

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SIBLEY COUNTY
GAYLORD, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

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, 2013



**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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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2013**

Office	Name	Term	
		From	To
Commissioners			
1st District	Jim Nytes	January 2011	January 2015
2nd District	William "Bill" Pinske	January 2003	January 2017
3rd District	Jim Swanson*	January 2009	January 2017
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			
Administrator	Matthew Jaunich		Indefinite
Assessor	Calvin Roberts	November 1978	December 2016
Court Administrator	Karen Messner (State)		Indefinite
Court Services Director	Joely Patten Eskens (State)		Indefinite
Emergency Management Director	Bryan Gorman		Indefinite
Environmental Services Director	Jeffrey Majeski		Indefinite
Examiner of Titles	Ross Arneson		Indefinite
Extension Educator	Julie Sievert		Indefinite
Human Resources Director	Kimberlai Moore-Skyes		Indefinite
Information Service Director	Beth Wilson		Indefinite
Medical Examiner	A. Quinn Strobl, MD	January 2010	December 2014
Public Health and Human Services Director	Vicki Stock		Indefinite
Public Works Director	Timothy Becker	June 2013	April 2017
Surveyor	Avery Grochow	January 2011	December 2014
Veterans Services Officer	Lisa Klenk	August 2008	August 2016

*Chair

**Vice Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sibley County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sibley Estates of Sibley County, which represent the amounts shown as the business-type activities and the major proprietary fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sibley Estates, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Change in Reporting Entity

As discussed in Note 1.F. to the financial statements, in 2013 the County is reporting the activity of the Sibley Estates as an enterprise fund.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sibley County's basic financial statements. The supplementary information and other information section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Tax Capacity, Tax Rates, Tax Levies, and Percentage of Collections exhibit 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, on our consideration of Sibley County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sibley County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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. The 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 22, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash and pooled investments	\$ 19,789,319	\$ 141,704	\$ 19,931,023	\$ 110,402
Cash and pooled investments - restricted	-	16,001	16,001	-
Petty cash and change funds	6,150	125	6,275	20
Departmental cash	8,498	-	8,498	-
Cash with fiscal agent	716,743	-	716,743	-
Investments	25,000	-	25,000	-
Taxes receivable - delinquent - net	133,101	-	133,101	-
Special assessments receivable - delinquent - net	21,137	-	21,137	-
Special assessments - noncurrent - net	3,427,890	-	3,427,890	-
Accounts receivable - net	51,479	-	51,479	385
Accrued interest receivable	61,140	-	61,140	-
Due from other governments	932,799	-	932,799	32,355
Loans receivable	122,683	-	122,683	-
Inventories	1,008,837	-	1,008,837	-
Prepaid items	55,583	9,333	64,916	879
Advance to other governments	190,370	-	190,370	-
Advance to other agencies	25,000	-	25,000	-
Long-term receivables	85,112	-	85,112	-
Investment in joint venture	1,404,372	-	1,404,372	-
Capital assets				
Non-depreciable	1,724,931	23,500	1,748,431	-
Depreciable - net of accumulated depreciation	53,016,514	454,650	53,471,164	-
Total Assets	\$ 82,806,658	\$ 645,313	\$ 83,451,971	\$ 144,041

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 547,105	\$ 1,683	\$ 548,788	\$ 9,863
Salaries payable	504,731	-	504,731	17,562
Accrued liabilities	-	51	51	-
Contracts payable	69,106	-	69,106	-
Retainage payable	177,090	-	177,090	-
Due to other governments	340,234	-	340,234	2,829
Accrued interest payable	28,334	662	28,996	-
Unearned revenue	107,082	-	107,082	-
Claims payable	16,948	-	16,948	-
Security deposits payable	-	16,001	16,001	-
Compensated absences payable - current	248,202	-	248,202	7,383
General obligation bonds payable - current	220,000	-	220,000	-
General obligation special assessment bonds payable - current	70,000	-	70,000	-
General obligation revenue notes payable - current	10,330	-	10,330	-
MnPCA loans payable - current	168,926	-	168,926	-
AgBMP loans payable - current	46,944	-	46,944	-
Noncurrent liabilities				
Compensated absences payable	671,066	-	671,066	19,962
General obligation bonds payable	1,554,107	-	1,554,107	-
General obligation special assessment bonds payable	506,706	-	506,706	-
General obligation revenue notes payable	62,310	-	62,310	-
MnPCA loans payable	1,086,432	-	1,086,432	-
AgBMP loans payable	505,405	-	505,405	-
Net OPEB obligation	220,221	-	220,221	-
Total Liabilities	\$ 7,161,279	\$ 18,397	\$ 7,179,676	\$ 57,599
<u>Net Position</u>				
Net investment in capital assets	\$ 52,771,142	\$ 478,150	\$ 53,249,292	\$ -
Restricted for				
General government	391,484	-	391,484	-
Public safety	686,134	-	686,134	-
Highways and streets	815,090	-	815,090	-
Sanitation	582,780	-	582,780	-
Culture and recreation	49,693	-	49,693	-
Conservation of natural resources	1,444,254	-	1,444,254	-
Economic development	261,332	-	261,332	-
Debt service	1,106,410	-	1,106,410	-
Unrestricted	17,537,060	148,766	17,685,826	86,442
Total Net Position	\$ 75,645,379	\$ 626,916	\$ 76,272,295	\$ 86,442

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, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
Governmental activities			
General government	\$ 3,736,329	\$ 623,972	\$ 77,875
Public safety	2,488,910	215,912	318,200
Highways and streets	6,574,887	154,172	3,586,750
Sanitation	450,255	371,620	57,456
Human services	4,223,195	442,114	2,045,119
Health	1,394,743	460,866	585,231
Culture and recreation	368,930	-	34,471
Conservation of natural resources	1,713,474	1,651,587	351,135
Economic development	166,443	262	-
Interest	192,578	-	-
Total governmental activities	\$ 21,309,744	\$ 3,920,505	\$ 7,056,237
Business-type activities			
Sibley Estates	280,204	182,023	129,213
Total Primary Government	\$ 21,589,948	\$ 4,102,528	\$ 7,185,450
Component Unit			
Sibley County Library System	\$ 423,005	\$ 151,400	\$ 279,150

General Revenues

Property taxes
Gravel taxes
Wheelage taxes
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous

Total general revenues

Change in net position

Net Position - January 1
Restatement (Note 1.F.)

Net Position - January 1, as restated

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Sibley County Library System Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (3,034,482)	\$ -	\$ (3,034,482)	
-	(1,954,798)	-	(1,954,798)	
205,165	(2,628,800)	-	(2,628,800)	
-	(21,179)	-	(21,179)	
-	(1,735,962)	-	(1,735,962)	
-	(348,646)	-	(348,646)	
-	(334,459)	-	(334,459)	
-	289,248	-	289,248	
-	(166,181)	-	(166,181)	
-	(192,578)	-	(192,578)	
\$ 205,165	\$ (10,127,837)	\$ -	\$ (10,127,837)	
-	-	31,032	31,032	
\$ 205,165	\$ (10,127,837)	\$ 31,032	\$ (10,096,805)	
\$ -				\$ 7,545
	\$ 11,091,986	\$ -	\$ 11,091,986	\$ -
	90,205	-	90,205	-
	10,000	-	10,000	-
	44,933	-	44,933	-
	641,913	-	641,913	-
	(67,642)	19	(67,623)	-
	293,612	-	293,612	-
	\$ 12,105,007	\$ 19	\$ 12,105,026	\$ -
	\$ 1,977,170	\$ 31,051	\$ 2,008,221	\$ 7,545
	\$ 73,747,215	\$ -	\$ 73,747,215	\$ 78,897
	(79,006)	595,865	516,859	-
	\$ 73,668,209	\$ 595,865	\$ 74,264,074	\$ 78,897
	\$ 75,645,379	\$ 626,916	\$ 76,272,295	\$ 86,442

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Public Works	Public Health and Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 5,979,695	\$ 5,721,216	\$ 5,218,518
Petty cash and change funds	5,900	-	250
Departmental cash	7,608	-	890
Cash with fiscal agent	716,743	-	-
Investments	-	-	-
Taxes receivable			
Delinquent	62,091	42,903	23,950
Special assessments receivable			
Delinquent	5,638	-	-
Noncurrent	-	-	-
Accounts receivable	4,684	28,410	18,385
Accrued interest receivable	61,140	-	-
Due from other funds	1,303,862	-	3,569
Due from other governments	18,825	510,365	272,876
Loans receivable	-	-	-
Inventories	-	1,008,837	-
Prepaid items	53,491	184	1,908
Advances to other governments	190,370	-	-
Advances to other agencies	-	-	-
Long-term receivables	85,112	-	-
	\$ 8,495,159	\$ 7,311,915	\$ 5,540,346
Total Assets	\$ 8,495,159	\$ 7,311,915	\$ 5,540,346

EXHIBIT 3

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 923,821	\$ 592,086	\$ 1,106,410	\$ 50,000	\$ 197,573	\$ 19,789,319
-	-	-	-	-	6,150
-	-	-	-	-	8,498
-	-	-	-	-	716,743
-	25,000	-	-	-	25,000
-	-	4,157	-	-	133,101
5,212	10,287	-	-	-	21,137
2,075,306	1,352,584	-	-	-	3,427,890
-	-	-	-	-	51,479
-	-	-	-	-	61,140
-	-	-	-	-	1,307,431
81,525	-	-	-	49,208	932,799
-	-	-	-	122,683	122,683
-	-	-	-	-	1,008,837
-	-	-	-	-	55,583
-	-	-	-	-	190,370
-	-	-	-	25,000	25,000
-	-	-	-	-	85,112
\$ 3,085,864	\$ 1,979,957	\$ 1,110,567	\$ 50,000	\$ 394,464	\$ 27,968,272

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Public Works	Public Health and Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 164,609	\$ 112,265	\$ 180,268
Salaries payable	218,647	93,872	190,129
Contracts payable	-	69,106	-
Retainage payable	-	177,090	-
Due to other funds	3,525	63	1,043
Due to other governments	100,372	58,563	118,295
Unearned revenue	107,016	-	-
Claims payable	16,948	-	-
	\$ 611,117	\$ 510,959	\$ 489,735
Deferred Inflows of Resources			
Unavailable revenue	\$ 98,199	\$ 492,000	\$ 23,950
Fund Balances (Note 3.E.)			
Nonspendable	\$ 328,973	\$ 1,009,021	\$ 1,908
Restricted	1,129,817	435,619	-
Committed	451,747	-	-
Assigned	-	4,864,316	5,024,753
Unassigned	5,875,306	-	-
	\$ 7,785,843	\$ 6,308,956	\$ 5,026,661
	\$ 8,495,159	\$ 7,311,915	\$ 5,540,346

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>
\$ 67,427	\$ 11,812	\$ -	\$ -	\$ 10,724	\$ 547,105
-	-	-	-	2,083	504,731
-	-	-	-	-	69,106
-	-	-	-	-	177,090
1,302,800	-	-	-	-	1,307,431
58,392	-	-	-	4,612	340,234
-	-	-	-	66	107,082
-	-	-	-	-	16,948
<u>\$ 1,428,619</u>	<u>\$ 11,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,485</u>	<u>\$ 3,069,727</u>
<u>\$ 2,080,518</u>	<u>\$ 1,362,871</u>	<u>\$ 4,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,061,695</u>
\$ -	\$ 25,000	\$ -	\$ -	\$ 80,917	\$ 1,445,819
812,308	580,274	1,106,410	-	296,062	4,360,490
-	-	-	50,000	-	501,747
-	-	-	-	-	9,889,069
(1,235,581)	-	-	-	-	4,639,725
<u>\$ (423,273)</u>	<u>\$ 605,274</u>	<u>\$ 1,106,410</u>	<u>\$ 50,000</u>	<u>\$ 376,979</u>	<u>\$ 20,836,850</u>
<u>\$ 3,085,864</u>	<u>\$ 1,979,957</u>	<u>\$ 1,110,567</u>	<u>\$ 50,000</u>	<u>\$ 394,464</u>	<u>\$ 27,968,272</u>

