation	527,390	427,878	99,512	23.257
Human services	3,717,306	4,042,266	(324,960)	(8.039)
Health	1,533,708	1,615,915	(82,207)	(5.087)
Culture and recreation	339,599	626,782	(287,183)	(45.819)
Conservation of natural resources	3,029,247	1,609,783	1,419,464	88.177
Economic development	246,279	245,060	1,219	0.497
Interest	133,371	143,119	(9,748)	(6.811)
Total Expenses	\$ 21,383,102	\$ 20,674,488	\$ 708,614	3.427
Increase (Decrease) in Net Assets	\$ 3,037,303	\$ 5,262,388	\$ (2,225,085)	(42.283)
Net Assets - Beginning January 1 - Restated	67,760,161	62,497,773	5,262,388	8.420
Net Assets - Ending December 31	\$ 70,797,464	\$ 67,760,161	\$ 3,037,303	4.482

The County's expenses increased \$708,614, or 3.427 percent, from 2010. This increase is mainly a result of increased spending on conservation of natural resources. Sibley County expects that spending on conservation of natural resources is expected to decrease a little in the next fiscal year. The following tables represent the 2011 revenues by revenue source and net assets.

2011 Revenues by Source



2011 Net Assets



GOVERNMENTAL ACTIVITIES

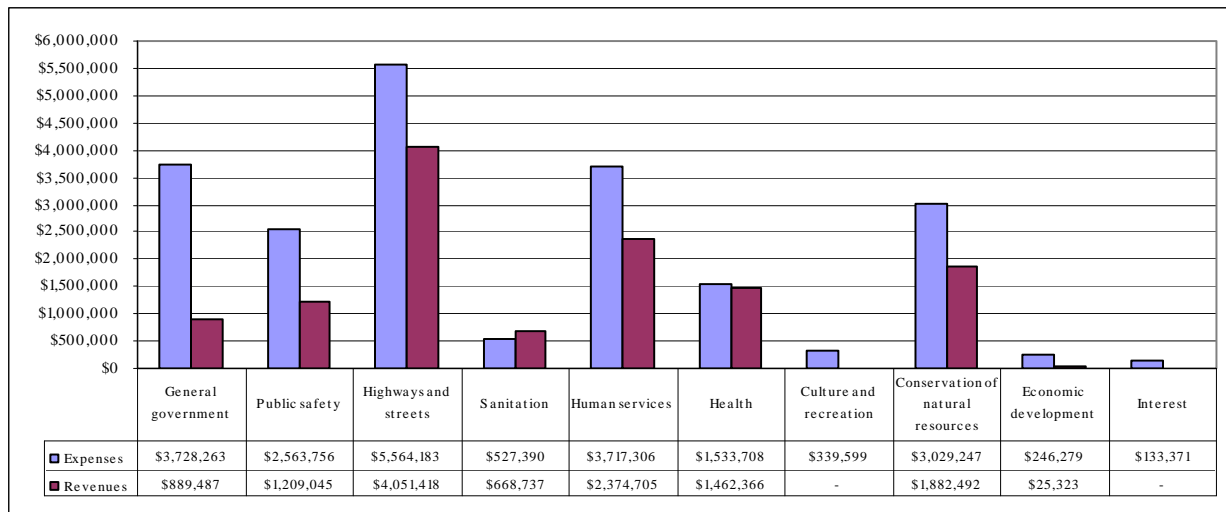
As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$8,819,529 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations 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		
	2011	2010	\$ Change	2011	2010	\$ Change
Expenses						
Governmental activities						
General government	\$ 3,728,263	\$ 3,461,384	\$ 266,879	\$ 2,838,776	\$ 2,699,205	\$ 139,571
Public safety	2,563,756	2,652,977	(89,221)	1,354,711	1,720,044	(365,333)
Highways and streets	5,564,183	5,849,324	(285,141)	1,512,765	(828,231)	2,340,996
Sanitation	527,390	427,878	99,512	(141,347)	17,301	(158,648)
Human services	3,717,306	4,042,266	(324,960)	1,342,601	1,707,547	(364,946)
Health	1,533,708	1,615,915	(82,207)	71,342	65,455	5,887
Culture and recreation	339,599	626,782	(287,183)	339,599	453,017	(113,418)
Conservation of natural resources	3,029,247	1,609,783	1,419,464	1,146,755	305,962	840,793
Economic development	246,279	245,060	1,219	220,956	229,876	(8,920)
Interest	133,371	143,119	(9,748)	133,371	143,119	(9,748)
Total Expenses	\$ 21,383,102	\$ 20,674,488	\$ 708,714	\$ 8,819,529	\$ 6,513,295	\$ 2,306,234

2011 Program Cost and Program Revenues



THE COUNTY'S FUNDS

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

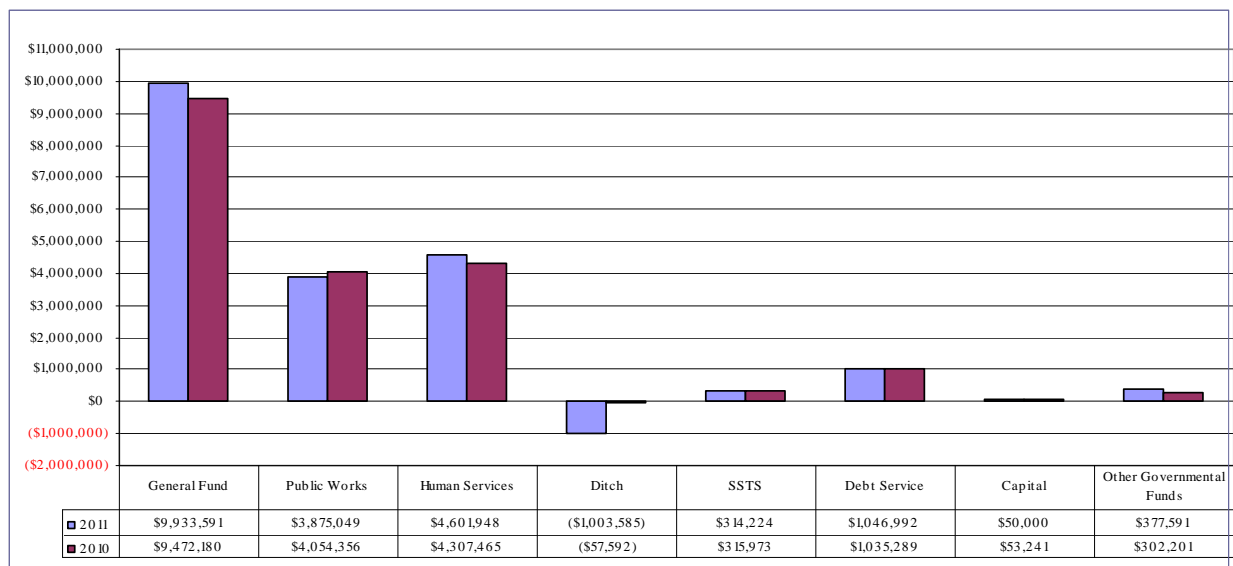
As of the end of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$19,195,810. This is a decrease of \$287,303 in comparison to the prior fiscal year. Of the \$19,195,810 total fund balances, \$7,167,506 constitutes unassigned fund balances, which are available for spending at the government's discretion.

The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unassigned fund balance of the General Fund was \$8,692,286 (or 87.504 percent of the total General Fund's fund balance). As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represents 99.038 percent of total General Fund expenditures, while total fund balance represents 113.181 percent of that same amount. In 2011, the fund balance amount in the General Fund increased \$461,411, primarily due to budget savings.

The Public Works Special Revenue Fund had a total fund balance of \$3,875,049 at the end of 2011. The decrease of \$179,307 is, in part, due to the decrease in governmental revenue from the state, as well as decreased road projects.

The Human Services Special Revenue Fund had a total fund balance of \$4,601,948 at the end of the current fiscal year. This is an increase of \$294,483 due, in part, to budgeted savings.

Governmental Funds - Fund Balance



(Unaudited)

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual revenues exceeded budgeted revenues by \$223,568, and actual expenditures were less than expected by \$755,752. The budget was not amended during the year.

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
	2011	2010	\$ Change	
Land	\$ 1,646,870	\$ 1,473,195	\$ 173,675	11.789
Construction in progress	-	160,862	(160,862)	(100.000)
Infrastructure	42,929,695	40,702,742	2,226,953	5.471
Buildings	5,536,016	5,477,414	58,602	(1.070)
Machinery, vehicles, and equipment	1,881,977	2,009,254	(127,277)	(6.335)
Improvements other than buildings	14,754	16,535	(1,781)	(10.771)
Total Capital Assets	\$ 52,009,312	\$ 49,840,002	\$ 2,169,310	4.353

The County's investment in capital assets for its governmental activities as of December 31, 2011, was \$52,009,312 (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 4.353 percent, or \$2,169,310. The most significant increase in capital assets was in the area of infrastructure. The 2011 increase amounted to about \$2.2 million, about a 5.471 percent increase.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$5,439,151 versus \$5,425,839 last year--an increase of 0.245 percent--as shown in Table V.

Table V
Outstanding Debt at Year-End

	2011	2010	\$ Change
Bonds payable			
General obligation capital improvement bonds	\$ 2,120,000	\$ 2,295,000	\$ (175,000)
Special assessment debt with governmental commitment	675,000	730,000	(55,000)
Revenue notes	93,300	98,300	(5,000)
Less: unamortized discounts	(32,367)	(35,604)	3,237

	2011	2010	\$ Change
Total bonds and notes payable	\$ 2,855,933	\$ 3,087,696	\$ (231,763)
MnPCA Loans	1,425,183	1,244,060	181,123
Compensated absences	1,019,751	995,963	23,788
Net OPEB obligation	138,284	98,120	40,164
Long-Term Liabilities	<u>\$ 5,439,151</u>	<u>\$ 5,425,839</u>	<u>\$ 13,312</u>

The County maintains a general obligation bond rating of “Aa3”. 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 2011, the taxable market value was \$2,364,575,200 and, in 2010, the amount was \$2,305,902,000. The County’s outstanding net debt of \$5,439,151 is significantly below the state-imposed limit of \$70,937,256.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$107,947 outstanding at year-end compared with \$34,710 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 2012 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 2012 state aid cuts with little mandate relief will put significant pressure on Sibley County’s 2012 budget and beyond.
- For fiscal year 2012, Sibley County’s total taxable market value is \$2,295,462,100. This is a decrease of \$69,113,100, or 2.923 percent, over the 2011 total taxable market value of \$2,364,575,200. This decrease 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 decrease can also be attributed to the Homestead Market Value Exclusion.
- The unemployment rate for Sibley County is currently 6.0 percent. Sibley County’s unemployment rate is slightly higher than the state unemployment rate of 5.7 percent.
- On December 28, 2010, the Sibley County Board of Commissioners approved the 2012 budget for \$22,153,676. The 2012 total levy is \$10,677,729, and the total net tax levy was \$10,825,411, which was the same compared to the 2010 total net tax levy of \$10,825,411. The 2012 budget includes a zero percent overall property tax levy increase.

- In 2011, the County Board approved the integration of Public Health and Human Services Special Revenue Funds into one fund effective January 1, 2012. The new name of the fund is now Sibley County Public Health and Human Services Special Revenue Fund.
- In 2012, Sibley County is expecting to invest in the Allied Radio Matrix for Emergency Response (ARMER) system. The ARMER system is a robust, scalable, state-of-the-art system that will be capable of serving the radio communications needs for every city, county, state agency, tribal government, and nongovernment public safety entity operating in the state. The County is currently considering different financing options such as grants, use of fund balance, and/or using restricted funds to fund this project.
- In 2011, Sibley County entered into a joint powers agreement along with nine other governmental agencies to create the Renville Sibley Fiber to the Home joint powers board. In hopes of creating a community-owned high speed fiber optic connection to every home, farm, business, and government office at a low-cost, reliable high speed internet, crystal clear cable television, and phone services. In 2012, all joint powers members are projected to vote on whether or not authorize the joint powers board to issue revenue bonds to fund this project.