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Fund balance - total governmental funds (Exhibit 3)		\$ 20,836,850
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		54,741,445
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		1,404,372
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
Unavailable revenue		4,061,695
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	\$ (2,350,813)	
Revenue notes payable	(72,640)	
MnPCA loans payable	(1,255,358)	
AgBMP loans payable	(552,349)	
Compensated absences	(919,268)	
Net OPEB obligation	(220,221)	
Accrued interest payable	(28,334)	
	(5,398,983)	(5,398,983)
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 75,645,379</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Revenues			
Taxes	\$ 5,048,908	\$ 3,924,904	\$ 1,971,087
Special assessments	134,642	-	-
Licenses and permits	40,748	-	-
Intergovernmental	920,137	4,011,584	2,743,556
Charges for services	773,956	139,572	699,806
Fines and forfeits	8,783	-	-
Gifts and contributions	538	-	3,025
Investment earnings	(58,245)	-	-
Miscellaneous	338,943	116,597	199,654
Total Revenues	\$ 7,208,410	\$ 8,192,657	\$ 5,617,128
Expenditures			
Current			
General government	\$ 3,505,582	\$ -	\$ -
Public safety	2,369,523	-	-
Highways and streets	-	6,967,314	-
Sanitation	209,258	-	-
Human services	-	-	4,557,553
Health	-	-	1,397,864
Culture and recreation	364,760	-	-
Conservation of natural resources	335,053	-	-
Economic development	134,123	-	-
Capital outlay	364,828	81,376	-
Intergovernmental	-	285,219	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 7,283,127	\$ 7,333,909	\$ 5,955,417

EXHIBIT 5

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 267,782	\$ -	\$ -	\$ 11,212,681
1,491,446	302,733	-	-	-	1,928,821
-	-	-	-	-	40,748
112,413	20,902	4,578	-	115,169	7,928,339
3,676	-	-	-	262	1,617,272
-	-	-	-	-	8,783
-	-	-	-	13,600	17,163
-	-	-	-	3,254	(54,991)
12,509	-	6,500	-	367	674,570
\$ 1,620,044	\$ 323,635	\$ 278,860	\$ -	\$ 132,652	\$ 23,373,386
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,505,582
-	-	-	-	-	2,369,523
-	-	-	-	-	6,967,314
-	240,997	-	-	-	450,255
-	-	-	-	-	4,557,553
-	-	-	-	-	1,397,864
-	-	-	-	-	364,760
1,275,879	-	-	-	109,735	1,720,667
-	-	-	-	32,320	166,443
-	-	-	-	-	446,204
-	-	-	-	-	285,219
70,000	191,862	1,940,000	-	-	2,201,862
26,062	33,859	48,034	-	-	107,955
-	-	6,995	-	-	6,995
\$ 1,371,941	\$ 466,718	\$ 1,995,029	\$ -	\$ 142,055	\$ 24,548,196

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Excess of Revenues Over (Under) Expenditures	\$ (74,717)	\$ 858,748	\$ (338,289)
Other Financing Sources (Uses)			
Loans issued	\$ -	\$ -	\$ -
Proceeds from the sale of capital assets	3,152	-	-
Total Other Financing Sources (Uses)	\$ 3,152	\$ -	\$ -
Net Change in Fund Balance	\$ (71,565)	\$ 858,748	\$ (338,289)
Fund Balance - January 1, as previously reported	\$ 7,936,414	\$ 5,160,206	\$ 5,364,950
Restatement (Note 1.F.)	(79,006)	-	-
Fund Balance - January 1, as restated	\$ 7,857,408	\$ 5,160,206	\$ 5,364,950
Increase (decrease) in inventories	\$ -	\$ 290,002	\$ -
Fund Balance - December 31	\$ 7,785,843	\$ 6,308,956	\$ 5,026,661

EXHIBIT 5
(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>
<u>\$ 248,103</u>	<u>\$ (143,083)</u>	<u>\$ (1,716,169)</u>	<u>\$ -</u>	<u>\$ (9,403)</u>	<u>\$ (1,174,810)</u>
\$ -	\$ 225,320	\$ -	\$ -	\$ -	\$ 225,320
-	-	-	-	-	3,152
<u>\$ -</u>	<u>\$ 225,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,472</u>
<u>\$ 248,103</u>	<u>\$ 82,237</u>	<u>\$ (1,716,169)</u>	<u>\$ -</u>	<u>\$ (9,403)</u>	<u>\$ (946,338)</u>
\$ (671,376)	\$ 523,037	\$ 2,822,579	\$ 50,000	\$ 386,382	\$ 21,572,192
-	-	-	-	-	(79,006)
<u>\$ (671,376)</u>	<u>\$ 523,037</u>	<u>\$ 2,822,579</u>	<u>\$ 50,000</u>	<u>\$ 386,382</u>	<u>\$ 21,493,186</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,002</u>
<u>\$ (423,273)</u>	<u>\$ 605,274</u>	<u>\$ 1,106,410</u>	<u>\$ 50,000</u>	<u>\$ 376,979</u>	<u>\$ 20,836,850</u>

**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, 2013**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (946,338)

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 position, 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. 350,241

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Unavailable revenue - December 31	\$ 4,061,695	
Unavailable revenue - January 1	<u>(4,151,319)</u>	(89,624)

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

Expenditures for general capital assets	\$ 3,042,288	
Net book value of assets sold	59,208	
Current year depreciation	<u>(2,679,901)</u>	421,595

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
MnPCA loans payable	\$ (25,673)	
AgBMP loans payable	<u>(199,647)</u>	(225,320)
Repayment of debt principal		2,201,862
Amortization of premium/discount on bonds		(3,049)
Deferred charges not previously expensed		(81,011)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 governmental funds.

Change in accrued interest	\$ 2,121	
Change in prepaid interest	4,311	
Change in compensated absences	91,216	
Change in net OPEB obligation	(38,836)	
Change in inventories	290,002	348,814

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 1,977,170

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PROPRIETARY FUND

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
SIBLEY ESTATES ENTERPRISE FUND
DECEMBER 31, 2013**

Assets

Current assets

Cash and pooled investments	\$ 141,704
Cash and pooled investments - restricted	16,001
Petty cash and change fund	125
Prepaid items	9,333

Total current assets **\$ 167,163**

Noncurrent assets

Capital assets	
Nondepreciable	\$ 23,500
Depreciable - net	454,650

Total noncurrent assets **\$ 478,150**

Total Assets **\$ 645,313**

Liabilities

Current liabilities

Accounts payable	\$ 1,683
Accrued interest payable	662
Accrued liabilities	51
Security deposits payable	16,001

Total Liabilities **\$ 18,397**

Net Position

Net investment in capital assets	\$ 478,150
Unrestricted	148,766

Total Net Position **\$ 626,916**

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

Operating Revenues	
Rents	\$ 174,263
Intergovernmental - federal	129,213
Miscellaneous	7,760
	<hr/>
Total Operating Revenues	\$ 311,236
	<hr/>
Operating Expenses	
Personal services	\$ 82,954
Professional services	22,533
Supplies	4,922
Telephone	4,690
Utilities	54,558
Taxes and licenses	275
Marketing costs	2,287
Insurance	15,172
Repairs and maintenance	20,455
Independent public accountant costs	6,500
Miscellaneous	13,978
Depreciation and amortization	51,767
	<hr/>
Total Operating Expenses	\$ 280,091
	<hr/>
Operating Income (Loss)	\$ 31,145
	<hr/>
Nonoperating Revenues (Expenses)	
Interest income	\$ 19
Interest expense	(113)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (94)
	<hr/>
Change in Net Position	\$ 31,051
	<hr/>
Net Position - January 1, as previously reported	\$ -
Restatement (Note 1.F.)	595,865
	<hr/>
Net Position - January 1, as restated	\$ 595,865
	<hr/>
Net Position - December 31	\$ 626,916
	<hr/> <hr/>

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash Flows from Operating Activities	
Receipts from customers	\$ 184,151
Receipts from government agencies	129,213
Payments to suppliers and vendors	(151,078)
Payments to and on behalf of employees	<u>(82,954)</u>
Net cash provided by (used in) operating activities	<u>\$ 79,332</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	<u>\$ (18,675)</u>
Cash Flows from Investing Activities	
Interest paid	\$ (98)
Interest received on investments	<u>19</u>
Net cash provided by (used in) investing activities	<u>\$ (79)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 60,578
Cash and Cash Equivalents, January 1	<u>97,252</u>
Cash and Cash Equivalents, December 31	<u>\$ 157,830</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ 31,145</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 51,767
(Increase) decrease in accounts receivable	446
(Increase) decrease in prepaid items	(466)
Increase (decrease) in accounts payable	(3,333)
Increase (decrease) in accrued liabilities	(1,909)
Increase (decrease) in security deposits payable	<u>1,682</u>
Total adjustments	<u>\$ 48,187</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 79,332</u>

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FIDUCIARY FUNDS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013**

	<u>Private-Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 25,344	\$ 407,201
Investments	36,837	-
Accrued interest	480	-
Total Assets	<u>\$ 62,661</u>	<u>\$ 407,201</u>
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 127,002
Due to other governments	-	280,199
Total Liabilities	<u>\$ -</u>	<u>\$ 407,201</u>
<u>Net Position</u>		
Net position, held in trust	<u>\$ 62,661</u>	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 671
Change in Net Position	\$ 671
Net Position - Beginning of the Year	<u>61,990</u>
Net Position - End of the Year	<u><u>\$ 62,661</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.7. for additional information regarding the County's deferred outflows/inflows of resources.

Restatement of December 31, 2012, net position or fund balance was required as a result of adopting these changes in accounting principles. See Note 1.F. for additional information on the restatement.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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.

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, both the governmental activities and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. 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 and business-type 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.

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, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 Public Health and 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.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise fund:

The Sibley Estates Fund is used for the development and management of housing units for low to moderate income residents and the administration of housing rental assistance programs for low-income residents.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. 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, 2013, 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 2013, the County recorded a total investment loss of \$54,991. Total pooled investment losses in the General Fund were \$58,245. The investment loss was due to the mark to market value adjustment that was made at year-end.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents include restricted assets.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 “due to/from other funds.” Any residual balance outstanding between the governmental activities and business-type activities is reported in the government-wide financial statements as “internal balances.”

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 and Prepaid Items

The County uses the first in/first out valuation method for all inventory purchased after 2011. There are a few old signs and seldom used items purchased prior to 2011, which are valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are reported as expenses when consumed.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	35 - 75
Infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 15
Improvements other than buildings	15 - 205

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County does not have any types of deferred outflows of resources in the current year.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Classification of Net Position

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

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

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

Unrestricted - the amount of net position that is not included in the net investment in capital assets or restricted components.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances

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 Auditor who has been designated that authority by Board resolution.

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, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. 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 Special Revenue Fund, and Public Health and Human Services Special Revenue Fund. The policy requires that the combined unrestricted fund balance of the General Fund, Public Works Special Revenue Fund, and Public Health 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.

10. 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**

1. Summary of Significant Accounting Policies (Continued)

F. Restatement of Net Position/Fund Balance

1. Restatement of Business-Type Activities Net Position

The activity of the Sibley Estates of Sibley County was previously reported as part of the South Central Minnesota Multi-County Housing and Redevelopment Authority. Ownership of the property was transferred to Sibley County through Quiet Title Action. Beginning in 2013, this activity is now reported as an enterprise fund. The following table summarizes the restatement.

	Sibley Estates Enterprise Fund
January 1, as previously reported	\$ -
Restatement	595,865
January 1, as restated	\$ 595,865

2. Restatement of General Fund Balance

Prior to 2013, the activity of the Economic Development Commission was reported as a department of the General Fund. The clarifying guidance of GASB Statement 61 determined the Commission was a separate entity. The activity of the Commission is now presented as an agency fund. The following table summarizes the restatement.

	Governmental Activities Net Position	General Fund Fund Balance	Economic Development Agency Fund Due to Other Governments
Balance - January 1, as previously reported	\$ 73,747,215	\$ 7,936,414	\$ -
Restatement	(79,006)	(79,006)	79,006
Balance - January 1, as restated	\$ 73,668,209	\$ 7,857,408	\$ 79,006

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Ditch Special Revenue Fund Equity

On the full accrual basis of accounting, 13 of the 87 drainage systems have incurred expenses 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 equity as of December 31, 2013, using the full accrual basis of accounting.

Account balances	\$	1,409,524
Account balance deficits		(327,279)
Fund Equity - Full Accrual Basis	\$	1,082,245

Using the modified accrual basis of accounting, noncurrent receivables and bonds payable do not affect fund balance. Noncurrent receivables are deferred inflows of resources, and bonds payable are not reported. Using this basis of accounting, 42 ditches had fund deficits.

Account balances	\$	812,308
Account balance deficits		(1,235,581)
Fund Balance - Modified Accrual Basis	\$	(423,273)

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 activities		
Cash and pooled investments	\$	19,789,319
Petty cash and change funds		6,150
Departmental cash		8,498
Cash with fiscal agent		716,743
Fund investments		25,000
Business-type activities		
Cash and pooled investments		141,704
Cash and pooled investments - restricted		16,001
Petty cash and change funds		125

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Fiduciary funds	
Private-purpose trust funds	
Cash and pooled investments	25,344
Fund investments	36,837
Agency funds	
Cash and pooled investments	407,201
Sibley County Library System cash held by the Treasurer	109,674
	21,282,596
Total Cash and Investments	\$ 21,282,596
Deposits	\$ 8,069,775
Petty cash and change funds	6,275
Departmental cash	8,498
Cash with fiscal agent	716,743
Investments	12,481,305
	12,481,305
Total	\$ 21,282,596

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2013, Sibley County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) 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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Investments of the County are reported at fair value.

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County 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, 2013, none of the County's investments were subject to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2013, 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		12/20/2022	\$ 224,645
Federal Home Loan Bank	Aaa	Moody's		12/27/2022	228,335
Federal Home Loan Bank	Aaa	Moody's		01/14/2023	227,240
Federal Home Loan Bank	Aaa	Moody's		01/17/2023	317,566
Federal Home Loan Bank	Aaa	Moody's		03/20/2023	238,825
Federal Home Loan Bank	Aaa	Moody's		03/27/2023	181,914
Federal Home Loan Bank	Aaa	Moody's		05/08/2023	273,879
Federal Home Loan Bank	Aaa	Moody's		05/16/2023	234,557
Wells Fargo Securities					
Federal Home Loan Bank	Aaa	Moody's		06/26/2018	246,800
Federal Home Loan Bank	Aaa	Moody's		07/17/2019	238,987
Northland Securities					
Federal Home Loan Bank	Aaa	Moody's		11/09/2021	182,158
Total Federal Home Loan Bank			20.79		\$ 2,594,906
Federal Home Loan Mortgage Corporation					
Wells Fargo Advisors					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/27/2023	\$ 196,294
Northland Securities					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/23/2021	219,904
Total Federal Home Loan Mortgage Corporation			3.33		\$ 416,198

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Farm Credit Bank Bond					
Wells Fargo Securities					
Federal Farm Credit Bank Bond	Aaa	Moody's		05/06/2021	\$ 232,512
Federal Farm Credit Bank Bond	Aaa	Moody's		07/02/2018	250,000
Federal Farm Credit Bank Bond	Aaa	Moody's		07/17/2017	201,146
Total Federal Farm Credit Bank Bond			5.48		\$ 683,658
Federal National Mortgage Association					
Wells Fargo Securities					
Federal National Mortgage Association	Aaa	Moody's	2.01	09/26/2018	\$ 250,516
Municipal Bonds					
Northland Securities					
Scott County Community Dev. - G.O. Bond	Aa1	Moody's	1.01	02/01/2015	\$ 126,539
City of North Mankato - G.O. Bond	AA	S&P	0.45	02/01/2016	56,607
City of Glencoe - G.O. Bond	A1	Moody's	0.78	02/01/2018	97,261
Total Municipal Bonds					\$ 280,407
Negotiable certificates of deposit					
Northland Securities					
Safra National Bank of New York	N/A	N/A	0.96	01/14/2014	\$ 119,998
Stockman Bank	N/A	N/A	1.72	04/27/2020	214,139
First National Bank	N/A	N/A	1.92	05/18/2015	239,198
Wells Fargo Securities					
First Business Bank	N/A	N/A	1.92	01/10/2014	239,992
Bank of China	N/A	N/A	1.92	01/27/2014	240,055
Enerbank USA	N/A	N/A	1.92	01/27/2014	239,972
Mizrahi Tefahot Bank	N/A	N/A	1.92	02/03/2014	239,963
Bank of Bridger	N/A	N/A	1.92	02/13/2014	239,925
Wex Bank	N/A	N/A	1.80	03/28/2014	224,924
Synovus Bank	N/A	N/A	1.92	06/20/2014	239,752
Discover Bank	N/A	N/A	1.81	07/21/2014	226,118
Graystone Tower	N/A	N/A	0.77	07/22/2014	96,403
Citizens Union Bank	N/A	N/A	0.77	07/28/2014	96,446
Mizuho Bank	N/A	N/A	1.92	08/07/2014	240,116
Banco Bilbao	N/A	N/A	1.21	08/14/2014	150,629
Medalion Bank	N/A	N/A	1.60	09/10/2014	199,757
Sovereign Bank	N/A	N/A	1.61	09/12/2014	200,512
State Bank of India	N/A	N/A	1.61	09/23/2014	201,240
Compass Bank	N/A	N/A	1.98	11/03/2014	247,728
Bank Hapoalim	N/A	N/A	1.96	12/11/2014	244,479
Beal Bank	N/A	N/A	1.60	12/17/2014	199,650
Safra National Bank	N/A	N/A	1.03	01/30/2015	128,036
Private Bank and Trust	N/A	N/A	1.92	02/23/2015	239,461
Goldman Sachs Bank	N/A	N/A	0.84	05/08/2015	104,777
GE Money Bank	N/A	N/A	1.82	07/22/2015	227,354
Ally Bank	N/A	N/A	2.00	10/19/2015	249,467
UBS Bank	N/A	N/A	2.00	10/29/2015	250,135

**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 (Continued)					
Comenity Capital Bank	N/A	N/A	1.92	11/04/2015	239,446
BMW Bank	N/A	N/A	1.15	11/12/2015	143,341
BMW Bank North America	N/A	N/A	0.80	07/19/2016	99,814
GE Capital Financial	N/A	N/A	1.95	08/26/2016	243,968
CIT Bank	N/A	N/A	1.97	09/08/2016	245,957
Goldman Sachs Bank	N/A	N/A	1.12	10/17/2016	139,702
Sallie Mae Bank	N/A	N/A	1.12	10/17/2016	139,624
Bank Baroda	N/A	N/A	1.93	03/08/2018	240,840
American Express Centurion Bank	N/A	N/A	1.76	05/23/2018	219,644
Total negotiable certificates of deposit					\$ 7,252,562
Mutual funds/investment pools					
Federated - prime cash obligations	Aaa	Moody's	N/A	N/A	\$ 202,058
MAGIC	N/R	N/A	N/A	N/A	801,000
Total mutual funds/investment pools					\$ 1,003,058
Total investments					\$ 12,481,305
Deposits					
Petty cash and change funds					8,069,775
Departmental cash					6,275
Cash with fiscal agent					8,498
					716,743
Total Cash and Investments					\$ 21,282,596

N/A - Not applicable
N/R - Not rated
S&P - Standard & Poor's

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, for the County are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes - delinquent	\$ 133,101	\$ -
Special assessments - delinquent	21,137	-
Special assessments - noncurrent	3,427,890	1,958,388
Accounts receivable	51,479	-
Accrued interest receivable	61,140	-
Due from other governments	932,799	-
Loans receivable	122,683	105,310
Advance to other governments	190,370	190,370
Advance to other agencies	25,000	-
Long-term receivables	85,112	-
	<u>5,050,711</u>	<u>2,254,068</u>
Total Governmental Activities	\$ 5,050,711	\$ 2,254,068

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. Collections were received in monthly installments of \$1,200, with a balloon payment of \$85,112 to be paid on January 1, 2014.

**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, 2013, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,662,183	\$ 62,748	\$ -	\$ 1,724,931
Construction in progress	142,218	-	142,218	-
Total capital assets not depreciated	\$ 1,804,401	\$ 62,748	\$ 142,218	\$ 1,724,931
Capital assets depreciated				
Infrastructure	\$ 58,440,442	\$ 2,731,881	\$ -	\$ 61,172,323
Buildings	8,501,185	115,864	-	8,617,049
Machinery, furniture, and equipment	7,074,015	274,013	81,357	7,266,671
Improvements other than buildings	39,333	-	-	39,333
Total capital assets depreciated	\$ 74,054,975	\$ 3,121,758	\$ 81,357	\$ 77,095,376
Less: accumulated depreciation for				
Infrastructure	\$ 13,772,193	\$ 1,923,251	\$ -	\$ 15,695,444
Buildings	3,017,457	227,845	720	3,244,582
Machinery, furniture, and equipment	4,733,470	526,258	139,845	5,119,883
Improvements other than buildings	16,406	2,547	-	18,953
Total accumulated depreciation	\$ 21,539,526	\$ 2,679,901	\$ 140,565	\$ 24,078,862
Total capital assets depreciated, net	\$ 52,515,449	\$ 441,857	\$ (59,208)	\$ 53,016,514
Total Capital Assets, Net	\$ 54,319,850	\$ 504,605	\$ 83,010	\$ 54,741,445

In 2013, the County made adjustments to capital assets and accumulated depreciation, included in the decrease column, to tie to capital asset reports.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 23,500	\$ -	\$ -	\$ 23,500
Capital assets depreciated				
Improvements other than buildings	\$ 51,747	\$ -	\$ -	\$ 51,747
Buildings and improvements	1,481,353	7,218	-	1,488,571
Machinery, furniture, and equipment	194,374	11,457	-	205,831
Total capital assets depreciated	\$ 1,727,474	\$ 18,675	\$ -	\$ 1,746,149
Less: accumulated depreciation for				
Improvements other than buildings	\$ 40,863	\$ 1,654	\$ -	\$ 42,517
Buildings and improvements	1,030,413	38,938	-	1,069,351
Machinery, furniture, and equipment	168,456	11,175	-	179,631
Total accumulated depreciation	\$ 1,239,732	\$ 51,767	\$ -	\$ 1,291,499
Total capital assets depreciated, net	\$ 487,742	\$ (33,092)	\$ -	\$ 454,650
Total Capital Assets, Net	\$ 511,242	\$ (33,092)	\$ -	\$ 478,150

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

Governmental Activities	
General government	\$ 279,803
Public safety	113,793
Highways and streets, including depreciation of infrastructure assets	2,276,416
Human services	4,146
Culture and recreation	4,170
Conservation of natural resources	1,573
Total Depreciation Expense - Governmental Activities	<u>\$ 2,679,901</u>
Business-Type Activities	
Housing and redevelopment	<u>\$ 51,767</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Works Fund	\$ 19
	Public Health and Human Services Fund	1,043
	Ditch Fund	<u>1,302,800</u>
Total due to General Fund		<u>\$ 1,303,862</u>
Public Health and Human Services Fund	General Fund	\$ 3,525
	Public Works Fund	<u>44</u>
Total due to Public Health and Human Services Fund		<u>\$ 3,569</u>
Total Due To/From Other Funds		<u>\$ 1,307,431</u>

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

C. Liabilities

1. Security Deposits Payable

Security deposits are collected from the tenants of the Sibley Estates of Sibley County. Deposits are invested in the general investment account. The related liability consists of actual deposits and does not include any interest earned by tenants on deposits. Refunds are made when a tenant leaves the project. Any interest earned by the tenant is recorded as an interest expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Operating Leases