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, please contact the Office of the Sibley County Auditor, Sibley County Courthouse, 400 Court Avenue, P. O. Box 171, Gaylord, Minnesota 55334, Finance@co.sibley.mn.us, 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, 2011**

	Primary Government Governmental Activities	Sibley County Library System Component Unit
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 18,810,717	\$ 120,777
Petty cash and change funds	6,150	20
Departmental cash	25,719	-
Cash with fiscal agent	663,194	-
Taxes receivable		
Prior - net	211,937	-
Special assessments receivable - prior - net	19,090	-
Accounts receivable - net	90,766	268
Accrued interest receivable	81,644	-
Due from other governments	1,210,174	23,344
Loans receivable	96,679	-
Inventories	655,330	-
Prepaid items	11,958	1,431
Noncurrent assets		
Special assessments - noncurrent - net	3,223,753	-
Advance to other governments	190,370	-
Advance to other agencies	25,000	-
Deferred charges	18,973	-
Long-term receivables	107,056	-
Investment in joint venture	836,462	-
Capital assets		
Non-depreciable	1,646,870	-
Depreciable - net of accumulated depreciation	50,362,442	-
Total Assets	\$ 78,294,284	\$ 145,840

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government Governmental Activities	Sibley County Library System Component Unit
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 925,781	\$ 6,059
Salaries payable	410,302	17,594
Contracts payable	155,066	-
Retainage payable	44,964	-
Due to other governments	259,809	17,022
Accrued interest payable	41,802	-
Claims payable	107,947	-
Unearned revenue	111,998	723
Compensated absences payable - current	275,333	9,734
General obligation bonds payable - current	180,000	-
General obligation special assessment debt payable - current	55,000	-
Revenue notes payable - current	10,330	-
MnPCA loans payable - current	144,833	-
Noncurrent liabilities		
Compensated absences payable	744,418	26,319
General obligation bonds payable	1,907,633	-
General obligation special assessment debt payable	620,000	-
Revenue notes payable	82,970	-
MnPCA loans payable	1,280,350	-
Net OPEB obligation	138,284	-
Total Liabilities	\$ 7,496,820	\$ 77,451
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 49,971,679	\$ -
Restricted for		
General government	327,863	-
Public safety	529,923	-
Highways and streets	35,383	-
Culture and recreation	49,693	-
Sanitation	314,224	-
Conservation of natural resources	589,065	-
Economic development	228,804	-
Debt service	1,005,190	-
Unrestricted	17,745,640	68,389
Total Net Assets	\$ 70,797,464	\$ 68,389

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, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Governmental activities		
General government	\$ 3,728,263	\$ 816,174
Public safety	2,563,756	188,400
Highways and streets	5,564,183	166,428
Sanitation	527,390	668,737
Human services	3,717,306	458,060
Health	1,533,708	405,789
Culture and recreation	339,599	-
Conservation of natural resources	3,029,247	1,784,370
Economic development	246,279	7,523
Interest	133,371	-
Total	\$ 21,383,102	\$ 4,495,481
 Component Unit		
Sibley County Library System	\$ 430,892	\$ 156,648

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
\$ 73,313	\$ -	\$ (2,838,776)	
1,020,645	-	(1,354,711)	
2,986,169	898,821	(1,512,765)	
-	-	141,347	
1,916,645	-	(1,342,601)	
1,056,577	-	(71,342)	
-	-	(339,599)	
98,122	-	(1,146,755)	
17,800	-	(220,956)	
-	-	(133,371)	
\$ 7,169,271	\$ 898,821	\$ (8,819,529)	
\$ 277,123	\$ -		\$ 2,879
		\$ 10,080,634	\$ -
		81,558	-
		45,502	-
		934,327	-
		378,406	-
		335,002	-
		1,403	-
		\$ 11,856,832	\$ -
		\$ 3,037,303	\$ 2,879
		67,760,161	65,510
		\$ 70,797,464	\$ 68,389

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 8,119,887	\$ 3,418,667	\$ 4,772,576
Petty cash and change funds	6,150	-	-
Departmental cash	25,719	-	-
Cash with fiscal agent	663,194	-	-
Taxes receivable			
Delinquent	108,452	59,211	36,862
Special assessments receivable			
Delinquent	6,969	-	-
Noncurrent	-	-	-
Accounts receivable	9,389	25,234	52,921
Accrued interest receivable	81,644	-	-
Due from other funds	1,083,184	4,456	65
Due from other governments	155,738	535,782	141,978
Loans receivable	-	-	-
Inventories	-	655,330	-
Prepaid items	9,936	1,542	480
Advances to other governments	190,370	-	-
Advances to other agencies	-	-	-
Long-term receivables	107,056	-	-
Total Assets	\$ 10,567,688	\$ 4,700,222	\$ 5,004,882

EXHIBIT 3

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 783,854	\$ 298,536	\$ 1,046,992	\$ 50,000	\$ 320,205	\$ 18,810,717
-	-	-	-	-	6,150
-	-	-	-	-	25,719
-	-	-	-	-	663,194
-	-	7,412	-	-	211,937
4,046	8,075	-	-	-	19,090
1,858,512	1,365,241	-	-	-	3,223,753
3,222	-	-	-	-	90,766
-	-	-	-	-	81,644
-	-	-	-	1,246	1,088,951
336,893	15,688	-	-	24,095	1,210,174
-	-	-	-	96,679	96,679
-	-	-	-	-	655,330
-	-	-	-	-	11,958
-	-	-	-	-	190,370
-	-	-	-	25,000	25,000
-	-	-	-	-	107,056
\$ 2,986,527	\$ 1,687,540	\$ 1,054,404	\$ 50,000	\$ 467,225	\$ 26,518,488

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Public Works	Human Services
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 66,736	\$ 52,533	\$ 150,864
Salaries payable	229,360	67,781	113,161
Contracts payable	-	155,066	-
Retainage payable	-	44,964	-
Due to other funds	5,764	46	5,638
Due to other governments	57,965	17,523	96,409
Deferred revenue - unavailable	141,374	487,260	36,862
Deferred revenue - unearned	24,951	-	-
Claims payable	107,947	-	-
	\$ 634,097	\$ 825,173	\$ 402,934
Fund Balances (Note 3.D.)			
Nonspendable	\$ 9,936	\$ 656,872	\$ 480
Restricted	907,479	35,383	-
Committed	323,890	318,199	-
Assigned	-	2,864,595	4,601,468
Unassigned	8,692,286	-	-
	\$ 9,933,591	\$ 3,875,049	\$ 4,601,948
Total Liabilities and Fund Balances	\$ 10,567,688	\$ 4,700,222	\$ 5,004,882

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>
\$ 655,380	\$ -	\$ -	\$ -	\$ 268	\$ 925,781
-	-	-	-	-	410,302
-	-	-	-	-	155,066
-	-	-	-	-	44,964
1,077,500	-	-	-	3	1,088,951
85,596	-	-	-	2,316	259,809
2,171,636	1,373,316	7,412	-	-	4,217,860
-	-	-	-	87,047	111,998
-	-	-	-	-	107,947
\$ 3,990,112	\$ 1,373,316	\$ 7,412	\$ -	\$ 89,634	\$ 7,322,678
\$ -	\$ -	\$ -	\$ -	\$ 80,917	\$ 748,205
521,195	314,224	1,046,992	-	296,674	3,121,947
-	-	-	50,000	-	692,089
-	-	-	-	-	7,466,063
(1,524,780)	-	-	-	-	7,167,506
\$ (1,003,585)	\$ 314,224	\$ 1,046,992	\$ 50,000	\$ 377,591	\$ 19,195,810
\$ 2,986,527	\$ 1,687,540	\$ 1,054,404	\$ 50,000	\$ 467,225	\$ 26,518,488

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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, 2011**

Fund balance - total governmental funds (Exhibit 3)		\$ 19,195,810
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.		52,009,312
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		836,462
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,217,860
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	\$ (2,762,633)	
Revenue notes payable	(93,300)	
MnPCA loans payable	(1,425,183)	
Compensated absences	(1,019,751)	
Net OPEB obligation	(138,284)	
Accrued interest payable	(41,802)	
Deferred debt issuance charges	18,973	(5,461,980)
	<u> </u>	<u> </u>
Net Assets of Governmental Activities (Exhibit 1)		<u><u>\$ 70,797,464</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 5,346,296	\$ 2,845,500	\$ 1,736,811
Special assessments	136,494	-	-
Licenses and permits	28,663	-	-
Intergovernmental	1,766,540	4,356,352	2,078,622
Charges for services	1,258,515	143,163	199,815
Fines and forfeits	6,414	-	-
Gifts and contributions	3,248	-	-
Investment earnings	366,773	-	-
Miscellaneous	321,994	129,857	258,245
Total Revenues	\$ 9,234,937	\$ 7,474,872	\$ 4,273,493
Expenditures			
Current			
General government	\$ 3,457,795	\$ -	\$ -
Public safety	2,243,129	-	-
Highways and streets	-	6,996,076	-
Sanitation	135,219	-	-
Human services	-	-	3,979,010
Health	1,520,605	-	-
Culture and recreation	338,672	-	-
Conservation of natural resources	368,975	-	-
Economic development	246,279	-	-
Capital outlay	466,078	248,363	-
Intergovernmental	-	262,847	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 8,776,752	\$ 7,507,286	\$ 3,979,010
Excess of Revenues Over (Under) Expenditures	\$ 458,185	\$ (32,414)	\$ 294,483
Other Financing Sources (Uses)			
Loans issued	\$ -	\$ -	\$ -
Proceeds from the sale of capital assets	3,226	716	-
Total Other Financing Sources (Uses)	\$ 3,226	\$ 716	\$ -
Net Change in Fund Balance	\$ 461,411	\$ (31,698)	\$ 294,483
Fund Balance - January 1	9,472,180	4,054,356	4,307,465
Increase (decrease) in inventories	-	(147,609)	-
Fund Balance - December 31	\$ 9,933,591	\$ 3,875,049	\$ 4,601,948

EXHIBIT 5

<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>
\$ -	\$ -	\$ 256,114	\$ -	\$ -	\$ 10,184,721
1,134,006	236,171	-	-	-	1,506,671
-	-	-	-	-	28,663
354,294	-	14,231	-	310,640	8,880,679
31,037	-	-	-	80	1,632,610
-	-	-	-	-	6,414
-	-	-	-	12,600	15,848
-	-	-	-	1,246	368,019
7,466	-	-	-	8,064	725,626
\$ 1,526,803	\$ 236,171	\$ 270,345	\$ -	\$ 332,630	\$ 23,349,251
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,457,795
-	-	-	-	-	2,243,129
-	-	-	-	-	6,996,076
-	392,171	-	-	-	527,390
-	-	-	-	-	3,979,010
-	-	-	-	-	1,520,605
-	-	-	-	-	338,672
2,393,037	-	-	-	257,240	3,019,252
-	-	-	-	-	246,279
-	-	-	3,241	-	717,682
-	-	-	-	-	262,847
55,000	61,258	175,000	-	-	291,258
23,578	21,870	83,216	-	-	128,664
1,181	-	426	-	-	1,607
\$ 2,472,796	\$ 475,299	\$ 258,642	\$ 3,241	\$ 257,240	\$ 23,730,266
\$ (945,993)	\$ (239,128)	\$ 11,703	\$ (3,241)	\$ 75,390	\$ (381,015)
\$ -	\$ 237,379	\$ -	\$ -	\$ -	\$ 237,379
-	-	-	-	-	3,942
\$ -	\$ 237,379	\$ -	\$ -	\$ -	\$ 241,321
\$ (945,993)	\$ (1,749)	\$ 11,703	\$ (3,241)	\$ 75,390	\$ (139,694)
(57,592)	315,973	1,035,289	53,241	302,201	19,483,113
-	-	-	-	-	(147,609)
\$ (1,003,585)	\$ 314,224	\$ 1,046,992	\$ 50,000	\$ 377,591	\$ 19,195,810