The County has entered into an operating lease for copiers with River Bend Business Products. Minimum future rental payments are as follows:

Year Ending December 31	Amount
2014	\$ 22,398
2015	15,068
2016	9,833
2017	6,716
2018	3,312
Total	\$ 57,327

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
General obligation bonds 2012 G.O. Refunding Bonds	2021	\$220,000 - \$235,000	0.35 - 1.30	\$ 1,800,000	\$ 1,800,000
Less: unamortized discount					(25,893)
Net General Obligation Bonds					\$ 1,774,107
General obligation special assessment bonds 2012 G.O. Special Assessment Refunding Bonds	2023	\$50,000 - \$70,000	1.20 - 2.35	\$ 645,000	\$ 575,000
Plus: premium on bonds					1,706
Net General Obligation Special Assessment Bonds					\$ 576,706
General obligation revenue notes 2001 G.O. Revenue Note - County-Wide	2021	\$2,665 - \$5,165	-	\$ 103,300	\$ 72,640

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
Minnesota Pollution Control Agency (MnPCA) loans					
High Island I	2017	N/A	2.00	\$ 261,561	\$ 110,907
High Island II	2021	N/A	2.00	367,955	300,103
Rush River I	2018	N/A	2.00	265,347	125,957
Rush River II	2021	N/A	2.00	577,616	473,502
Buffalo Creek I	2019	N/A	2.00	46,589	29,057
Buffalo Creek II	2022	N/A	2.00	23,089	20,981
Middle Minnesota I	2021	N/A	2.00	24,587	18,891
Middle Minnesota II	2023	N/A	2.00	43,657	43,657
Bevens Silver Creek	2023	N/A	2.00	132,303	132,303
Total MnPCA Loans				<u>\$ 1,742,704</u>	<u>\$ 1,255,358</u>
Minnesota Department of Agriculture loans					
Ag Best Management Loan Program (AgBMP)	2019	N/A	-	<u>\$ 584,029</u>	<u>\$ 552,349</u>

4. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 220,000	\$ 14,023	\$ 70,000	\$ 8,980
2015	220,000	13,142	65,000	8,103
2016	220,000	12,042	70,000	7,260
2017	225,000	10,650	70,000	6,420
2018	225,000	8,906	50,000	5,587
2019 - 2023	<u>690,000</u>	<u>12,730</u>	<u>250,000</u>	<u>13,813</u>
Total	<u>\$ 1,800,000</u>	<u>\$ 71,493</u>	<u>\$ 575,000</u>	<u>\$ 50,163</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Revenue Notes		MnPCA Loans		AgBMP Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 10,330	\$ -	\$ 168,926	\$ 24,219	\$ 46,944	\$ -
2015	10,330	-	172,322	20,823	39,642	-
2016	10,330	-	175,785	17,360	40,848	-
2017	10,330	-	179,319	13,826	42,082	-
2018	10,330	-	139,085	10,367	43,357	-
2019 - 2023	20,990	-	419,921	16,594	339,476	-
Total	\$ 72,640	\$ -	\$ 1,255,358	\$ 103,189	\$ 552,349	\$ -

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities long-term liabilities					
Bonds payable					
General obligation bonds	\$ 3,740,000	\$ -	\$ 1,940,000	\$ 1,800,000	\$ 220,000
General obligation special assessment bonds	645,000	-	70,000	575,000	70,000
Less: discounts	(29,130)	-	(3,237)	(25,893)	-
Plus: premium	1,894	-	188	1,706	-
Total bonds payable	\$ 4,357,764	\$ -	\$ 2,006,951	\$ 2,350,813	\$ 290,000
General obligation revenue notes	82,970	-	10,330	72,640	10,330
MnPCA loans	1,379,537	25,673	149,852	1,255,358	168,926
AgBMP loans	384,382	199,647	31,680	552,349	46,944
Net OPEB obligation	181,385	38,836	-	220,221	-
Compensated absences	1,010,484	11,737	102,953	919,268	248,202
Governmental Activities Long-Term Liabilities	\$ 7,396,522	\$ 275,893	\$ 2,301,766	\$ 5,370,649	\$ 764,402

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. 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 insurance coverage. Medical coverage is administered by Medica. Dental coverage is administered through Humana. 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, 2013, there were two retirees receiving health benefits from the County’s health plan and two retirees receiving dental coverage through Humana. 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.

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 and Minnesota Life. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2013, the County contributed \$39,517 to the plan.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Other Postemployment Benefits (OPEB) (Continued)

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		8,162
Adjustment to ARC		<u>(11,260)</u>
Annual OPEB cost	\$	78,353
Contributions made (pay-as-you-go)		<u>(39,517)</u>
Increase in net OPEB obligation	\$	38,836
Net OPEB Obligation - Beginning of Year		<u>181,385</u>
Net OPEB Obligation - End of Year	\$	<u><u>220,221</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2011, 2012, and 2013, were 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, 2011	\$ 79,860	\$ 39,696	49.7%	\$ 138,284
December 31, 2012	79,151	36,050	45.5	181,385
December 31, 2013	78,353	39,517	50.4	220,221

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Other Postemployment Benefits (OPEB) (Continued)

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.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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. Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2013, for the County's governmental funds are as follows:

	<u>Unavailable Revenue</u>
Delinquent property taxes	\$ 133,101
Special assessments receivable, delinquent and deferred	3,449,027
Highway allotments that do not provide current financial resources	449,097
Deferred revenue from accrued interest	<u>30,470</u>
Total Governmental Funds	<u>\$ 4,061,695</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Fund Balance

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

	<u>General Fund</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>	<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>
Nonspendable					
Inventories	\$ -	\$ 1,008,837	\$ -	\$ -	\$ -
Advances to other governments	190,370	-	-	-	-
Long-term receivables	85,112	-	-	-	-
Prepaid items	53,491	184	1,908	-	-
Federal lands	-	-	-	-	-
Loan security	-	-	-	-	25,000
Total nonspendable	<u>\$ 328,973</u>	<u>\$ 1,009,021</u>	<u>\$ 1,908</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Restricted					
Highway maintenance and construction - gravel tax	\$ -	\$ 284,445	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
SSTS	-	-	-	-	580,274
Economic development loans	-	-	-	-	-
Conservation projects	-	-	-	-	-
Juvenile fines	16,641	-	-	-	-
Ditch maintenance and construction	-	-	-	812,308	-
Land restoration - gravel tax	-	151,174	-	-	-
Attorney's forfeited property	33,825	-	-	-	-
Recorder's equipment purchases	176,086	-	-	-	-
Land records technology	181,573	-	-	-	-
Shoreland grant	2,506	-	-	-	-
E-911	669,493	-	-	-	-
Park improvements	49,693	-	-	-	-
Total restricted	<u>\$ 1,129,817</u>	<u>\$ 435,619</u>	<u>\$ -</u>	<u>\$ 812,308</u>	<u>\$ 580,274</u>
Committed					
Capital improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Tobacco ordinance	7,843	-	-	-	-
Park trail	55,000	-	-	-	-
Park trail - Arlington	81,801	-	-	-	-
County parks	46,269	-	-	-	-
Alcohol enforcement and education	34,405	-	-	-	-
Solid waste	226,429	-	-	-	-
Total committed	<u>\$ 451,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

	<u>General Fund</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>	<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>
Assigned					
Public works	\$ -	\$ 4,864,316	\$ -	\$ -	\$ -
Public health and human services	-	-	5,024,753	-	-
Total assigned	<u>\$ -</u>	<u>\$ 4,864,316</u>	<u>\$ 5,024,753</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned	<u>\$ 5,875,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,235,581)</u>	<u>\$ -</u>
Total Fund Balance	<u>\$ 7,785,843</u>	<u>\$ 6,308,956</u>	<u>\$ 5,026,661</u>	<u>\$ (423,273)</u>	<u>\$ 605,274</u>

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable				
Inventories	\$ -	\$ -	\$ -	\$ 1,008,837
Advances to other governments	-	-	-	190,370
Long-term receivables	-	-	-	85,112
Prepaid items	-	-	-	55,583
Federal lands	-	-	80,917	80,917
Loan security	-	-	-	25,000
Total nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,917</u>	<u>\$ 1,445,819</u>
Restricted				
Highway maintenance and construction - gravel tax	\$ -	\$ -	\$ -	\$ 284,445
Debt service	1,106,410	-	-	1,106,410
SSTS	-	-	-	580,274
Economic development loans	-	-	261,332	261,332
Conservation projects	-	-	34,730	34,730
Juvenile fines	-	-	-	16,641
Ditch maintenance and construction	-	-	-	812,308
Land restoration - gravel tax	-	-	-	151,174
Attorney's forfeited property	-	-	-	33,825
Recorder's equipment purchases	-	-	-	176,086
Land records technology	-	-	-	181,573
Shoreland grant	-	-	-	2,506
E-911	-	-	-	669,493
Park improvements	-	-	-	49,693
Total restricted	<u>\$ 1,106,410</u>	<u>\$ -</u>	<u>\$ 296,062</u>	<u>\$ 4,360,490</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

	Debt Service	Capital Projects	Other Governmental Funds	Total
Committed				
Capital improvements	\$ -	\$ 50,000	\$ -	\$ 50,000
Tobacco ordinance	-	-	-	7,843
Park trail	-	-	-	55,000
Park trail - Arlington	-	-	-	81,801
County parks	-	-	-	46,269
Alcohol enforcement and education	-	-	-	34,405
Solid waste	-	-	-	226,429
Total committed	\$ -	\$ 50,000	\$ -	\$ 501,747
Assigned				
Public works	\$ -	\$ -	\$ -	\$ 4,864,316
Public health and human services	-	-	-	5,024,753
Total assigned	\$ -	\$ -	\$ -	\$ 9,889,069
Unassigned	\$ -	\$ -	\$ -	\$ 4,639,725
Total Fund Balance	\$ 1,106,410	\$ 50,000	\$ 376,979	\$ 20,836,850

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).

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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 highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For 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.

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
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2013:

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

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Employees Retirement Fund	\$ 414,148	\$ 404,312	\$ 402,486
Public Employees Police and Fire Fund	91,008	93,366	91,797
Public Employees Correctional Fund	30,645	32,312	33,194

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

B. Defined Contribution Plan

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,307	\$ 4,307
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$470,000 per claim in 2013 and \$480,000 in 2014. 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 2013, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of 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	
	2013	2012
Unpaid claims, beginning of fiscal year	\$ 45,877	\$ 107,947
Incurred claims (including IBNRs)	915,304	967,476
Claims payments	(943,849)	(1,026,957)
Less: recoveries	(384)	(2,589)
	\$ 16,948	\$ 45,877
Unpaid Claims, End of Fiscal Year		

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

B. Contingent Liabilities

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

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

In 1993, the South Central Minnesota Multi-County Housing and Redevelopment 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 2013 is \$125,680. The proportionate shares of the counties may change for the years 2014 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Joint Ventures

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 Prairie County Resource Conservation and Development Council is the fiscal agent for this Joint Powers Agreement.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Crow River Joint Powers Agreement (Continued)

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 Joint Powers 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.

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial statements are not available.

Meeker-McLeod-Sibley Community Health Services Board

The Meeker-McLeod-Sibley Community Health Services Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.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 are available from the McLeod County Auditor-Treasurer's Office, 2391 Hennepin Avenue N., Glencoe, Minnesota 55336

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, Sibley, Watonwan, and Yellow Medicine Counties. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is composed of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets shall be liquidated after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement. During the year, the County made payments of \$2,000 to the Board.

Complete financial information can be obtained from the Rural Minnesota Energy Board, 2401 Broadway Avenue, Slayton, Minnesota 56172.

Rush River Clean Water Partnership

Sibley County entered into a joint powers agreement with Nicollet County to create and operate Rush River Clean Water Partnership, pursuant to Minn. Stat. § 471.59 and a joint powers agreement effective February 26, 2008. Management of Rush River Clean Water Partnership is vested in the Board of Directors, which consists of five representatives, three from the Sibley County Board of Commissioners and two from the Nicollet County Board of Commissioners. The purpose of this joint powers agreement is to organize, govern, train, equip, and maintain clean water projects that promote citizen participation and water quality improvement.