**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, 2011**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (139,694)

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. 271,073

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	\$ 4,217,860	
Deferred revenue - January 1	<u>(3,320,464)</u>	897,396

Funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on disposal of assets is reported; whereas, in the fund, the proceeds increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets	\$ 4,291,246	
Net book value of disposed assets	(18,009)	
Current year depreciation	<u>(2,103,927)</u>	2,169,310
 New borrowing on MnPCA loans		 (237,379)
 Repayment of debt principal - general obligation bonds		 291,256

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	\$ 2,037	
Change in deferred charges	(1,898)	
Amortization of bond discounts	(3,237)	
Change in compensated absences	(23,788)	
Net OPEB obligation	(40,164)	
Change in inventories	<u>(147,609)</u>	<u>(214,659)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,037,303

FIDUCIARY FUNDS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	Private-Purpose Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 24,775	\$ 635,645
Investments	36,837	-
Accrued interest	203	-
Due from other governments	-	14,076
	\$ 61,815	\$ 649,721
<u>Liabilities</u>		
Cash overdraft	\$ -	\$ 11,939
Accounts payable	-	112,423
Due to other governments	-	525,359
Deferred revenue - unavailable	2	-
	\$ 2	\$ 649,721
<u>Net Assets</u>		
Net assets, held in trust	\$ 61,813	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 693
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>541</u>
Change in Net Assets	\$ 152
Net Assets - Beginning of the Year	<u>61,661</u>
Net Assets - End of the Year	<u><u>\$ 61,813</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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.D. The County also participates in the jointly-governed organizations described in Note 5.E.

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 accounted for in another fund.

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

The Human Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as committed property tax revenues used for economic assistance and community social services programs.

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

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

The Debt Service Fund accounts for financial resources restricted, committed, or assigned to be used for principal and interest payments on County debt.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Capital Projects Fund accounts for financial resources restricted, committed, or assigned to be used for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 30 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, 2011, 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 2011, the County recorded total investment earnings of \$368,019. Total pooled investment earnings in the General Fund were \$366,773.

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). The investment in the pool is measured at the net asset value per share provided by the pool.

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 uncollectibles.

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

Most inventories are valued using the weighted average method. However, Sibley County is working on switching to the first in/first out (FIFO) method. As of 2011, FIFO is being used for the culverts and culvert-related items, since these inventory items are used more quickly. 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 separation pay 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. Classification of Net Assets

Net assets in the government-wide and proprietary fund financial statements are classified in the following categories:

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

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

Unrestricted net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

8. Classification of Fund Balances

The County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December, 31, 2011. This standard changed fund balance classifications within the fund financial statements.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Classification of Fund Balances (Continued)

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

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

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

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Classification of Fund Balances (Continued)

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

The County has adopted a minimum fund balance policy for the General Fund, Public Works Fund, and Human Services Fund. The policy requires that the combined unrestricted fund balance of the General Fund, Public Works Special Revenue Fund, and Human Services Special Revenue Fund maintain a minimum fund balance at year-end of 35 percent of the subsequent year's combined expenditure budget. The County does not have a minimum fund balance policy for its other funds.

9. Use of Estimates

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

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 principle 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)

1. Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on non-governmental 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.

2. 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.

3. 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 Special Revenue Fund Equity

On the full accrual basis of accounting, 19 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, 2011, using the full accrual basis of accounting.

Account balances	\$	740,194
Account deficits		(247,143)
Fund Balance - Accrual Basis		\$ 493,051

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, 48 ditches had fund deficits.

Account balances	\$	521,195
Account deficits		(1,524,780)
Fund Balance - Modified Accrual Basis		\$ (1,003,585)

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	\$	18,810,717
Petty cash and change funds		6,150
Departmental cash		25,719
Cash with fiscal agent		663,194
Fiduciary funds		
Private-purpose trust funds		
Cash and pooled investments		24,775
Fund investments		36,837
Agency funds		
Cash and pooled investments		635,645
Cash overdraft		(11,939)
Library cash held by the Treasurer		120,777
Total Cash and Investments		\$ 20,311,875

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	\$ 11,204,147
Petty cash and change funds	6,150
Departmental cash	25,719
Investments	<u>9,075,859</u>
Total	<u>\$ 20,311,875</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 and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, 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, 2011, Sibley County's deposits were not exposed to custodial credit risk.

**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.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

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 invests only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County 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, 2011, the investments held with brokerage accounts, which totaled \$6,819,095, were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to diversify its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2011, and information relating to potential investment risks:

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Home Loan Bank					
Wells Fargo Advisors					
Federal Home Loan Bank	Aaa	Moody's		09/09/2021	\$ 675,129
Federal Home Loan Bank	Aaa	Moody's		10/12/2021	250,605
Total Federal Home Loan Bank			10.20		\$ 925,734
Federal Home Loan Mortgage Corporation	Aaa	Moody's		07/27/2021	\$ 500,030
Federal Home Loan Mortgage Corporation	Aaa	Moody's		09/30/2021	501,065
Federal Home Loan Mortgage Corporation	Aaa	Moody's		10/19/2016	249,895
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/28/2021	251,550
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/29/2021	125,100
Total Federal Home Loan Mortgage Corporation			17.93		\$ 1,627,640
Fannie Mae					
Wells Fargo Advisors					
Fannie Mae	Aaa	Moody's		12/28/2021	\$ 250,078
Fannie Mae	Aaa	Moody's		10/20/2017	201,392
Wells Fargo Securities					
Fannie Mae	Aaa	Moody's		01/11/2016	250,088
Fannie Mae	Aaa	Moody's		07/27/2016	250,269
Total Fannie Mae			10.49		\$ 951,827
Wells Fargo Securities					
Federal Farm Credit Bank Bond	Aaa	N/A		04/27/2016	\$ 251,841
Northland Securities					
Federal Farm Credit Bank Bond	Aa1	N/A		02/01/2015	127,892
Federal Farm Credit Bank Bond	Aaa	N/A		02/01/2016	57,703
Total Federal Farm Credit Bank Bond			4.82		\$ 437,436

**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					
Capital One McLean VA	N/A	N/A	1.05	03/12/2012	\$ 95,616
Byron Bk Byron Ctr MI	N/A	N/A	0.67	03/14/2012	60,389
Goldman Sachs Bk SCL UT	N/A	N/A	1.10	04/30/2016	99,505
Bloomfield St Bk Blmfld IN	N/A	N/A	1.09	01/05/2012	99,000
Westside Bk Hiram GA	N/A	N/A	1.05	01/17/2012	95,078
Branch Bk & Tr Salem NC	N/A	N/A	1.07	03/19/2012	97,498
Sallie Mae Bk Murray UT	N/A	N/A	1.43	06/10/2013	129,479
Capmark Bk Midvale UT	N/A	N/A	2.28	07/08/2013	206,977
Tradition Capital Bk Edina MN	N/A	N/A	2.27	07/15/2012	206,279
Graystone Tower Bk PA	N/A	N/A	1.09	07/22/2014	99,374
Citizens Union Bk Shelby KY	N/A	N/A	1.10	07/28/2014	99,386
UBS Bank	N/A	N/A	2.71	10/29/2015	245,750
BMW Bank Utah	N/A	N/A	1.55	11/12/2015	140,393
American Express	N/A	N/A	2.48	05/20/2013	225,443
BMW Bank N American	N/A	N/A	1.10	05/28/2013	100,257
Discover Bk Greenwood DE	N/A	N/A	2.48	07/21/2014	225,233
GE Money Bank	N/A	N/A	2.48	07/22/2015	225,295
GE Capital Financial	N/A	N/A	2.65	08/26/2016	240,911
Goldman Sachs Bk NY	N/A	N/A	1.55	09/03/2013	139,760
CIT Bank	N/A	N/A	2.64	09/08/2013	239,750
State Bank of India NY	N/A	N/A	2.20	09/23/2014	199,754
Compass Bank	N/A	N/A	2.73	09/30/2013	247,674
Ally Bank UT	N/A	N/A	2.69	10/19/2015	244,456
Sallie Bank Bk	N/A	N/A	1.10	11/25/2013	99,658
Barclays Bank DE	N/A	N/A	2.20	12/16/2013	199,140
Total negotiable certificates of deposit			44.76		\$ 4,062,055
Mutual Fund					
1st Nat'l Bank - PRIMEVEST - 1st Invest Ctr	N/A	N/A	0.58	N/A	\$ 51,973
MAGIC	N/A	N/A	3.92	N/A	356,000
Total mutual funds			4.50		\$ 407,973
Cash with fiscal agent					
MCIT	N/A	N/A	7.30		\$ 663,194
Total			100.00		\$ 9,075,859

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

a. Deferred Revenue

All County funds and the government-wide financial statements defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities for the current period. 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	\$ 211,937	\$ -
Special assessments receivable, delinquent and deferred	3,242,843	-
Other receivables that do not provide current financial resources	309,078	-
Highway allotments that do not provide current financial resources	428,049	-
Deferred revenue from accrued interest	25,953	-
Grant drawdowns prior to meeting all eligibility requirements	-	111,998
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 4,217,860	\$ 111,998

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
2012	\$ 11,183
2013	10,761
2014	85,112
Total	\$ 107,056

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,473,195	\$ 173,675	\$ -	\$ 1,646,870
Construction in progress	160,862	-	160,862	-
Total capital assets not depreciated	\$ 1,634,057	\$ 173,675	\$ 160,862	\$ 1,646,870
Capital assets depreciated				
Infrastructure	\$ 51,556,023	\$ 3,635,115	\$ 31,704	\$ 55,159,434
Buildings	8,223,182	265,926	-	8,489,108
Machinery, furniture, and equipment	6,416,334	377,392	251,785	6,541,941
Improvements other than buildings	34,339	-	-	34,339
Total capital assets depreciated	\$ 66,229,878	\$ 4,278,433	\$ 283,489	\$ 70,224,822
Less: accumulated depreciation for				
Infrastructure	\$ 10,853,281	\$ 1,408,162	\$ 31,704	\$ 12,229,739
Buildings	2,745,768	207,324	-	2,953,092
Machinery, furniture, and equipment	4,407,080	486,660	233,776	4,659,964
Improvements other than buildings	17,804	1,781	-	19,585
Total accumulated depreciation	\$ 18,023,933	\$ 2,103,927	\$ 265,480	\$ 19,862,380
Total capital assets depreciated, net	\$ 48,205,945	\$ 2,174,506	\$ (18,009)	\$ 50,362,442
Total Capital Assets, Net	\$ 49,840,002	\$ 2,348,181	\$ 178,871	\$ 52,009,312

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

Governmental Activities	
General government	\$ 271,507
Public safety	64,853
Highways and streets, including depreciation of infrastructure assets	1,753,712
Human services	4,418
Public health	151
Culture and recreation	927
Conservation of natural resources	8,359
Total Depreciation Expense	\$ 2,103,927

**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, 2011, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Fund	\$ 5,638
	Public Works Fund	46
	Ditch Fund	1,077,500
Public Works Fund	General Fund	4,456
Human Services Fund	General Fund	62
	Water Projects Fund	3
Federal Lands Fund	General Fund	1,246
Total Due To/From Other Funds		\$ 1,088,951

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

2. Interfund Transfers

There were no interfund transfers for the year ended December 31, 2011.

C. Liabilities

1. Operating Leases

In November 2007, the County entered into an operating lease for a Canon copier. Minimum future rental payments are the final payment scheduled to be paid in 2012 for \$3,825.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Operating Leases (Continued)

In June 2010, the County entered into an operating lease for copiers with River Bend Business Products. Minimum future rental payments are:

	2012	\$ 17,072
	2013	17,072
	2014	17,072
	2015	7,114
		17,114
Total		\$ 58,330

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2011
General obligation bonds					
2005 G.O. Capital Improvement Refunding Bonds	2021	\$165,000 - \$250,000	2.65 - 4.15	\$ 2,630,000	\$ 2,120,000
Less: unamortized discount					(32,367)
Net General Obligation Bonds					\$ 2,087,633
General obligation special assessment bonds					
1996 G.O. Special Assessment Drainage Ditch Bonds	2017	\$20,000 - \$95,000	4.00 - 5.70	\$ 700,000	\$ 120,000
2002 G.O. Special Assessment Watershed District Bonds	2023	\$25,000 - \$60,000	2.00 - 5.00	800,000	555,000
Total General Obligation Special Assessment Bonds				\$ 1,500,000	\$ 675,000
General obligation revenue notes					
2001 G.O. Revenue Note - County-Wide	2021	\$103,300	-	\$ 103,300	\$ 93,300

**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, 2011
Minnesota Pollution Control Agency (MnPCA)					
MnPCA Loan - High Island I	2017	N/A	2.00	\$ 261,561	\$ 163,138
MnPCA Loan - High Island II	2021	N/A	2.00	352,980	352,980
MnPCA Loan - Rush River I	2018	N/A	2.00	265,347	178,419
MnPCA Loan - Rush River II	2021	N/A	2.00	552,906	552,906
MnPCA Loan - Buffalo Creek I	2019	N/A	2.00	45,499	36,908
MnPCA Loan - Middle Minnesota I	2021	N/A	2.00	23,836	22,719
MnPCA Loan - Bevens Silver Creek	2023	N/A	2.00	69,133	69,133
MnPCA Loan - Middle Minnesota II	2023	N/A	2.00	42,000	26,568
MnPCA Loan - Buffalo Creek II	2022	N/A	2.00	50,000	22,412
Total MnPCA Loans				<u>\$ 1,663,262</u>	<u>\$ 1,425,183</u>

3. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
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	200,000	57,835	60,000	23,730
2016	205,000	50,341	65,000	20,633
2017 - 2021	1,155,000	121,589	265,000	61,083
2022 - 2023	-	-	115,000	5,875
Total	<u>\$ 2,120,000</u>	<u>\$ 443,887</u>	<u>\$ 675,000</u>	<u>\$ 199,326</u>

Year Ending December 31	General Obligation Revenue Notes		MnPCA Loans	
	Principal	Interest	Principal	Interest
2012	\$ 10,330	\$ -	\$ 144,833	\$ 26,251
2013	10,330	-	165,385	27,196
2014	10,330	-	185,720	27,435
2015	10,330	-	189,453	23,703
2016	10,330	-	193,261	19,895
2017 - 2021	41,650	-	788,147	47,056
2022 - 2023	-	-	61,395	1,251
Total	<u>\$ 93,300</u>	<u>\$ -</u>	<u>\$ 1,728,194</u>	<u>\$ 172,787</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

The \$303,011 difference between the MnPCA loans outstanding of \$1,425,183 and MnPCA loans principal debt service requirement of \$1,728,194 is due to the timing differences between the agreement date and the loan advances.

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. The final repayment of the note began on April 2010 and will end October 2021.

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

High Island Implementation Project

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 will 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. The final repayment of the loan started in June 2008 and will end in December 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 2012 and end in 2021.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Rush River Implementation Project

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. Final payment on Rush River Phase I began in June 2009 and will end in December 2018.

On September 11, 2007, the County entered into an amended note agreement with the MnPCA for an additional \$333,333. On March 10, 2009, the County entered into an amended Note agreement with the MnPCA to draw an additional \$220,000 to be added to the \$333,333 for Phase II.

On April 13, 2010, the Project implementation was extended one year. Payments on Rush River Project II are projected to begin in June 2012 and end December 2021.

Buffalo Creek of the Crow River Watershed Implementation Project

On May 23, 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 project implementation period and extended the implementation period 268 days to December 15, 2009. On September 8, 2009, the County amended the current loan, reducing the principal amount from \$50,000 to \$45,499. Final repayment on Buffalo Creek started in June 2010 and will end in December 2019.

On October 17, 2009, the County approved an agreement (Phase II) with MnPCA to draw up to \$50,000. Repayments are projected to start in June 2013 and end in December 2022.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Middle Minnesota Implementation

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 approved amendment number one, increasing the principal amount by \$22,500 to \$37,500. On October 13, 2009, the County approved amendment number two, increasing the principal amount by \$7,500 to \$45,000. On June 8, 2010, the County approved amendment number three, extending the project implementation period one year to July 27, 2011. On December 14, 2010, the County approved amendment number four, making Sibley County Project Sponsor. Repayment began in June 2011 and is projected to end in June 2021.

On February 8, 2011, the County approved an agreement (Phase II) with MnPCA to draw up to \$42,000. Repayments are projected to start in June 2014 and end in December 2023.

Bevens/Creek Watershed and Silver Creek Watershed

On April 13, 2010, the County entered into a Note agreement with MnPCA for a \$1,000,000 "General Obligation Note (MnPCA) (Bevens/Silver Creek SSTS Project), Series 2010." The aggregated principal of the Note shall not exceed \$1,000,000, and the County can only draw \$273,000 under the Note until authorized by a new or amended MnPCA Agreement. Repayment is not projected to start until December 15, 2013, and end on June 15, 2023.

**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, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities long-term liabilities					
Bonds payable					
General obligation bonds	\$ 2,295,000	\$ -	\$ 175,000	\$ 2,120,000	\$ 180,000
General obligation special assessment bonds	730,000	-	55,000	675,000	55,000
Less: discounts	(35,604)	-	(3,237)	(32,367)	-
Total bonds payable	\$ 2,989,396	\$ -	\$ 226,763	\$ 2,762,633	\$ 235,000
General obligation revenue notes	98,300	-	5,000	93,300	10,330
MnPCA Loans	1,244,060	237,378	56,255	1,425,183	144,833
Net OPEB obligation	98,120	40,164	-	138,284	-
Compensated absences	995,963	38,113	14,325	1,019,751	275,333
Governmental Activities Long-Term Liabilities	<u>\$ 5,425,839</u>	<u>\$ 315,655</u>	<u>\$ 302,343</u>	<u>\$ 5,439,151</u>	<u>\$ 665,496</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 seven retirees and one spouse 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 2011, the County contributed \$39,696 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 costs 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 for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$ 81,451
Interest on net OPEB obligation	4,415
Adjustment to ARC	<u>(6,006)</u>
Annual OPEB cost	\$ 79,860
Contributions made (pay-as-you-go)	<u>(39,696)</u>
Increase in net OPEB obligation	\$ 40,164
Net OPEB Obligation - Beginning of Year	<u>98,120</u>
Net OPEB Obligation - End of Year	<u>\$ 138,284</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 2011 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, 2009	\$ 57,225	\$ 25,590	44.2%	\$ 72,356
December 31, 2010	56,709	30,945	54.6	98,120
December 31, 2011	79,860	39,696	49.7	138,284

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the County had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$627,928, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$627,928. The covered payroll (annual payroll of active employees covered by the plan) was \$5,392,445, and the ratio of the UAAL to the covered payroll was 11.64 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 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, 2011, 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 8.0 percent initially and grading to 5.0 percent over six years.

D. Fund Balance

The detail of Sibley County's fund balance classification is as follows:

	<u>General Fund</u>	<u>Public Works</u>	<u>Human Services</u>	<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>
Nonspendable					
Inventories	\$ -	\$ 655,330	\$ -	\$ -	\$ -
Prepaid items	9,936	1,542	480	-	-
Federal lands	-	-	-	-	-
Total nonspendable	<u>\$ 9,936</u>	<u>\$ 656,872</u>	<u>\$ 480</u>	<u>\$ -</u>	<u>\$ -</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Fund Balance (Continued)

	General Fund	Public Works	Human Services	Ditch	Sub-Surface Sewage Treatment System Loans
Restricted					
Local governments allotments	\$ -	\$ 35,383	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
SSTS	-	-	-	-	314,224
Conservation projects	-	-	-	-	-
Housing rehab loans	-	-	-	-	-
Future revolving loans	-	-	-	-	-
Advance to other governments	-	-	-	-	-
Loans receivable	-	-	-	-	-
Juvenile fines	14,211	-	-	-	-
Ditch maintenance and construction	-	-	-	521,195	-
Law library	23,894	-	-	-	-
HAVA grant and elections	7,178	-	-	-	-
County attorney contingency	18,341	-	-	-	-
Attorney's forfeited property	34,613	-	-	-	-
Recorder's equipment purchases	144,296	-	-	-	-
Land records technology	85,330	-	-	-	-
E911	529,923	-	-	-	-
Park improvements	49,693	-	-	-	-
Total restricted	\$ 907,479	\$ 35,383	\$ -	\$ 521,195	\$ 314,224
Committed					
Land restoration	\$ -	\$ 120,158	\$ -	\$ -	\$ -
County share gravel tax	-	198,041	-	-	-
Capital improvements	-	-	-	-	-
Tobacco ordinance	5,210	-	-	-	-
Economic development for municipalities	25,000	-	-	-	-
Park trail	55,000	-	-	-	-
Solid waste	238,680	-	-	-	-
Total committed	\$ 323,890	\$ 318,199	\$ -	\$ -	\$ -
Assigned					
Public works	\$ -	\$ 2,864,595	\$ -	\$ -	\$ -
Human services	-	-	4,601,468	-	-
Total assigned	\$ -	\$ 2,864,595	\$ 4,601,468	\$ -	\$ -
Unassigned	\$ 8,692,286	\$ -	\$ -	\$ (1,524,780)	\$ -
Total Fund Balance	\$ 9,933,591	\$ 3,875,049	\$ 4,601,948	\$ (1,003,585)	\$ 314,224

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Fund Balance (Continued)

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable				
Inventories	\$ -	\$ -	\$ -	\$ 655,330
Prepaid items	-	-	-	11,958
Federal lands	-	-	80,917	80,917
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total nonspendable	\$ -	\$ -	\$ 80,917	\$ 748,205
Restricted				
Local governments allotments	\$ -	\$ -	\$ -	\$ 35,383
Debt service	1,046,992	-	-	1,046,992
SSTS	-	-	-	314,224
Conservation projects	-	-	67,870	67,870
Housing rehab loans	-	-	58,799	58,799
Future revolving loans	-	-	48,326	48,326
Advance to other governments	-	-	25,000	25,000
Loans receivable	-	-	96,679	96,679
Juvenile fines	-	-	-	14,211
Ditch maintenance and construction	-	-	-	521,195
Law library	-	-	-	23,894
HAVA grant and elections	-	-	-	7,178
County attorney contingency	-	-	-	18,341
Attorney's forfeited property	-	-	-	34,613
Recorder's equipment purchases	-	-	-	144,296
Land records technology	-	-	-	85,330
E911	-	-	-	529,923
Park improvements	-	-	-	49,693
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total restricted	\$ 1,046,992	\$ -	\$ 296,674	\$ 3,121,947
Committed				
Land restoration	\$ -	\$ -	\$ -	\$ 120,158
County share gravel tax	-	-	-	198,041
Capital improvements	-	50,000	-	50,000
Tobacco ordinance	-	-	-	5,210
Economic development for municipalities	-	-	-	25,000
Park trail	-	-	-	55,000
Solid waste	-	-	-	238,680
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total committed	\$ -	\$ 50,000	\$ -	\$ 692,089
Assigned				
Public works	\$ -	\$ -	\$ -	\$ 2,864,595
Human services	-	-	-	4,601,468
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assigned	\$ -	\$ -	\$ -	\$ 7,466,063
Unassigned	\$ -	\$ -	\$ -	\$ 7,167,506
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	\$ 1,046,992	\$ 50,000	\$ 377,591	\$ 19,195,810

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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 General 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.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund 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 General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

Sibley County is required to contribute the following percentages of annual covered payroll in 2011:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

Sibley County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 402,486	\$ 392,977	\$ 387,406
Public Employees Police and Fire Fund	91,797	90,487	87,035
Public Employees Correctional Fund	33,194	33,812	32,996

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

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 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, 2011, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,212	\$ 4,212
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at and \$450,000 per claim in 2011 and \$460,000 in 2012. 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 2011, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 payouts), 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	
	2011	2010
Unpaid claims, beginning of fiscal year	\$ 34,710	\$ 83,450
Incurred claims (including IBNRs)	1,041,339	855,860
Claims payments	(947,786)	(904,600)
Less: Recoveries	(20,316)	-
Unpaid Claims, End of Fiscal Year	\$ 107,947	\$ 34,710

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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 2011 is \$120,800. The proportionate shares of the counties may change for the years 2012 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Subsequent Event

On February 1, 2012, Sibley County issued \$645,000 General Obligation Refunding Bond, Series 2012A. The bond refunds the 2013 to 2017 maturities of the County's General Obligation Drainage Bonds of 1996 and the 2013 to 2023 maturities of the County's General Obligation Watershed District Bonds, Series 2002.