The joint powers agreement is financed primarily from state and federal grants. Sibley County is the fiscal agent. Current financial statements are not available.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Sibley County Children's Collaborative

Sibley County and Independent School Districts 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.

The Joint Powers Board consists of two representatives from the Sibley County Board of Commissioners, one representative from the Independent School District No. 2310 Board of Education, one representative from the Independent School District No. 2365 Board of Education, and one consumer/parent representative from each of the participating school districts.

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.

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. It is comprised of Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties, and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Minnesota Regional Radio Board (Continued)

Blue Earth County acts as the fiscal agent for the Radio Board. During 2013, the County contributed \$6,724 to the Joint Powers Board. The Chair of the Board is Kip Bruender, and the address is P. O. Box 8608, Mankato, Minnesota 56002-8608.

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, LeSueur, Martin, Nicollet, Waseca, and Watonwan Counties, creating the South Central Workforce Services Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is comprised of one voting member and one alternate member for each participating County. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota.

Sibley County made no contributions to this organization in 2013.

Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. 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. Mower, Cass, Freeborn, and Crow Wing Counties have since withdrawn from the Joint Powers. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

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 2013 was \$1,404,372. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from Brian V. Nicks, SCHA Chief Fiscal Officer, 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

Three Counties for Kids Collaborative

The Three Counties for Kids Collaborative was established in 1996 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown, Sibley, and Watonwan Counties; River Bend Education District; and Sioux Trails Mental Health Center. The purpose of the Collaborative is to join local units of government together to ensure a unified, unduplicated, and family-friendly system of intervention and care of families and children. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is financed by Local Collaborative Time Study (LCTS) funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2013, the County provided \$17,412 in funding to the Collaborative.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Collaborative (Continued)

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Three Counties for Kids Collaborative Board of Directors shall distribute all property, real and personal, at the time of the termination.

As the administrative county, Brown County Family Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements.

In the event of any such audit disallowance or sanction, the following participating partners, Brown, Sibley, and Watonwan Counties and the River Bend Education District, share the liability. Financial information can be obtained by contacting the Brown County Family Services Department, 1117 Center Street, P. O. Box 788, New Ulm, Minnesota 56073.

Trailblazer Transit Board

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

Financing is primarily provided from user fees, state and federal grants, and a local tax levy. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2013, Sibley County made contributions of \$130,150.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Trailblazer Transit Board (Continued)

Current financial statements can be obtained with a one-day notice from the administrative office at Trailblazer Transit, Gary Ludwig, Director, 207 - 11th Street West, Glencoe, Minnesota 55336.

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 \$77,084 in 2013. Sibley County is the fiscal agent.

Current audited financial statements are not available.

D. Jointly-Governed Organizations

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

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five - Southwest Minnesota Security Emergency Management Organization (SWRHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization (Continued)

respond to emergencies and natural or other disasters within the SWRHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Sibley County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

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

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement between Sibley County and 37 other counties. According to the latest information available, 38 other counties are members under this agreement. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

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

Control is vested in an executive committee of one Executive Director and four officers elected from the membership of the Minnesota River Powers Board, consisting of one representative from one of the member County Board of Commissioners included in this agreement. During the year, Sibley County did not make any payments to the Project.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Sentence to Service

Sibley County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Sibley County has no operational or financial control over the STS program, Sibley County budgets for a percentage of this program.

South Central Community Based Initiative

The South Central Community Based Initiative Joint Powers Board 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, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Sibley County did not contribute to the Joint Powers Board in 2013.

South Central Emergency Medical Service

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. Sibley County did not contribute to SCEMS in 2013.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2013.

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 and Basis of Accounting

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

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

Deposits

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

Cash held by the County Treasurer	\$ 109,674
Cash with the Henderson Branch	<u>728</u>
Total Cash and Pooled Investments	<u>\$ 110,402</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. The Sibley County Library System follows the County's policy regarding custodial credit risk for deposits, which is to obtain collateral or bond to cover any uninsured portion of deposits and to comply with state law. As of December 31, 2013, 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 (Continued)

2. Liabilities

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Compensated absences	\$ 28,921	\$ -	\$ 1,576	\$ 27,345	\$ 7,383

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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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,117,288	\$ 5,117,288	\$ 5,048,908	\$ (68,380)
Special assessments	134,000	134,000	134,642	642
Licenses and permits	28,380	28,380	40,748	12,368
Intergovernmental	685,796	685,796	920,137	234,341
Charges for services	787,445	787,445	773,956	(13,489)
Fines and forfeits	10,900	10,900	8,783	(2,117)
Gifts and contributions	-	-	538	538
Investment earnings	236,639	236,639	(58,245)	(294,884)
Miscellaneous	260,636	260,636	338,943	78,307
Total Revenues	\$ 7,261,084	\$ 7,261,084	\$ 7,208,410	\$ (52,674)
Expenditures				
Current				
General government				
Commissioners	\$ 303,398	\$ 303,398	\$ 245,395	\$ 58,003
Courts	43,400	43,400	56,176	(12,776)
Law library	25,000	25,000	32,480	(7,480)
County administrator	125,000	125,000	130,924	(5,924)
County auditor	423,682	423,682	364,569	59,113
County treasurer	185,306	185,306	182,343	2,963
Audit services	67,500	67,500	83,417	(15,917)
Information services	431,364	431,364	388,746	42,618
Elections/voter registration	49,474	49,474	35,880	13,594
Human resources	141,807	141,807	153,368	(11,561)
County attorney	451,414	451,414	394,063	57,351
County recorder	300,299	300,299	249,208	51,091
County surveyor	32,500	32,500	32,475	25
County assessor	303,810	303,810	314,807	(10,997)
Planning and zoning	72,733	72,733	71,932	801
Courthouse building	104,132	104,132	59,876	44,256
Building custodians	162,626	162,626	162,663	(37)
Sibley County food shelf	83	83	76	7
Jail building	91,045	86,045	79,133	6,912
Sibley County service center	72,256	72,256	82,862	(10,606)
Sheriff shed	1,945	1,945	3,763	(1,818)
Sibley East and West	14,424	14,424	13,739	685
Veterans service officer	107,681	107,681	103,924	3,757
Public transit	204,934	204,934	130,150	74,784
County fleet car	12,423	12,423	13,004	(581)
Shoreland ordinance	2,700	2,700	2,386	314
MPCA feedlot program	58,526	58,526	57,926	600
Other general government activities	89,226	89,226	60,297	28,929
Total general government	\$ 3,878,688	\$ 3,873,688	\$ 3,505,582	\$ 368,106

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ 2,070,614	\$ 2,070,614	\$ 2,038,568	\$ 32,046
Enhanced 911 system	54,500	54,500	13,009	41,491
Court services	208,669	208,669	169,396	39,273
Sentence to Serve	58,261	58,261	57,995	266
Emergency management	72,316	72,316	76,190	(3,874)
South Central Minnesota Regional Radio Board	8,448	8,448	14,365	(5,917)
Total public safety	\$ 2,472,808	\$ 2,472,808	\$ 2,369,523	\$ 103,285
Sanitation				
SCORE solid waste	\$ 200,217	\$ 200,217	\$ 184,572	\$ 15,645
County landfill	857	857	24,686	(23,829)
Total sanitation	\$ 201,074	\$ 201,074	\$ 209,258	\$ (8,184)
Culture and recreation				
Historical society	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Sibley County Library System	259,849	259,849	259,409	440
Parks	43,206	43,206	45,653	(2,447)
County park trail project	55,000	55,000	12,908	42,092
County seat trail	81,801	81,801	33,933	47,868
Tourism	2,725	2,725	2,857	(132)
Total culture and recreation	\$ 452,581	\$ 452,581	\$ 364,760	\$ 87,821
Conservation of natural resources				
Soil and water conservation	\$ 142,550	\$ 142,550	\$ 104,483	\$ 38,067
County extension	142,924	142,924	116,107	26,817
Agriculture ditch inspector	110,547	110,547	106,463	4,084
County fair	8,000	8,000	8,000	-
Total conservation of natural resources	\$ 404,021	\$ 404,021	\$ 335,053	\$ 68,968

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ 126,665	\$ 126,665	\$ 126,234	\$ 431
Minnesota Valley Action Council	7,974	7,974	7,420	554
Economic Development Commission	-	-	469	(469)
Total economic development	\$ 134,639	\$ 134,639	\$ 134,123	\$ 516
Capital outlay				
General government	\$ 140,000	\$ 145,000	\$ 231,423	\$ (86,423)
Public safety	147,500	147,500	113,059	34,441
Culture and recreation	49,693	49,693	20,346	29,347
Total capital outlay	\$ 337,193	\$ 342,193	\$ 364,828	\$ (22,635)
Total Expenditures	\$ 7,881,004	\$ 7,881,004	\$ 7,283,127	\$ 597,877
Excess of Revenues Over (Under)				
Expenditures	\$ (619,920)	\$ (619,920)	\$ (74,717)	\$ 545,203
Other Financing Sources (Uses)				
Transfers out	\$ (12,908)	\$ (12,908)	\$ -	\$ 12,908
Proceeds from the sale of capital assets	2,000	2,000	3,152	1,152
Total Other Financing Sources (Uses)	\$ (10,908)	\$ (10,908)	\$ 3,152	\$ 14,060
Net Change in Fund Balance	\$ (630,828)	\$ (630,828)	\$ (71,565)	\$ 559,263
Fund Balance - January 1, as previously reported	\$ 7,936,414	\$ 7,936,414	\$ 7,936,414	\$ -
Restatement (Note 1.F.)	(79,006)	(79,006)	(79,006)	-
Fund Balance - January 1, as restated	\$ 7,857,408	\$ 7,857,408	\$ 7,857,408	\$ -
Fund Balance - December 31	\$ 7,226,580	\$ 7,226,580	\$ 7,785,843	\$ 559,263

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,013,954	\$ 4,013,954	\$ 3,924,904	\$ (89,050)
Intergovernmental	4,715,583	4,715,583	4,011,584	(703,999)
Charges for services	99,247	99,247	139,572	40,325
Miscellaneous	124,827	124,827	116,597	(8,230)
Total Revenues	\$ 8,953,611	\$ 8,953,611	\$ 8,192,657	\$ (760,954)
Expenditures				
Current				
Highways and streets				
Maintenance	\$ 2,629,334	\$ 2,629,334	\$ 2,488,961	\$ 140,373
Engineering/construction	4,309,431	4,309,431	3,381,579	927,852
Equipment, shop maintenance, and repairs	869,917	869,917	737,693	132,224
Administration	343,407	343,407	280,924	62,483
Township allotments	40,000	40,000	78,157	(38,157)
Total highways and streets	\$ 8,192,089	\$ 8,192,089	\$ 6,967,314	\$ 1,224,775
Capital outlay				
Highways and streets	281,500	281,500	81,376	200,124
Intergovernmental				
Highways and streets	276,022	276,022	285,219	(9,197)
Total Expenditures	\$ 8,749,611	\$ 8,749,611	\$ 7,333,909	\$ 1,415,702
Net Change in Fund Balance	\$ 204,000	\$ 204,000	\$ 858,748	\$ 654,748
Fund Balance - January 1	5,160,206	5,160,206	5,160,206	-
Increase (decrease) in inventories	-	-	290,002	290,002
Fund Balance - December 31	\$ 5,364,206	\$ 5,364,206	\$ 6,308,956	\$ 944,750

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,021,055	\$ 2,021,055	\$ 1,971,087	\$ (49,968)
Intergovernmental	2,876,995	2,876,995	2,743,556	(133,439)
Charges for services	494,860	494,860	699,806	204,946
Gifts and contributions	-	-	3,025	3,025
Miscellaneous	208,645	208,645	199,654	(8,991)
Total Revenues	\$ 5,601,555	\$ 5,601,555	\$ 5,617,128	\$ 15,573
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,046,787	\$ 1,046,787	\$ 1,132,438	\$ (85,651)
Social services	3,284,612	3,284,612	3,396,056	(111,444)
Miscellaneous social service programs	30,846	30,846	29,059	1,787
Total human services	\$ 4,362,245	\$ 4,362,245	\$ 4,557,553	\$ (195,308)
Health				
Public health nurse	1,515,546	1,515,546	1,397,864	117,682
Total Expenditures	\$ 5,877,791	\$ 5,877,791	\$ 5,955,417	\$ (77,626)
Net Change in Fund Balance	\$ (276,236)	\$ (276,236)	\$ (338,289)	\$ (62,053)
Fund Balance - January 1	5,364,950	5,364,950	5,364,950	-
Fund Balance - December 31	\$ 5,088,714	\$ 5,088,714	\$ 5,026,661	\$ (62,053)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013**

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	11.64

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, Public Works Special Revenue, and Public Health 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. Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2013:

Fund	Expenditures	Final Budget	Excess
Public Health and Human Services Special Revenue Fund	\$ 5,955,417	\$ 5,877,791	\$ 77,626

The expenditures in excess of budget were funded by unbudgeted revenues and fund balance.