D. Joint Ventures

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$53,488 in 2011. Sibley County is the fiscal agent.

Current audited financial statements are not available.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Meeker-McLeod-Sibley Community Health Services Board

The Meeker-McLeod-Sibley Community Health Services Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.14, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Health Services Board consists of 15 members, 5 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 2011.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

South Country Health Alliance

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

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated to all members based on the percentage of their utilization. The County's equity interest in the SCHA at the end of 2011 was \$836,462. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets.

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

Trailblazer Transit Board

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Trailblazer Transit Board (Continued)

Financing is primarily provided from user fees, state and federal grants, and local tax levy. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2011, Sibley County made contributions of \$249,133.

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

D. 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.

Sibley/Renville County Fiber Cooperative

In 2011, Sibley County entered into a joint powers agreement along with nine other governmental agencies to create the Renville/Sibley County Fiber to the Home joint powers board in hopes of creating a community-owned high speed fiber optic connection to every home, farm, business, and government office at a low-cost, reliable high speed internet, crystal clear cable television, and phone services. In 2012, all joint powers members are projected to vote on whether or not to authorize the joint powers board to issue revenue bonds to fund this project. For 2011, Sibley County made contributions of \$65,000.

E. 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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

South Central Minnesota Regional Radio Board (Continued)

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 \$799 to the Regional Radio Board in 2011.

Sibley County Children's Collaborative

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

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

Three Counties for Kids Collaborative

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

Brown County is the fiscal agent of the Collaborative. Sibley County has no operational or financial control over the Collaborative. Financial information can be obtained by contacting the Brown County Family Services Department. The Sibley County Children's Collaborative contributed \$22,548 to the Three Counties for Kids Collaborative in 2011.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

South Central Minnesota Emergency Medical Services

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

6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Sibley County Library System is an organization formed by the County to provide library services to Sibley County. It has 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 Sibley County Library System, which it does by means of an appropriation each year.

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

Basis of Presentation

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

Basis of Accounting

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

B. 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	\$ 120,569
Cash with the Henderson Branch	<u>208</u>
Total Cash and Pooled Investments	<u>\$ 120,777</u>

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

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

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, 2011, the Sibley County Library System's deposits were not exposed to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

B. Detailed Notes on the General Fund

1. Assets (Continued)

b. Investments

The Sibley County Library System received 72 shares of Medtronic, Inc., as a gift several years ago. Prior to 2011, the Sibley County Library System had chosen to hold on to the stock, and the City of Arlington held possession of the stock certificates. On October 27, 2011, the City of Arlington sold the 72 shares of Medtronic, Inc., stock certificates for \$2,404, which includes a loss on the sale of the stock certificates of \$266.

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	\$ 34,033	\$ 2,020	\$ -	\$ 36,053	\$ 9,734

REQUIRED SUPPLEMENTARY INFORMATION

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,702,443	\$ 5,702,443	\$ 5,346,296	\$ (356,147)
Special assessments	130,000	130,000	136,494	6,494
Licenses and permits	33,500	33,500	28,663	(4,837)
Intergovernmental	1,291,654	1,291,654	1,766,540	474,886
Charges for services	1,297,500	1,297,500	1,258,515	(38,985)
Fines and forfeits	9,370	9,370	6,414	(2,956)
Gifts and contributions	1,000	1,000	3,248	2,248
Investment earnings	332,465	332,465	366,773	34,308
Miscellaneous	213,437	213,437	321,994	108,557
Total Revenues	\$ 9,011,369	\$ 9,011,369	\$ 9,234,937	\$ 223,568
Expenditures				
Current				
General government				
Commissioners	\$ 418,051	\$ 404,551	\$ 223,958	\$ 180,593
Courts	55,700	55,700	57,067	(1,367)
Law library	26,000	26,000	29,768	(3,768)
County auditor	418,891	418,891	380,452	38,439
County treasurer	176,665	176,665	176,064	601
Audit services	67,500	67,500	52,883	14,617
Information services	331,702	331,702	391,102	(59,400)
Elections/voter registration	50,720	50,720	31,843	18,877
Election and technology	5,117	5,117	9,813	(4,696)
Human resources	132,494	132,494	113,372	19,122
County attorney	435,705	435,705	384,293	51,412
County recorder	277,561	277,561	327,434	(49,873)
County surveyor	32,500	32,500	32,500	-
County assessor	319,897	319,897	325,219	(5,322)
Planning and zoning	73,476	73,476	81,399	(7,923)
Courthouse building	103,960	103,960	104,955	(995)
Building custodians	154,124	154,124	152,524	1,600
Sibley county food shelf	-	-	7,817	(7,817)
Jail building	97,356	97,356	68,352	29,004
Sibley County service center	72,163	72,163	67,679	4,484
Sheriff shed	-	-	2,588	(2,588)
Sibley East and West	-	13,500	5,086	8,414
Veterans service officer	99,581	99,581	95,333	4,248
Public transit	162,950	162,950	193,800	(30,850)
County fleet car	7,941	7,941	7,725	216
Shoreland ordinance	2,655	2,655	1,329	1,326
MPCA feedlot program	56,299	56,299	60,203	(3,904)
Other general government activities	-	-	73,237	(73,237)
Total general government	\$ 3,579,008	\$ 3,579,008	\$ 3,457,795	\$ 121,213

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$ 2,074,744	\$ 2,074,744	\$ 1,997,377	\$ 77,367
Court services	207,598	207,598	140,122	67,476
Sentenced to serve	56,992	56,992	57,413	(421)
Emergency management	61,276	61,276	42,799	18,477
South Central Minnesota Regional Radio Board	2,000	2,000	5,418	(3,418)
Total public safety	\$ 2,402,610	\$ 2,402,610	\$ 2,243,129	\$ 159,481
Sanitation				
SCORE solid waste	\$ 180,792	\$ 180,792	\$ 134,396	\$ 46,396
County landfill	495	495	823	(328)
Total sanitation	\$ 181,287	\$ 181,287	\$ 135,219	\$ 46,068
Health				
Public health nurse	\$ 1,704,539	\$ 1,704,539	\$ 1,520,605	\$ 183,934
Culture and recreation				
Historical society	\$ 9,500	\$ 9,500	\$ 9,500	\$ -
Sibley County Library System	246,209	246,209	245,368	841
Parks	57,350	57,350	59,324	(1,974)
County park trail project	55,000	55,000	-	55,000
County seat trail	-	-	22,622	(22,622)
Tourism	2,650	2,650	1,858	792
Total culture and recreation	\$ 370,709	\$ 370,709	\$ 338,672	\$ 32,037
Conservation of natural resources				
Soil and water conservation	\$ 136,203	\$ 136,203	\$ 108,609	\$ 27,594
County extension	150,401	150,401	146,925	3,476
Agriculture ditch inspector	105,260	105,260	105,441	(181)
County fair	8,000	8,000	8,000	-
Total conservation of natural resources	\$ 399,864	\$ 399,864	\$ 368,975	\$ 30,889

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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				
Housing and Redevelopment Authority	\$ 121,815	\$ 121,815	\$ 61,315	\$ 60,500
Minnesota Valley Action Council	9,109	9,109	7,732	1,377
Economic Development Commission	109,852	109,852	112,232	(2,380)
Economic development support for municipalities	90,000	90,000	65,000	25,000
Total economic development	\$ 330,776	\$ 330,776	\$ 246,279	\$ 84,497
Capital outlay				
General government	\$ 246,451	\$ 246,451	\$ 104,587	\$ 141,864
Public safety	242,567	242,567	361,491	(118,924)
Culture and recreation	74,693	74,693	-	74,693
Total capital outlay	\$ 563,711	\$ 563,711	\$ 466,078	\$ 97,633
Total Expenditures	\$ 9,532,504	\$ 9,532,504	\$ 8,776,752	\$ 755,752
Excess of Revenues Over (Under)				
Expenditures	\$ (521,135)	\$ (521,135)	\$ 458,185	\$ 979,320
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	4,000	4,000	3,226	(774)
Net Change in Fund Balance	\$ (517,135)	\$ (517,135)	\$ 461,411	\$ 978,546
Fund Balance - January 1	9,472,180	9,472,180	9,472,180	-
Fund Balance - December 31	\$ 8,955,045	\$ 8,955,045	\$ 9,933,591	\$ 978,546

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,047,235	\$ 3,047,235	\$ 2,845,500	\$ (201,735)
Intergovernmental	4,690,266	4,690,266	4,356,352	(333,914)
Charges for services	63,219	63,219	143,163	79,944
Miscellaneous	73,795	73,795	129,857	56,062
Total Revenues	\$ 7,874,515	\$ 7,874,515	\$ 7,474,872	\$ (399,643)
Expenditures				
Current				
Highways and streets				
Maintenance	\$ 2,638,399	\$ 2,638,399	\$ 2,345,456	\$ 292,943
Engineering/construction	3,766,202	3,766,202	3,405,715	360,487
Equipment, shop maintenance, and repairs	740,089	740,089	901,346	(161,257)
Administration	343,241	343,241	343,559	(318)
Land restoration	13,000	13,000	-	13,000
Township allotments	277,527	277,527	-	277,527
Materials and service for retail	35,000	35,000	-	35,000
CIP buildings	150,000	150,000	-	150,000
Total highways and streets	\$ 7,963,458	\$ 7,963,458	\$ 6,996,076	\$ 967,382
Intergovernmental				
Highways and streets	-	-	262,847	(262,847)
Capital outlay				
Highways and streets	383,500	383,500	248,363	135,137
Total Expenditures	\$ 8,346,958	\$ 8,346,958	\$ 7,507,286	\$ 839,672
Excess of Revenues Over (Under) Expenditures	\$ (472,443)	\$ (472,443)	\$ (32,414)	\$ 440,029
Other Financing Sources (Uses)				
Proceeds from sale of assets	134,500	134,500	716	(133,784)
Net Change in Fund Balance	\$ (337,943)	\$ (337,943)	\$ (31,698)	\$ 306,245
Fund Balance - January 1	4,054,356	4,054,356	4,054,356	-
Increase (decrease) in inventories	-	-	(147,609)	(147,609)
Fund Balance - December 31	\$ 3,716,413	\$ 3,716,413	\$ 3,875,049	\$ 158,636

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,863,058	\$ 1,863,058	\$ 1,736,811	\$ (126,247)
Intergovernmental	2,054,757	2,054,757	2,078,622	23,865
Charges for services	124,400	124,400	199,815	75,415
Miscellaneous	190,983	190,983	258,245	67,262
Total Revenues	\$ 4,233,198	\$ 4,233,198	\$ 4,273,493	\$ 40,295
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,087,039	\$ 1,087,039	\$ 988,026	\$ 99,013
Social services	3,135,747	3,135,747	2,955,255	180,492
Miscellaneous social service programs	10,412	10,412	35,729	(25,317)
Total Expenditures	\$ 4,233,198	\$ 4,233,198	\$ 3,979,010	\$ 254,188
Net Change in Fund Balance	\$ -	\$ -	\$ 294,483	\$ 294,483
Fund Balance - January 1	4,307,465	4,307,465	4,307,465	-
Fund Balance - December 31	\$ 4,307,465	\$ 4,307,465	\$ 4,601,948	\$ 294,483

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A- 4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2011**

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%
January 1, 2011	-	627,928	627,928	0.0	5,392,445	11.6

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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 several 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*. Sibley County is required to have an actuarial valuation every three years.