3. Other Postemployment Benefits

Complete multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented in 2008. Future notes will provide additional trend analysis to meet the three actuarial valuations requirement as it becomes available. See Note 3.C.6., Other Postemployment Benefits, for more information.

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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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 272,500	\$ 272,500	\$ 267,782	\$ (4,718)
Intergovernmental	-	-	4,578	4,578
Miscellaneous	-	-	6,500	6,500
Total Revenues	<u>\$ 272,500</u>	<u>\$ 272,500</u>	<u>\$ 278,860</u>	<u>\$ 6,360</u>
Expenditures				
Debt service				
Principal	\$ 185,000	\$ 185,000	\$ 1,940,000	\$ (1,755,000)
Interest	71,553	71,553	48,034	23,519
Administrative charges	15,947	15,947	6,995	8,952
Total Expenditures	<u>\$ 272,500</u>	<u>\$ 272,500</u>	<u>\$ 1,995,029</u>	<u>\$ (1,722,529)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,716,169)</u>	<u>\$ (1,716,169)</u>
Fund Balance - January 1	<u>2,822,579</u>	<u>2,822,579</u>	<u>2,822,579</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,822,579</u></u>	<u><u>\$ 2,822,579</u></u>	<u><u>\$ 1,106,410</u></u>	<u><u>\$ (1,716,169)</u></u>

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**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 Lands - 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, 2013**

	<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 investments	\$ 113,715	\$ 2,941	\$ 116,656	\$ 80,917	\$ 197,573
Due from other governments	-	49,208	49,208	-	49,208
Loans receivable	122,683	-	122,683	-	122,683
Advance to other agencies	25,000	-	25,000	-	25,000
Total Assets	<u>\$ 261,398</u>	<u>\$ 52,149</u>	<u>\$ 313,547</u>	<u>\$ 80,917</u>	<u>\$ 394,464</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 10,724	\$ 10,724	\$ -	\$ 10,724
Salaries payable	-	2,083	2,083	-	2,083
Due to other governments	-	4,612	4,612	-	4,612
Unearned revenue	66	-	66	-	66
Total Liabilities	<u>\$ 66</u>	<u>\$ 17,419</u>	<u>\$ 17,485</u>	<u>\$ -</u>	<u>\$ 17,485</u>
Fund Balances					
Nonspendable for Federal lands	\$ -	\$ -	\$ -	\$ 80,917	\$ 80,917
Restricted for Economic development loans	261,332	-	261,332	-	261,332
Conservation projects	-	34,730	34,730	-	34,730
Total Fund Balances	<u>\$ 261,332</u>	<u>\$ 34,730</u>	<u>\$ 296,062</u>	<u>\$ 80,917</u>	<u>\$ 376,979</u>
Total Liabilities and Fund Balances	<u>\$ 261,398</u>	<u>\$ 52,149</u>	<u>\$ 313,547</u>	<u>\$ 80,917</u>	<u>\$ 394,464</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, 2013**

	<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	\$ -	\$ 110,162	\$ 110,162	\$ 5,007	\$ 115,169
Charges for services	262	-	262	-	262
Gifts and contributions	-	13,600	13,600	-	13,600
Investment earnings	2,914	-	2,914	340	3,254
Miscellaneous	-	367	367	-	367
Total Revenues	\$ 3,176	\$ 124,129	\$ 127,305	\$ 5,347	\$ 132,652
Expenditures					
Current					
Conservation of natural resources	\$ -	\$ 104,388	\$ 104,388	\$ 5,347	\$ 109,735
Economic development	32,320	-	32,320	-	32,320
Total Expenditures	\$ 32,320	\$ 104,388	\$ 136,708	\$ 5,347	\$ 142,055
Net Change in Fund Balance	\$ (29,144)	\$ 19,741	\$ (9,403)	\$ -	\$ (9,403)
Fund Balance - January 1	290,476	14,989	305,465	80,917	386,382
Fund Balance - December 31	\$ 261,332	\$ 34,730	\$ 296,062	\$ 80,917	\$ 376,979

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 119,720	\$ 119,720	\$ 110,162	\$ (9,558)
Gifts and contributions	18,600	18,600	13,600	(5,000)
Miscellaneous	-	-	367	367
Total Revenues	\$ 138,320	\$ 138,320	\$ 124,129	\$ (14,191)
Expenditures				
Current				
Conservation of natural resources				
Bevens Silver Creek	\$ -	\$ -	\$ 2,030	\$ (2,030)
High Island TMDL Implementation	73,760	73,760	44,651	29,109
Rush River TMDL Implementation	64,560	64,560	57,707	6,853
Total Expenditures	\$ 138,320	\$ 138,320	\$ 104,388	\$ 33,932
Net Change in Fund Balance	\$ -	\$ -	\$ 19,741	\$ 19,741
Fund Balance - January 1	14,989	14,989	14,989	-
Fund Balance - December 31	\$ 14,989	\$ 14,989	\$ 34,730	\$ 19,741

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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.

Economic Development - To account for collections and disbursement for the Sibley County Economic Development Commission.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2013**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,605	\$ 23,739	\$ 25,344
Investments	5,500	31,337	36,837
Accrued interest	-	480	480
Total Assets	<u>\$ 7,105</u>	<u>\$ 55,556</u>	<u>\$ 62,661</u>
<u>Net Position</u>			
Net position, held in trust	<u>\$ 7,105</u>	<u>\$ 55,556</u>	<u>\$ 62,661</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Additions</u>			
Interest	\$ 25	\$ 646	\$ 671
Change in Net Position	\$ 25	\$ 646	\$ 671
Net Position - Beginning of the Year	7,080	54,910	61,990
Net Position - End of the Year	<u>\$ 7,105</u>	<u>\$ 55,556</u>	<u>\$ 62,661</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1, Restated	Additions	Deductions	Balance December 31
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 75,448	\$ 1,073,841	\$ 1,059,049	\$ 90,240
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 519,842	\$ 517,376	\$ 2,466
Due to other governments	75,448	553,999	541,673	87,774
Total Liabilities	\$ 75,448	\$ 1,073,841	\$ 1,059,049	\$ 90,240
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 142,839	\$ 25,726,172	\$ 25,746,868	\$ 122,143
<u>Liabilities</u>				
Due to other governments	\$ 142,839	\$ 25,726,172	\$ 25,746,868	\$ 122,143
 <u>TRI-COUNTY SOLID WASTE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 8,403	\$ 325,342	\$ 315,586	\$ 18,159
<u>Liabilities</u>				
Due to other governments	\$ 8,403	\$ 325,342	\$ 315,586	\$ 18,159

**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, 2013**

	Balance January 1, Restated	Additions	Deductions	Balance December 31
<u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 8,423	\$ 8,321	\$ 102
Due from other governments	2,887	-	2,887	-
	\$ 2,887	\$ 8,423	\$ 11,208	\$ 102
	\$ 2,887	\$ 8,423	\$ 11,208	\$ 102
<u>Liabilities</u>				
Cash overdraft	\$ 2,887	\$ -	\$ 2,887	\$ -
Due to other governments	-	8,423	8,321	102
	\$ 2,887	\$ 8,423	\$ 11,208	\$ 102
	\$ 2,887	\$ 8,423	\$ 11,208	\$ 102
 <u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 106,346	\$ 89,070	\$ 70,880	\$ 124,536
	\$ 106,346	\$ 89,070	\$ 70,880	\$ 124,536
<u>Liabilities</u>				
Accounts payable	\$ 106,346	\$ 89,070	\$ 70,880	\$ 124,536
	\$ 106,346	\$ 89,070	\$ 70,880	\$ 124,536
 <u>ECONOMIC DEVELOPMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 79,006	\$ 98,666	\$ 125,651	\$ 52,021
	\$ 79,006	\$ 98,666	\$ 125,651	\$ 52,021
<u>Liabilities</u>				
Due to other governments	\$ 79,006	\$ 98,666	\$ 125,651	\$ 52,021
	\$ 79,006	\$ 98,666	\$ 125,651	\$ 52,021

**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, 2013**

	Balance January 1, Restated	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 412,042	\$ 27,321,514	\$ 27,326,355	\$ 407,201
Due from other governments	2,887	-	2,887	-
Total Assets	\$ 414,929	\$ 27,321,514	\$ 27,329,242	\$ 407,201
<u>Liabilities</u>				
Cash overdraft	\$ 2,887	\$ -	\$ 2,887	\$ -
Accounts payable	106,346	608,912	588,256	127,002
Due to other governments	305,696	26,712,602	26,738,099	280,199
Total Liabilities	\$ 414,929	\$ 27,321,514	\$ 27,329,242	\$ 407,201

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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 POSITION
SIBLEY COUNTY LIBRARY BOARD COMPONENT UNIT
DECEMBER 31, 2013**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 110,402	\$ -	\$ 110,402
Petty cash and change funds	20	-	20
Accounts receivable	385	-	385
Due from other governments	32,355	-	32,355
Prepaid items	879	-	879
Total Assets	\$ 144,041	\$ -	\$ 144,041
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Current liabilities			
Accounts payable	\$ 9,863	\$ -	\$ 9,863
Salaries payable	17,562	-	17,562
Due to other governments	2,829	-	2,829
Compensated absences payable - current	-	7,383	7,383
Noncurrent liabilities			
Compensated absences payable	-	19,962	19,962
Total Liabilities	\$ 30,254	\$ 27,345	\$ 57,599
Deferred Inflows of Resources			
Unavailable revenue	\$ 30,078	\$ (30,078)	
Fund Balance			
Nonspendable - prepaid items	\$ 879	\$ (879)	
Unassigned	82,830	(82,830)	
Total Fund Balance	\$ 83,709	\$ (83,709)	
Net Position			
Unrestricted		\$ 86,442	86,442
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 144,041	\$ -	\$ 144,041

Reconciliation of the General Fund Balance to Net Position

Fund Balance - General Fund	\$ 83,709
------------------------------------	------------------

Long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental fund.	30,078
---	--------

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(27,345)
---	----------

Net Position - Governmental Activities	\$ 86,442
---	------------------

**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, 2013**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 263,120	\$ -	\$ 263,120
Charges for services	25,607	30,078	55,685
Gifts and contributions	16,030	-	16,030
Miscellaneous	95,715	-	95,715
Total Revenues	\$ 400,472	\$ 30,078	\$ 430,550
Expenditures/Expenses			
Current			
Culture and recreation			
County library	424,581	(1,576)	423,005
Net Change in Fund Balance/Net Position	\$ (24,109)	\$ 31,654	\$ 7,545
Fund Balance/Net Position - January 1	107,818	(28,921)	78,897
Fund Balance/Net Position - December 31	\$ 83,709	\$ 2,733	\$ 86,442

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

Net Change in Fund Balance **\$ (24,109)**

In the funds, receivables not available for expenditure are deferred.
In the statement of activities, those revenues are recognized when
earned.

30,078

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 governmental fund.

1,576

Change in Net Position of Governmental Activities

\$ 7,545

SCHEDULES

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2013**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
County Ditches						
C.D. #1	\$ 957	\$ 46	\$ 3,052	\$ 98,963	\$ -	\$ 103,018
C.D. #2	7,238	7	10,561	16,935	-	34,741
C.D. #4A	11,609	-	-	1,529	-	13,138
C.D. #9A	2,277	4	-	724	-	3,005
C.D. #10	1,067	-	-	288	-	1,355
C.D. #11	1,793	35	34,937	12,894	-	49,659
C.D. #12A	500	-	-	12,395	-	12,895
C.D. #13A	(13,018)	-	-	57,500	-	44,482
C.D. #18	6,614	1	44,648	103,562	-	154,825
C.D. #21A	4,422	-	-	-	-	4,422
C.D. #22	2,058	24	43,201	25,710	-	70,993
C.D. #23A	16,096	23	-	57,098	-	73,217
C.D. #24A	3,130	4	-	4,391	-	7,525
C.D. #25A	1,254	-	-	5,029	-	6,283
C.D. #26	1,071	-	-	6,530	-	7,601
C.D. #29	(2,998)	23	52,335	33,727	-	83,087
C.D. #29 Impr. SCHWARTZ	2,410	189	45,315	-	-	47,914
C.D. #30A	4,486	75	-	6,480	-	11,041
C.D. #31A	14,032	121	-	11,142	-	25,295
C.D. #32A	1,643	-	-	8,056	-	9,699
C.D. #37A	8,993	-	-	-	-	8,993
C.D. #38	1,023	-	-	-	-	1,023
C.D. #39	1,553	-	4,097	58,007	-	63,657
C.D. #40A	2,332	-	-	6,621	-	8,953
C.D. #42	(2,665)	2	-	28,369	-	25,706
C.D. #43	2,978	-	-	15,969	-	18,947
C.D. #44	(7,502)	-	-	19,389	-	11,887
C.D. #45	3,125	-	-	7,203	-	10,328
C.D. #46	884	-	-	-	-	884
C.D. #47	4,666	383	38,334	1,145	-	44,528
C.D. #48	1,477	-	-	7,741	-	9,218
C.D. #49	37,269	774	20,338	21,356	-	79,737
C.D. #50	970	-	-	15,267	-	16,237
C.D. #54	25,003	3	-	-	-	25,006
C.D. #55	82,186	750	29,046	97,897	-	209,879
C.D. #56	7,445	-	-	-	-	7,445
C.D. #57A	2,308	-	-	-	-	2,308
C.D. #58	11,050	42	-	-	-	11,092
C.D. #59	43,039	290	-	-	-	43,329
C.D. #60	2,437	-	-	-	-	2,437
C.D. #61	1,782	-	-	14,353	-	16,135
C.D. #64	21,452	-	-	-	-	21,452
C.D. #65	7,104	-	-	-	-	7,104
C.D. #66	19,752	-	-	-	-	19,752
C.D. #67	55,130	2	-	53,406	-	108,538
C.D. #61 Outlet Impr.	2,647	-	4,867	-	-	7,514
C.D. #70	601	-	-	-	-	601
Total County Ditches	\$ 403,680	\$ 2,798	\$ 330,731	\$ 809,676	\$ -	\$ 1,546,885

EXHIBIT F-1

Accounts Payable	Due to Other Funds	Liabilities			Total	Deferred Inflows of Resources Unavailable Revenue	Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
		Due to Other Governments	Bonds Payable					
\$ 642	\$ 113,000	\$ -	\$ -	\$ 113,642	\$ -	\$ (10,624)	\$ 103,018	
-	-	-	-	-	-	34,741	34,741	
-	-	-	-	-	-	13,138	13,138	
-	-	-	-	-	-	3,005	3,005	
-	700	-	-	700	-	655	1,355	
-	35,000	-	-	35,000	-	14,659	49,659	
3,754	20,000	-	-	23,754	-	(10,859)	12,895	
-	40,000	-	-	40,000	-	4,482	44,482	
500	226,000	-	-	226,500	-	(71,675)	154,825	
-	-	-	-	-	-	4,422	4,422	
368	37,000	-	-	37,368	-	33,625	70,993	
-	-	-	-	-	-	73,217	73,217	
1,133	-	-	-	1,133	-	6,392	7,525	
-	5,000	-	-	5,000	-	1,283	6,283	
-	5,000	-	-	5,000	-	2,601	7,601	
397	153,000	-	-	153,397	-	(70,310)	83,087	
-	45,000	-	-	45,000	-	2,914	47,914	
171	30,000	-	-	30,171	-	(19,130)	11,041	
-	-	-	-	-	-	25,295	25,295	
1,647	5,000	-	-	6,647	-	3,052	9,699	
-	-	-	-	-	-	8,993	8,993	
-	800	-	-	800	-	223	1,023	
260	27,000	-	-	27,260	-	36,397	63,657	
-	2,000	-	-	2,000	-	6,953	8,953	
1,133	10,000	-	-	11,133	-	14,573	25,706	
-	40,000	-	-	40,000	-	(21,053)	18,947	
-	5,000	-	-	5,000	-	6,887	11,887	
-	23,000	-	-	23,000	-	(12,672)	10,328	
-	-	-	-	-	-	884	884	
-	40,000	-	-	40,000	-	4,528	44,528	
-	5,000	-	-	5,000	-	4,218	9,218	
7,353	37,000	-	-	44,353	-	35,384	79,737	
2,926	1,000	18	-	3,944	-	12,293	16,237	
-	-	-	-	-	-	25,006	25,006	
2,917	-	-	-	2,917	-	206,962	209,879	
-	-	-	-	-	-	7,445	7,445	
-	-	-	-	-	-	2,308	2,308	
-	-	-	-	-	-	11,092	11,092	
-	-	-	-	-	-	43,329	43,329	
-	-	-	-	-	-	2,437	2,437	
-	5,000	-	-	5,000	-	11,135	16,135	
-	-	-	-	-	-	21,452	21,452	
-	-	-	-	-	-	7,104	7,104	
-	-	-	-	-	-	19,752	19,752	
-	-	-	-	-	-	108,538	108,538	
-	7,000	-	-	7,000	-	514	7,514	
2,115	55,000	-	-	57,115	-	(56,514)	601	
\$ 25,316	\$ 972,500	\$ 18	\$ -	\$ 997,834	\$ -	\$ 549,051	\$ 1,546,885	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2013**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
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	27,383	-	7,964	-	-	35,347
H.I. Proj. #11	245,557	-	231,465	-	-	477,022
H.I. Proj. #13 (Old C.D. 6A)	43	-	-	-	-	43
Total High Island Project	\$ 273,039	\$ -	\$ 239,429	\$ -	\$ -	\$ 512,468
Judicial Ditches						
JD #1A S&N	\$ 23,275	\$ 85	\$ -	\$ 28,802	\$ -	\$ 52,162
JD #2 SC	79	-	4,790	35,229	2,317	42,415
JD #3 SCM	(998)	-	28,221	17,990	8,763	53,976
JD #5 M&S	1,338	-	-	5,595	1,543	8,476
JD #5 S&N	1,499	-	-	14,463	2,214	18,176
JD #6A S&N	51,598	263	-	-	-	51,861
JD #8 S&R	2,120	-	-	24,198	2,127	28,445
JD #8 M&S	1,071	-	-	5,643	1,680	8,394
JD #11 RSM	27,839	-	-	95,333	20,916	144,088
JD #12 Sibley	8,652	-	-	14,087	-	22,739
JD #13 SRN	1,809	217	-	14,440	4,401	20,867
JD #13 N&S	1,074	-	-	-	37	1,111
JD #14 S&N	1,535	-	-	-	88	1,623
JD #15 S&M	5,413	14	-	-	137	5,564
JD #15 R&S	1,104	-	-	1,022	123	2,249
JD #15 N&S	3,442	-	-	-	436	3,878
JD #16 N&S	1,248	-	-	-	54	1,302
JD #17 S&M	1,473	-	-	2,345	397	4,215
JD #18 S&M	(80)	-	-	82,158	18,909	100,987
JD #19 S&M	1,925	-	-	9,426	3,634	14,985
JD #20 S&N	2,002	1,211	-	60,485	3,199	66,897
JD #21 S&C	1,702	-	-	624	281	2,607
JD #22 S&C	3,368	-	-	-	54	3,422
JD #24 RSM	(5,737)	466	-	37,378	8,556	40,663
JD #30 R&S	1,027	-	-	-	44	1,071
JD #31 RSN	1,068	-	-	5,664	238	6,970
JD #6 NS	1,285	-	-	-	54	1,339
JT #1A N&S Impr.	61,721	158	-	-	-	61,879
JT #1 RS	4,153	-	-	-	45	4,198
JT #7 SNR	34,208	-	46,580	-	951	81,739
JT #24 CS	1,205	-	-	-	327	1,532
JT #7 Lat 17 Impr. Berger	1,471	-	83,661	-	-	85,132
JT #5 YAHNKE S&N Impr	4,213	-	77,336	-	-	81,549
Total Judicial Ditches	\$ 247,102	\$ 2,414	\$ 240,588	\$ 454,882	\$ 81,525	\$ 1,026,511
Total All Ditches	\$ 923,821	\$ 5,212	\$ 810,748	\$ 1,264,558	\$ 81,525	\$ 3,085,864
Reconcile to Exhibit 3	-	-	-	-	-	-
Total Modified Accrual	\$ 923,821	\$ 5,212	\$ 810,748	\$ 1,264,558	\$ 81,525	\$ 3,085,864

EXHIBIT F-1
(Continued)

Accounts Payable	Liabilities				Deferred Inflows of Resources Unavailable Revenue	Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
	Due to Other Funds	Due to Other Governments	Bonds Payable	Total			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 21
-	-	-	-	-	-	15	15
-	-	-	-	-	-	10	10
-	-	-	-	-	-	10	10
-	-	-	-	-	-	35,347	35,347
-	-	-	495,000	495,000	-	(17,978)	477,022
-	100	-	-	100	-	(57)	43
\$ -	\$ 100	\$ -	\$ 495,000	\$ 495,100	\$ -	\$ 17,368	\$ 512,468
\$ 2,027	\$ -	\$ 262	\$ -	\$ 2,289	\$ -	\$ 49,873	\$ 52,162
260	65,000	-	-	65,260	-	(22,845)	42,415
425	30,000	8	-	30,433	-	23,543	53,976
7,934	13,000	8	-	20,942	-	(12,466)	8,476
-	7,500	-	-	7,500	-	10,676	18,176
370	-	3,546	-	3,916	-	47,945	51,861
-	20,000	123	-	20,123	-	8,322	28,445
-	5,000	244	-	5,244	-	3,150	8,394
7,455	-	19,598	-	27,053	-	117,035	144,088
-	-	-	-	-	-	22,739	22,739
-	8,000	1,784	-	9,784	-	11,083	20,867
-	700	-	-	700	-	411	1,111
-	-	-	-	-	-	1,623	1,623
-	-	5	-	5	-	5,559	5,564
-	-	1,344	-	1,344	-	905	2,249
-	-	-	-	-	-	3,878	3,878
-	500	-	-	500	-	802	1,302
-	2,500	3	-	2,503	-	1,712	4,215
1,439	27,000	3,151	-	31,590	-	69,397	100,987
9,668	6,000	413	-	16,081	-	(1,096)	14,985
-	52,000	-	-	52,000	-	14,897	66,897
-	2,000	-	-	2,000	-	607	2,607
-	-	-	-	-	-	3,422	3,422
11,400	-	6,018	-	17,418	-	23,245	40,663
-	1,000	-	-	1,000	-	71	1,071
-	1,000	2,130	-	3,130	-	3,840	6,970
-	-	-	-	-	-	1,339	1,339
-	-	19,737	-	19,737	-	42,142	61,879
-	-	-	-	-	-	4,198	4,198
1,133	-	-	80,000	81,133	-	606	81,739
-	1,000	-	-	1,000	-	532	1,532
-	50,000	-	-	50,000	-	35,132	85,132
-	38,000	-	-	38,000	-	43,549	81,549
\$ 42,111	\$ 330,200	\$ 58,374	\$ 80,000	\$ 510,685	\$ -	\$ 515,826	\$ 1,026,511
\$ 67,427	\$ 1,302,800	\$ 58,392	\$ 575,000	\$ 2,003,619	\$ -	\$ 1,082,245	\$ 3,085,864
-	-	-	(575,000)	(575,000)	2,080,518	(1,505,518)	-
\$ 67,427	\$ 1,302,800	\$ 58,392	\$ -	\$ 1,428,619	\$ 2,080,518	\$ (423,273)	\$ 3,085,864