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SUPPLEMENTARY INFORMATION

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 274,245	\$ 274,245	\$ 256,114	\$ (18,131)
Intergovernmental	-	-	14,231	14,231
Total Revenues	\$ 274,245	\$ 274,245	\$ 270,345	\$ (3,900)
Expenditures				
Debt service				
Principal	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Interest	83,216	83,216	83,216	-
Administrative charges	16,029	16,029	426	15,603
Total Expenditures	\$ 274,245	\$ 274,245	\$ 258,642	\$ 15,603
Net Change in Fund Balance	\$ -	\$ -	\$ 11,703	\$ 11,703
Fund Balance - January 1	1,035,289	1,035,289	1,035,289	-
Fund Balance - December 31	\$ 1,035,289	\$ 1,035,289	\$ 1,046,992	\$ 11,703

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT B-2

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$ 3,426	\$ 3,426	\$ 3,241	\$ 185
Highways and streets	49,815	49,815	-	49,815
Total Expenditures	\$ 53,241	\$ 53,241	\$ 3,241	\$ 50,000
Net Change in Fund Balance	\$ (53,241)	\$ (53,241)	\$ (3,241)	\$ (50,000)
Fund Balance - January 1	53,241	53,241	53,241	-
Fund Balance - December 31	\$ -	\$ -	\$ 50,000	\$ (50,000)

**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**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
	<u>Revolving Loan Fund (SEDCO)</u>	<u>Water Projects</u>	<u>Total</u>		
<u>Assets</u>					
Cash and pooled investment	\$ 107,125	\$ 133,409	\$ 240,534	\$ 79,671	\$ 320,205
Due from other funds	-	-	-	1,246	1,246
Advance to other agencies	25,000	-	25,000	-	25,000
Due from other governments	-	24,095	24,095	-	24,095
Loans receivable	96,679	-	96,679	-	96,679
Total Assets	<u>\$ 228,804</u>	<u>\$ 157,504</u>	<u>\$ 386,308</u>	<u>\$ 80,917</u>	<u>\$ 467,225</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 268	\$ 268	\$ -	\$ 268
Due to other governments	-	2,316	2,316	-	2,316
Due to other funds	-	3	3	-	3
Deferred revenue - unearned	-	87,047	87,047	-	87,047
Total Liabilities	<u>\$ -</u>	<u>\$ 89,634</u>	<u>\$ 89,634</u>	<u>\$ -</u>	<u>\$ 89,634</u>
Fund Balances					
Nonspendable for					
Federal lands	\$ -	\$ -	\$ -	\$ 80,917	\$ 80,917
Restricted for					
Loans receivable	96,679	-	96,679	-	96,679
Housing rehab loans	58,799	-	58,799	-	58,799
Advances to other governments	25,000	-	25,000	-	25,000
Future revolving loans	48,326	-	48,326	-	48,326
Conservation projects	-	67,870	67,870	-	67,870
Total Fund Balances	<u>\$ 228,804</u>	<u>\$ 67,870</u>	<u>\$ 296,674</u>	<u>\$ 80,917</u>	<u>\$ 377,591</u>
Total Liabilities and Fund Balances	<u>\$ 228,804</u>	<u>\$ 157,504</u>	<u>\$ 386,308</u>	<u>\$ 80,917</u>	<u>\$ 467,225</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$ -	\$ 305,668	\$ 305,668	\$ 4,972	\$ 310,640
Charges for services	80	-	80	-	80
Gifts and contributions	-	12,600	12,600	-	12,600
Investment earnings	-	-	-	1,246	1,246
Miscellaneous	7,440	624	8,064	-	8,064
Total Revenues	\$ 7,520	\$ 318,892	\$ 326,412	\$ 6,218	\$ 332,630
Expenditures					
Current					
Conservation of natural resources	-	251,022	251,022	6,218	257,240
Net Change in Fund Balance	\$ 7,520	\$ 67,870	\$ 75,390	\$ -	\$ 75,390
Fund Balance - January 1	221,284	-	221,284	80,917	302,201
Fund Balance - December 31	\$ 228,804	\$ 67,870	\$ 296,674	\$ 80,917	\$ 377,591

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 285,000	\$ 285,000	\$ 305,668	\$ 20,668
Gifts and contributions	18,600	18,600	12,600	(6,000)
Miscellaneous	-	-	624	624
Total Revenues	\$ 303,600	\$ 303,600	\$ 318,892	\$ 15,292
Expenditures				
Current				
Conservation of natural resources				
Bevens Silver Creek	\$ -	\$ -	\$ 1,183	\$ (1,183)
High Island Project Phase II	109,834	109,834	42,868	66,966
High island TMDL Implementation	-	-	25,543	(25,543)
Rush River Project Phase II	147,150	147,150	123,390	23,760
Rush River TMDL Implementation	85,000	85,000	58,038	26,962
Total Expenditures	\$ 341,984	\$ 341,984	\$ 251,022	\$ 90,962
Excess of Revenues Over (Under) Expenditures	\$ (38,384)	\$ (38,384)	\$ 67,870	\$ 106,254
Other Financing Sources (Uses)				
Proceeds from sale of assets	248,195	248,195	-	(248,195)
Net Change in Fund Balance	\$ 209,811	\$ 209,811	\$ 67,870	\$ (141,941)
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ 209,811	\$ 209,811	\$ 67,870	\$ (141,941)

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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.

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

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**

EXHIBIT D-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2011**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,971	\$ 22,804	\$ 24,775
Investments	5,500	31,337	36,837
Accrued interest	<u>1</u>	<u>202</u>	<u>203</u>
Total Assets	\$ 7,472	\$ 54,343	\$ 61,815
<u>Liabilities</u>			
Deferred revenue - unavailable	<u>1</u>	<u>1</u>	<u>2</u>
<u>Net Assets</u>			
Net assets, held in trust	<u>\$ 7,471</u>	<u>\$ 54,342</u>	<u>\$ 61,813</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Nurse Development	Missing Heirs	Total
<u>Additions</u>			
Interest	\$ 67	\$ 626	\$ 693
<u>Deductions</u>			
Payments in accordance with trust agreements	541	-	541
Change in Net Assets	\$ (474)	\$ 626	\$ 152
Net Assets - Beginning of the Year	7,945	53,716	61,661
Net Assets - End of the Year	\$ 7,471	\$ 54,342	\$ 61,813

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 70,852</u>	<u>\$ 883,134</u>	<u>\$ 907,935</u>	<u>\$ 46,051</u>
<u>Liabilities</u>				
Accounts payable	\$ 22,261	\$ 504,307	\$ 523,848	\$ 2,720
Due to other governments	<u>48,591</u>	<u>381,556</u>	<u>386,816</u>	<u>43,331</u>
Total Liabilities	<u>\$ 70,852</u>	<u>\$ 885,863</u>	<u>\$ 910,664</u>	<u>\$ 46,051</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 161,583</u>	<u>\$ 22,369,678</u>	<u>\$ 22,051,370</u>	<u>\$ 479,891</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 161,583</u>	<u>\$ 22,369,678</u>	<u>\$ 22,051,370</u>	<u>\$ 479,891</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TRI-COUNTY SOLID WASTE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 293,998	\$ 293,998	\$ -
Due from other governments	21,280	-	7,375	13,905
Total Assets	\$ -	\$ 293,998	\$ 301,373	\$ 13,905
<u>Liabilities</u>				
Cash overdraft	\$ 21,280	\$ -	\$ 9,512	\$ 11,768
Due to other governments	-	2,137	-	2,137
Total Liabilities	\$ 21,280	\$ 2,137	\$ 9,512	\$ 13,905
<u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 9,310	\$ 9,310	\$ -
Due from other governments	-	171	-	171
Total Assets	\$ -	\$ 9,481	\$ 9,310	\$ 171
<u>Liabilities</u>				
Cash overdraft	\$ -	\$ 171	\$ -	\$ 171

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 48,639	\$ 131,519	\$ 70,455	\$ 109,703
<u>Liabilities</u>				
Accounts payable	\$ 48,639	\$ 131,519	\$ 70,455	\$ 109,703
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 281,074	\$ 23,687,639	\$ 23,333,068	\$ 635,645
Due from other governments	21,280	171	7,375	14,076
Total Assets	\$ 302,354	\$ 23,687,810	\$ 23,340,443	\$ 649,721
<u>Liabilities</u>				
Cash overdraft	\$ 21,280	\$ 171	\$ 9,512	\$ 11,939
Accounts payable	70,900	635,826	594,303	112,423
Due to other governments	210,174	22,753,371	22,438,186	525,359
Total Liabilities	\$ 302,354	\$ 23,389,368	\$ 23,042,001	\$ 649,721

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LIBRARY BOARD COMPONENT UNIT

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT E-1

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS
SIBLEY COUNTY LIBRARY BOARD COMPONENT UNIT
DECEMBER 31, 2011**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 120,777	\$ -	\$ 120,777
Petty cash and change funds	20	-	20
Accounts receivable	268	-	268
Due from other governments	23,344	-	23,344
Prepaid items	1,431	-	1,431
Total Assets	\$ 145,840	\$ -	\$ 145,840
 <u>Liabilities and Fund Balance/Net Assets</u>			
Current liabilities			
Accounts payable	\$ 6,059	\$ -	\$ 6,059
Salaries payable	17,594	-	17,594
Due to other governments	17,022	-	17,022
Deferred revenue - unearned	723	-	723
Compensated absences payable - current	-	9,734	9,734
Noncurrent liabilities			
Compensated absences payable	-	26,319	26,319
Total Liabilities	\$ 41,398	\$ 36,053	\$ 77,451
Fund Balance			
Nonspendable - prepaid items	\$ 1,431	\$ (1,431)	
Unassigned	103,011	(103,011)	
Total Fund Balance	\$ 104,442	\$ (104,442)	
Net Assets			
Unrestricted		\$ 68,389	68,389
Total Liabilities and Fund Balance/Net Assets	\$ 145,840	\$ -	\$ 145,840
 Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 104,442
Noncurrent liabilities are reported in the Statement of Net Assets but not in the Fund Balance Sheet			(36,053)
Net Assets - Governmental Activities			\$ 68,389

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT E-2

**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, 2011**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 246,674	\$ -	\$ 246,674
Charges for services	53,512	-	53,512
Gifts and contributions	30,449	-	30,449
Miscellaneous	103,136	-	103,136
Total Revenues	\$ 433,771	\$ -	\$ 433,771
Expenditures/Expenses			
Current			
Culture and recreation			
County library	428,872	2,020	430,892
Net Change in Fund Balance/Net Assets	\$ 4,899	\$ (2,020)	\$ 2,879
Fund Balance/Net Assets - January 1	99,543	(34,033)	65,510
Fund Balance/Net Assets - December 31	\$ 104,442	\$ (36,053)	\$ 68,389

**Reconciliation of the Statement of General Fund Revenues,
Expenditures, and Changes in Fund Balance to the Statement
of Activities of Governmental Activities**

Net Change in Fund Balance	\$ 4,899
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.	(2,020)
Change in Net Assets of Governmental Activities	\$ 2,879

OTHER SCHEDULES

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2011**

	Assets					Total
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	
		Delinquent	Deferred			
County Ditches						
C.D. #1A	\$ 2,686	\$ 14	\$ -	\$ 14,444	\$ -	\$ 17,144
C.D. #2	10,847	8	23,614	-	-	34,469
C.D. #4A	3,464	-	-	24,763	-	28,227
C.D. #6A	306	-	-	568	-	874
C.D. BEV CREEK 1	2,605	-	-	38,579	-	41,184
C.D. #9A	2,190	-	-	724	-	2,914
C.D. #10	679	-	-	806	-	1,485
C.D. #11	2,707	2,547	60,370	-	-	65,624
C.D. #12A	2,758	273	-	4,627	-	7,658
C.D. #13A	700	-	-	21,563	-	22,263
C.D. #18	6,462	8	75,955	-	-	82,425
C.D. #21A	5,169	-	-	-	-	5,169
C.D. #22	3,643	-	72,085	-	-	75,728
C.D. #23A	19,780	-	-	11,420	-	31,200
C.D. #24A	10,675	-	-	-	-	10,675
C.D. #25A	1,967	-	-	3,017	-	4,984
C.D. #26	83	-	-	457	-	540
C.D. #30A	957	-	-	3,024	-	3,981
C.D. #31A	3,087	-	-	14,485	-	17,572
C.D. #32A	3,607	-	-	1,074	-	4,681
C.D. #37A	9,893	-	-	-	-	9,893
C.D. #38	261	-	-	-	-	261
C.D. #39A	2,658	-	-	12,802	-	15,460
C.D. #40A	14,403	1	-	13,243	-	27,647
C.D. #42	2,811	15	-	56,737	-	59,563
C.D. #43	2,452	-	-	15,969	-	18,421
C.D. #44	2,795	-	-	7,756	-	10,551
C.D. #45	2,685	-	-	3,842	-	6,527
C.D. #46	935	-	-	-	-	935
C.D. #47	2,970	-	17,106	19,081	-	39,157
C.D. #48	2,486	-	-	7,741	-	10,227
C.D. #49	2,435	-	45,946	-	-	48,381
C.D. #50	7,905	-	-	1,018	-	8,923
C.D. #54	2,723	-	-	90,967	-	93,690
C.D. #55	58,159	-	-	88,997	162,200	309,356
C.D. #56	1,536	40	-	5,465	-	7,041
C.D. #57A	1,048	-	-	3,961	-	5,009
C.D. #58	2,504	42	-	7,087	61,612	71,245
C.D. #59	2,602	406	-	36,601	-	39,609
C.D. #60	2,880	-	-	-	-	2,880
C.D. #61	13,358	32	-	-	-	13,390
C.D. #64	22,642	-	-	-	-	22,642
C.D. #65	13,669	-	-	-	-	13,669
C.D. #66	20,055	-	-	-	-	20,055
C.D. #67	49,479	-	-	-	-	49,479
C.D. #61 Outlet Impr	2,703	-	7,300	-	-	10,003
Total County Ditches	\$ 335,282	\$ 3,410	\$ 363,289	\$ 539,755	\$ 223,812	\$ 1,465,548

EXHIBIT F-1
(Continued)

Liabilities							Fund Balance	Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total	Fund Balance		
\$ 163	\$ -	\$ -	\$ -	\$ -	\$ 163	\$ 16,981	\$ 17,144	
-	-	-	-	-	-	34,469	34,469	
-	14,000	-	-	-	14,000	14,227	28,227	
-	-	-	-	-	-	874	874	
733	40,000	-	-	-	40,733	451	41,184	
-	-	-	-	-	-	2,914	2,914	
-	1,000	-	-	-	1,000	485	1,485	
17,028	11,000	-	-	-	28,028	37,596	65,624	
-	6,000	-	-	-	6,000	1,658	7,658	
2,364	1,000	-	-	-	3,364	18,899	22,263	
18,000	41,000	-	-	-	59,000	23,425	82,425	
-	-	-	-	-	-	5,169	5,169	
-	35,000	-	-	-	35,000	40,728	75,728	
14,916	-	-	-	-	14,916	16,284	31,200	
-	-	-	-	-	-	10,675	10,675	
-	7,000	-	-	-	7,000	(2,016)	4,984	
-	-	-	-	-	-	540	540	
1,426	1,000	-	-	-	2,426	1,555	3,981	
864	8,000	-	-	-	8,864	8,708	17,572	
-	-	-	-	-	-	4,681	4,681	
-	-	-	-	-	-	9,893	9,893	
-	-	-	-	-	-	261	261	
3,041	8,000	140	-	-	11,181	4,279	15,460	
-	-	-	-	-	-	27,647	27,647	
8,466	38,000	-	-	-	46,466	13,097	59,563	
-	68,000	-	-	-	68,000	(49,579)	18,421	
-	4,000	-	-	-	4,000	6,551	10,551	
-	10,000	-	-	-	10,000	(3,473)	6,527	
-	-	-	-	-	-	935	935	
6,816	38,000	-	-	-	44,816	(5,659)	39,157	
-	15,000	-	-	-	15,000	(4,773)	10,227	
770	11,000	-	-	-	11,770	36,611	48,381	
2,216	-	-	-	-	2,216	6,707	8,923	
83,055	6,000	-	-	-	89,055	4,635	93,690	
166,714	180,000	-	-	-	346,714	(37,358)	309,356	
-	-	-	-	-	-	7,041	7,041	
-	3,000	-	-	-	3,000	2,009	5,009	
65,612	26,000	-	-	-	91,612	(20,367)	71,245	
-	22,000	-	-	-	22,000	17,609	39,609	
-	-	-	-	-	-	2,880	2,880	
3,047	-	-	-	-	3,047	10,343	13,390	
-	-	-	-	-	-	22,642	22,642	
-	-	-	-	-	-	13,669	13,669	
-	-	-	-	-	-	20,055	20,055	
50	-	-	-	-	50	49,429	49,479	
-	10,000	-	-	-	10,000	3	10,003	
\$ 398,270	\$ 715,500	\$ -	\$ -	\$ -	\$ 1,113,910	\$ 351,638	\$ 1,465,548	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2011**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Deferred			
High Island Project						
H.I. Proj. #2	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ 21
H.I. Proj. #5	15	-	-	-	-	15
H.I. Proj. #8	10	-	-	-	-	10
H.I. Proj. #9	10	-	-	-	-	10
H.I. Proj. #10	14,891	-	18,933	-	-	33,824
H.I. Proj. #11	169,744	-	386,256	-	-	556,000
Total High Island Project	\$ 184,691	\$ -	\$ 405,189	\$ -	\$ -	\$ 589,880
Judicial Ditches						
JD #1A S&N	\$ 134	\$ 85	\$ -	\$ 15,361	\$ -	\$ 15,580
JD #3A SCM	2,611	-	-	37,009	220	39,840
JD #5 M&S	2,224	-	-	2,798	143	5,165
JD #5 S&N	645	-	-	-	-	645
JD #6A S&N	3,485	43	-	49,996	636	54,160
JD #8 S&R	2,046	-	-	12,099	-	14,145
JD #8 M&S	2,563	8	-	3,762	17	6,350
JD #11 RSM	1,899	-	-	28,600	24	30,523
JD #12 Sibley	6,679	18	-	880	-	7,577
JD #13 SRN	7,541	-	-	4,813	-	12,354
JD #13 N&S	581	-	-	-	-	581
JD #14 S&N	2,404	-	-	2,911	-	5,315
JD #15 S&M	2,742	-	-	4,596	147	7,485
JD #15 R&S	1,051	-	-	818	-	1,869
JD #15 N&S	1,612	-	-	-	-	1,612
JD #16 N&S	831	-	-	-	-	831
JD #17 S&M	2,560	-	-	-	289	2,849
JD #18 S&M	56,863	457	-	5,477	21,356	84,153
JD #19 S&M	2,893	-	-	3,770	3,423	10,086
JD #20 S&N	1,829	-	-	60,485	83,852	146,166
JD #21 S&C	584	-	-	-	-	584
JD #22 S&C	2,323	-	-	4,123	-	6,446
JD #24 RSM	2,279	25	-	11,213	2,196	15,713
JD #30 R&S	1,063	-	-	37	-	1,100
JD #31 RSN	8,536	-	-	-	-	8,536
JD #6 NS	1,484	-	-	-	-	1,484
JD #13 Lt A SRN Outlet	-	-	-	-	-	-
JT #1A N&S Impr	35,530	-	-	-	-	35,530
JT #1 RS	5,676	-	-	1,110	-	6,786
JT #7 SNR	94,554	-	77,635	-	4,000	176,189
JT #24 CS	285	-	-	-	-	285
JT #7 Lat 17 IMP Berger	2,855	-	134,405	-	-	137,260
JT #5 YAHNKE S&N Impr	5,519	-	88,381	-	-	93,900
Total Judicial Ditches	\$ 263,882	\$ 636	\$ 300,421	\$ 249,858	\$ 116,303	\$ 931,100
Total All Ditches	\$ 783,854	\$ 4,046	\$ 1,068,899	\$ 789,613	\$ 340,115	\$ 2,986,527
Reconcile to Exhibit 3	-	-	-	-	-	-
Total Modified Accrual	\$ 783,854	\$ 4,046	\$ 1,068,899	\$ 789,613	\$ 340,115	\$ 2,986,527

EXHIBIT F-1
(Continued)

Liabilities						Fund Balance	Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 21
-	-	-	-	-	-	15	15
-	-	-	-	-	-	10	10
-	-	-	-	-	-	10	10
-	-	-	-	-	-	33,824	33,824
-	-	-	-	555,000	555,000	1,000	556,000
\$ -	\$ -	\$ -	\$ -	\$ 555,000	\$ 555,000	\$ 34,880	\$ 589,880
\$ -	\$ -	\$ 1,023	\$ -	\$ -	\$ 1,023	\$ 14,557	\$ 15,580
163	58,000	1,104	-	-	59,267	(19,427)	39,840
-	6,000	14	-	-	6,014	(849)	5,165
-	-	-	-	-	-	645	645
-	42,000	407	-	-	42,407	11,753	54,160
-	9,000	42,956	-	-	51,956	(37,811)	14,145
650	8,000	2,058	-	-	10,708	(4,358)	6,350
488	10,000	17,663	-	-	28,151	2,372	30,523
-	-	-	-	-	-	7,577	7,577
11,379	-	212	-	-	11,591	763	12,354
-	-	78	-	-	78	503	581
-	6,000	16	-	-	6,016	(701)	5,315
-	5,000	5	-	-	5,005	2,480	7,485
-	-	112	-	-	112	1,757	1,869
-	-	-	-	-	-	1,612	1,612
-	-	-	-	-	-	831	831
-	-	4,447	-	-	4,447	(1,598)	2,849
87,815	-	331	-	-	88,146	(3,993)	84,153
-	7,000	900	-	-	7,900	2,186	10,086
147,189	23,000	386	-	-	170,575	(24,409)	146,166
-	-	909	-	-	909	(325)	584
-	5,000	691	-	-	5,691	755	6,446
-	7,000	69	-	-	7,069	8,644	15,713
-	1,000	70	-	-	1,070	30	1,100
-	-	2,741	-	-	2,741	5,795	8,536
-	-	-	-	-	-	1,484	1,484
-	-	8,693	-	-	8,693	(8,693)	-
150	-	-	-	-	150	35,380	35,530
3,278	-	135	-	-	3,413	3,373	6,786
5,998	-	436	-	120,000	126,434	49,755	176,189
-	-	-	-	-	-	285	285
-	113,000	-	-	-	113,000	24,260	137,260
-	62,000	-	-	-	62,000	31,900	93,900
\$ 257,110	\$ 362,000	\$ 85,456	\$ -	\$ 120,000	\$ 824,566	\$ 106,534	\$ 931,100
\$ 655,380	\$ 1,077,500	\$ 85,596	\$ -	\$ 675,000	\$ 2,493,476	\$ 493,051	\$ 2,986,527
-	-	-	2,171,636	(675,000)	1,496,636	(1,496,636)	-
\$ 655,380	\$ 1,077,500	\$ 85,596	\$ 2,171,636	\$ -	\$ 3,990,112	\$ (1,003,585)	\$ 2,986,527

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Shared Revenue

State

Highway users tax	\$	2,762,558
Market value credit		375,335
Market value credit - mobile home		819
Market value credit - agricultural		202,946
PERA rate reimbursement		25,384
Disparity reduction aid		54,804
County program aid		273,026
Police aid		71,510
E-911		97,117
Petroleum tax relief		2,013

Total shared revenue	\$	<u>3,865,512</u>
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Reimbursement for Services

State

Minnesota Department of Health and Human Services	\$	<u>519,382</u>
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Payments

Local

Local contributions	\$	20,927
Payments in lieu of taxes		<u>45,502</u>

Total payments	\$	<u>66,429</u>
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Grants

State

Minnesota Department/Board of		
Corrections	\$	41,334
Public Safety		229
Transportation		962,156
Health		153,264
Natural Resources		40,381
Human Services		853,260
Veteran's Affairs		9,000
Water and Soil Resources		45,141
Peace Officer Standards and Training		3,787
Pollution Control Agency		<u>350,994</u>

Total state	\$	<u>2,459,546</u>
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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Grants (Continued)

Federal

Department of Agriculture	\$ 234,965
Commerce	23,434
Transportation	375,027
Housing and Urban Development	10,076
Health and Human Services	914,219
Homeland Security	363,559
Environmental Protection Agency	48,530
	<hr/>
Total federal	\$ 1,969,810
	<hr/>
Total state and federal grants	\$ 4,429,356
	<hr/>
Total Intergovernmental Revenue	\$ 8,880,679
	<hr/> <hr/>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	\$ 109,797
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>125,168</u>
Total U.S. Department of Agriculture		<u>\$ 234,965</u>
U.S. Department of Commerce		
Passed Through South Central Minnesota Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 23,434</u>
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<u>\$ 10,076</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	<u>\$ 375,027</u>
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	<u>\$ 48,530</u>
U.S. Department of Health and Human Services		
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	\$ 5,000

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	3,152
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	95,805
Emergency Contingency Fund for Temporary Assistance - ARRA	93.714	8,569
Child Support Enforcement	93.563	226,673
Child Care Cluster		
Child Care and Development Block Grant	93.575	2,304
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	3,034
Foster Care - Title IV-E	93.658	78,366
Social Services Block Grant	93.667	100,298
Chafee Foster Care Independence Program	93.674	4,023
Children's Health Insurance Program	93.767	52
Medical Assistance Program	93.778	305,869
Block Grants for Community Mental Health Services	93.958	781
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,629
Passed Through Meeker-McLeod-Sibley Community Health Services		
Public Health Emergency Preparedness	93.069	12,147
Universal Newborn Hearing Screening	93.251	700
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	14,162
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	20,361
Immunization - ARRA	93.712	6,948
Medical Assistance Program	93.778	10,844
Maternal and Child Health Services Block Grant to the States	93.994	13,502
Total U.S. Department of Health and Human Services		\$ 914,219
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 355,059
Emergency Management Performance Grants	97.042	300
Passed Through South Central Minnesota Regional Radio Board		
Emergency Management Performance Grants	97.042	50
Interoperable Emergency Communications	97.055	2,231
Homeland Security Grant Program	97.067	5,919
Total U.S. Department of Homeland Security		\$ 363,559
Total Federal Awards		\$ 1,969,810

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Temporary Assistance for Needy Families Cluster	\$	124,735
Child Care Cluster		5,338

5. Subrecipients

During 2011, the County did not pass any federal money to subrecipients.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. 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.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT G-1

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS
DECEMBER 31, 2011**

	TAXES LEVIED FOR COLLECTION					
	2010		2011		2012	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 19,469,263		\$ 19,712,723		\$ 18,959,457	
Personal property	479,975		606,510		579,391	
Total Tax Capacity	<u>\$ 19,949,238</u>		<u>\$ 20,319,233</u>		<u>\$ 19,538,848</u>	
Taxes Levied for County Purposes						
General government	\$ 5,733,623	27.713	\$ 5,778,983	27.640	\$ 5,168,367	25.709
Public works	3,168,786	15.646	3,022,574	14.769	3,445,017	17.560
Human services	1,870,770	9.237	1,899,724	9.283	2,063,751	10.519
Debt service	343,800	1.735	274,245	1.359	273,620	1.411
Total Levy for County Purposes	<u>\$ 11,116,979</u>	<u>54.331</u>	<u>\$ 10,975,526</u>	<u>53.051</u>	<u>\$ 10,950,755</u>	<u>55.199</u>
Less: County program aid	543,619		420,708		273,026	
Net Levy for County Purposes	<u>\$ 10,573,360</u>		<u>\$ 10,554,818</u>		<u>\$ 10,677,729</u>	
Tax Capacity - Light and Power						
Transmission lines	\$ 2,742		\$ 2,976		\$ 3,044	
Distribution lines	1,862		1,986		2,022	
Total Tax Capacity - Light and Power	<u>\$ 4,604</u>		<u>\$ 4,962</u>		<u>\$ 5,066</u>	
Tax Levies - Light and Power						
Transmission lines	\$ 2,633	96.012	\$ 2,839	95.410	\$ 3,072	100.932
Distribution lines	1,787	96.012	1,895	95.410	2,041	100.932
Total Tax Levies - Light and Power	<u>\$ 4,420</u>		<u>\$ 4,734</u>		<u>\$ 5,113</u>	
Special Assessments						
Ditch liens and all other assessments	<u>\$ 1,703,261</u>		<u>\$ 1,984,883</u>		<u>\$ 1,978,118</u>	
Percentage of Tax Collections for All Purposes		97.24%		98.12%		

(Unaudited)

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Highway Planning and Construction	CFDA #20.205
Medical Assistance Program	CFDA #93.778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA #97.036

The threshold for distinguishing between Types A and B programs was \$300,000.

Sibley County qualified as low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

01-2 Accounting Policies and Procedures Manual

Criteria: County management is responsible for developing and monitoring its internal controls. An essential element of monitoring controls includes documenting the County's accounting policies and procedures. Significant internal controls to be documented would include areas such as receipts, disbursements, payroll, capital assets, journal entries, and budget adjustments.

Condition: Inquiries of County management found that significant internal controls of its accounting system have not been documented. The County does not have a current and comprehensive accounting policies and procedures manual, including risk assessment and monitoring procedures.

Context: Documentation and monitoring of internal controls is necessary to determine controls are in place and operating effectively. An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and can help to avoid circumvention of County policies.

Effect: As a result of this condition, the County's practices may not be followed as intended by management, and employees may not understand the purpose of internal controls. The lack of risk assessment and monitoring procedures increases the risk of fraud or misstatement.

Cause: The County has begun the process of developing formal policies and procedures that will include monitoring. Due to limited time and resources, the County has not been able to complete this project.

Recommendation: We recommend the County Auditor's Office continue its efforts to develop a comprehensive accounting policies and procedures manual including documentation for the internal control systems over receipts, disbursements, payroll, capital assets, journal entries, and budget adjustments. The manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which level of staff is to perform the procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support of controls.

09-1 Assessing and Monitoring Internal Controls

Criteria: The County's management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: A risk assessment of existing controls over significant functions of the accounting system used to produce financial information has not been completed.

Context: 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. In 2011, the County continued testing controls over the payroll system and began reviewing bank reconciliations.

Effect: Weaknesses in internal control could go undetected, which could affect the County's ability to detect material misstatements in the financial statements.

Cause: The County has not had the staffing resources available to complete the risk assessment process.

Recommendation: 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.

ITEMS ARISING THIS YEAR

11-1 Timeliness of Preparation of Financial Statements

Criteria: Management is responsible for preparing the County's financial statements in accordance with generally accepted accounting principles (GAAP) and U.S. Office of Management and Budget (OMB) Circular A-133. The financial statement preparation in accordance with GAAP and OMB Circular A-133 requires internal control over both: (1) recording, processing, and summarizing accounting data (that is, maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Condition: The information included in the County's financial statements submitted to the auditors required numerous revisions affecting both the financial statements and related notes. In addition, the auditors were required to complete the financial statement process, including converting the modified accrual to full accrual in order to complete the government-wide financial statements.

Context: Preparation of information included in the County's financial statements is performed by the County Auditor's Office. In order to meet the County's September 30 single audit deadline, that information needs to be provided to the auditors in a timely fashion.

Effect: Additional audit hours resulted from delays in completing the County's financial statements within a reasonable amount of time. Also, errors were discovered which resulted in adjustments to the financial statements.

Cause: Tasks and information necessary for the County's financial statements were not completed in the time, form, and manner required by the County's audit. The County's staff is capable of preparing the financial statements but has historically had difficulties meeting the financial statement deadline required.

Recommendation: The County Board of Commissioners and management should take responsibility for the financial statements by reviewing internal controls currently in place over the preparation of the financial statements. Procedures should be implemented to ensure that the necessary financial information be prepared in a manner that allows the auditors an adequate amount of time to complete the audit by the County's required deadline.

11-2 Audit Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified a material adjustment that resulted in significant changes to the County's financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: A material audit adjustment in the Public Works Special Revenue Fund for \$317,247 was necessary to reduce receivables and related revenues for monies recorded twice.

Cause: Controls were not in place to require review of the journal entry process. County staff did not have the time to prepare all of the information necessary to provide accurate financial statements.

Recommendation: We recommend that the County staff review the trial balances and journal entries in detail to ensure they have an understanding of all audit adjustments made. We further recommend that staff be assigned adequate time to prepare accurate financial statements.

PREVIOUSLY REPORTED ITEM RESOLVED

Prior Period Adjustment (10-1)

During 2010, a prior period adjustment was needed to restate fund balance of the nonmajor special revenue funds and net assets of the governmental activities by \$314,226 to recognize previously recorded revenue as deferred revenue - unearned.

Resolution

No prior period adjustments were made in 2011.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Ditch Special Revenue Fund - Cash Balances (10-2)

At the end of 2010, an individual ditch fund had a cash deficit of \$49,427, which constituted an interest-free loan in noncompliance with Minnesota statutes.

Resolution

No individual ditches had cash deficits at the end of 2011.

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

10-2 Ditch Fund Balance Deficits

Criteria: Since each ditch benefits specific landowners, each individual ditch should have adequate resources to meet its financial obligations. As provided by Minn. Stat. § 103E.735, subd. 1, fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000 whichever is larger.

Condition: As of December 31, 2011, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balances.

Context: Nineteen of the 91 individual ditch systems have deficit unassigned fund balances as of December 31, 2011, totaling \$247,143, the largest being \$49,579. These 19 ditches combined with the remaining ditch systems leave the Ditch Special Revenue Fund with a negative unassigned fund balance of \$1,524,780.

Effect: Ditch systems with deficit fund balances indicate that measures have not been taken to ensure that an individual ditch system can meet financial obligations.

Cause: Assessments are levied annually; however, emergency repairs or natural disasters happen after the assessments and repairs are critical to the operation of the ditch system.

Recommendation: We recommend that the County eliminate the ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.



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

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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2012. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questions Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 11-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 01-2, 09-1, and 11-1 to be significant deficiencies.

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 Political Subdivisions*, 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 Political Subdivisions* 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 that we did not test for compliance in tax increment financing and the legal compliance requirements where the activities took place in the various cities that are included in the Sibley County Library System.

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Sibley County

Compliance

We have audited Sibley County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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 of the County's compliance with those requirements.

In our opinion, Sibley County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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 to determine the 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.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2012