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Shared Revenue				
State				
Highway users tax	\$ 3,556,354	\$ -	\$ 3,556,354	\$ -
Market value credit	4,578	-	4,578	-
Market value credit - agricultural	192,924	-	192,924	-
PERA rate reimbursement	25,384	-	25,384	-
Disparity reduction aid	54,851	-	54,851	-
County program aid	361,661	-	361,661	-
Police aid	79,623	-	79,623	-
E-911	73,278	-	73,278	-
Petroleum tax relief	2,515	-	2,515	-
Total shared revenue	\$ 4,351,168	\$ -	\$ 4,351,168	\$ -
Reimbursement for Services				
State				
Minnesota Department of Human Services	\$ 336,582	\$ -	\$ 336,582	\$ -
Payments				
Local				
Local contributions	\$ -	\$ -	\$ -	\$ 263,120
Payments in lieu of taxes	44,933	-	44,933	-
Total payments	\$ 44,933	\$ -	\$ 44,933	\$ 263,120
Grants				
State				
Minnesota Department/Board of Corrections	\$ 27,695	\$ -	\$ 27,695	\$ -
Public Safety	240,414	-	240,414	-
Health	138,083	-	138,083	-
Natural Resources	61,558	-	61,558	-
Human Services	891,807	-	891,807	-
Veteran's Affairs	5,098	-	5,098	-
Water and Soil Resources	114,960	-	114,960	-
Peace Officer Standards and Training Board	4,628	-	4,628	-
Pollution Control Agency	60,813	-	60,813	-
Total state	\$ 1,545,056	\$ -	\$ 1,545,056	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*EXHIBIT F-2
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Grants (Continued)				
Federal				
Department of				
Agriculture	\$ 226,681	\$ -	\$ 226,681	\$ -
Transportation	210,165	-	210,165	-
Housing and Urban Development	-	129,213	129,213	-
Health and Human Services	1,106,949	-	1,106,949	-
Environmental Protection Agency	106,805	-	106,805	-
Total federal	\$ 1,650,600	\$ 129,213	\$ 1,779,813	\$ -
Total state and federal grants	\$ 3,195,656	\$ 129,213	\$ 3,324,869	\$ -
Total Intergovernmental Revenue	\$ 7,928,339	\$ 129,213	\$ 8,057,552	\$ 263,120

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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	\$ 97,480
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>129,201</u>
Total U.S. Department of Agriculture		<u>\$ 226,681</u>
U.S. Department of Housing and Urban Development		
Direct Section 8 Housing Choice Vouchers	14.871	<u>\$ 129,213</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 205,165
Passed Through Minnesota Department of Public Safety State Traffic Safety Information System Improvement Grants	20.610	<u>5,000</u>
Total U.S. Department of Transportation		<u>\$ 210,165</u>
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	<u>\$ 106,805</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	\$ 4,000
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	3,823
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$96,907)	93.558	81,637
Child Support Enforcement	93.563	188,303
Refugee and Entrant Assistance - State-Administered Programs	93.566	197
Child Care and Development Block Grant	93.575	4,292
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,437
Foster Care - Title IV-E	93.658	35,784
Social Services Block Grant	93.667	96,023
Chafee Foster Care Independence Program	93.674	185
Children's Health Insurance Program	93.767	43

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services (Continued)		
Medical Assistance Program (Total Medical Assistance Program 93.778 \$447,881)	93.778	430,497
Block Grants for Prevention and Treatment of Substance Abuse	93.959	197,732
Passed Through Meeker-McLeod-Sibley Community Health Services		
Public Health Emergency Preparedness	93.069	15,637
Universal Newborn Hearing Screening	93.251	300
Immunization Cooperative Agreements	93.268	3,498
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$96,907)	93.558	15,270
Medical Assistance Program (Total Medical Assistance Program 93.778 \$447,881)	93.778	17,384
Maternal and Child Health Services Block Grant to the States	93.994	9,907
Total U.S. Department of Health and Human Services		\$ 1,106,949
Total Federal Awards		\$ 1,779,813

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013. 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 position of Sibley County.

3. Summary of Significant Accounting Policies

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

4. Subrecipients

During 2013, the County did not pass any federal money to subrecipients.

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**Other Information
Section**

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SIBLEY COUNTY
GAYLORD, MINNESOTA

EXHIBIT G-1

TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS
DECEMBER 31, 2013

	Taxes Levied for Collection					
	2012		2013		2014	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 18,959,457		\$ 20,177,043		\$ 24,391,422	
Personal property	579,391		604,616		645,873	
Total Tax Capacity	\$ 19,538,848		\$ 20,781,659		\$ 25,037,295	
Taxes Levied for County Purposes						
General government	\$ 5,239,854	26.345	\$ 5,240,365	24.585	\$ 5,310,186	20.675
Public works	3,492,667	17.560	4,032,113	18.917	4,267,587	16.616
Human services	2,092,296	10.519	2,075,110	9.736	2,228,218	8.676
Debt service	273,620	1.411	272,500	1.321	248,840	1.000
Total Levy for County Purposes	\$ 11,098,437		\$ 11,620,088		\$ 12,054,831	
Less: County program aid	273,026		361,661		365,693	
Net Levy for County Purposes	\$ 10,825,411	55.835	\$ 11,258,427	54.559	\$ 11,689,138	46.967
Tax Capacity - Light and Power						
Transmission lines	\$ 3,044		\$ 3,728		\$ 3,740	
Distribution lines	2,022		2,432		8,364	
Total Tax Capacity - Light and Power	\$ 5,066		\$ 6,160		\$ 12,104	
Tax Levies - Light and Power						
Transmission lines	\$ 3,072	100.932	\$ 3,637	97.560	\$ 3,119	83.389
Distribution lines	2,041	100.932	2,373	97.560	6,975	83.389
Total Tax Levies - Light and Power	\$ 5,113		\$ 6,010		\$ 10,094	
Special Assessments						
Ditch liens and all other assessments	\$ 1,283,477		\$ 1,657,526		\$ 1,781,831	
Percentage of Tax Collections for All Purposes		98.98%		98.93%		

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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: **Unmodified**

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:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Highway Planning and Construction	CFDA #20.205
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2001-002

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 informed us that it 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.

Finding 2009-001

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.

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 informed us that it 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.

Finding 2011-001

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: During 2013, the information included in the County's financial statements and submitted to the auditors required numerous revisions affecting both the financial statements and related notes. The auditors were required to complete the financial statement process, including converting the modified accrual financial statements to full accrual in order to complete the government-wide financial statements. In addition, there were numerous delays in obtaining this information.

Context: In order to meet the County's September 30 single audit deadline, financial statement information needs to be provided to the auditors in a timely manner.

Effect: Additional audit hours resulted from delays in the County completing its financial statements within a reasonable amount of time. Errors were discovered which resulted in adjustments to the financial statements.

Cause: The County informed us that there was a major change in accounting personnel during the timeframe of the audit. As a result, the preparation of the County's financial statements was not completed as planned.

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 is prepared in a manner that allows the auditors an adequate amount of time to complete the audit by the County's required deadline.

Finding 2011-002

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control 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.

Condition: During our audit, we identified material adjustments which 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: The following audit adjustments were necessary to be recorded for December 31, 2013:

- An adjustment of \$500,009 was required in the Public Works Special Revenue Fund to record additional highway allotments revenue due to the County at year-end.
- Adjustments of \$1,050,862 and \$1,688,900 were made respectively to the Public Health and Human Services Special Revenue Fund and to the Ditch Special Revenue Fund. These adjustments were required to accurately present the cash balances in these two funds.
- The Sub-Surface Sewage Treatment Systems Loans Special Revenue Fund was adjusted by \$150,227 to record the deferred special assessments receivable balance at year-end.
- An adjustment of \$49,208 was required in the Water Projects Special Revenue Fund to record additional grant revenue due to the County at year-end.
- Adjustments of \$964,630, \$840,128, \$202,588, and \$1,716,517 were made respectively to the Public Works Special Revenue Fund, the Public Health and Human Services Special Revenue Fund, the Ditch Special Revenue Fund, and the Debt Service Fund to reclassify fund balances for constraints placed on the use of resources.

Cause: County staff informed us that receivable amounts were omitted in error. The County noted that cash balances were properly recorded in the County's records; however, errors were made in presenting the balances on the financial statements. County staff also informed us that they did not fully understand all fund balance classifications.

Recommendation: We recommend that the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2010-002

Ditch Fund Cash Balance Deficits and Fund Balance Deficits

Criteria: Drainage system costs are required by Minn. Stat. § 103E.655 to be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, this statute allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures. Such loans must be paid back with interest.

Additionally, individual ditch systems should be maintained with a positive fund balance to display solvency. As provided by Minn. Stat. § 103E.735, subd. 1, a 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: The County had ditch systems with individual deficit cash balances and individual fund deficit balances at December 31, 2013.

Context: At December 31, 2013, 7 ditch systems had negative cash balances totaling \$32,998, and 13 ditch systems had fund deficit balances totaling \$327,279.

Effect: The County is not in compliance with Minnesota statutes by having ditch systems with negative cash balances. Ditch systems with fund deficit balances indicate that measures have not been taken to ensure an individual ditch system can meet financial obligations.

Cause: The County informed us that expenditures had been made for ditch systems with insufficient cash to cover the expenditures. Additionally, special assessments levied for systems had not been sufficient to meet all obligations of the systems.

Recommendation: We recommend that the County eliminate the cash deficits by borrowing from eligible funds with surplus cash balances under Minn. Stat. § 103E.655. Fund balance deficits should be eliminated by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus cash balance to provide for the repair and maintenance of the ditch systems.

ITEM ARISING THIS YEAR

Finding 2013-001

Driver Awareness Class

Criteria: As stated in Minn. Stat. § 169.022, in part, “. . . Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalties provided for in this chapter for the same offense.”

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. *See* 2009 Minn. Laws, ch. 158. Among other provisions, the statute states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999. The statute specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the Commissioner of Public Safety and specifies that the fine for an administrative violation must be \$60, two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Commissioner of Minnesota Management & Budget for deposit in the state’s General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the statute.

Condition: Sibley County has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff’s Deputies have the discretion to offer traffic violators the option of attending the Driver Awareness Class in lieu of a citation. The course is two hours long and costs \$75, which is payable to the Sibley County Sheriff.

Context: In a letter to State Representative Steve Smith on December 1, 2003, the Minnesota Attorney General specifically addressed the issue of a driver improvement course or clinic in lieu of a ticket or other penalty. After reviewing the state law, the Attorney General concluded: “All such programs, however, require that a *trial court* make the determination as to whether attendance at such a [driver’s] clinic is appropriate. We are aware of no express authority for local officials to create a *pretrial* diversion program.” (Emphasis is that of the Attorney General.)

The Minnesota Supreme Court has stated, “[a]s a creature of the state deriving its sovereignty from the state, the county should play a leadership role in carrying out legislative policy.” *Kasch v. Clearwater County*, 289 N.W. 2d 148, 152 (Minn. 1980), quoting *County of Freeborn v. Bryson*, 243 N.W. 2d 316, 321 (Minn. 1976).

In January 2014, a judge in the Minnesota Third Judicial District issued a permanent injunction against a similar driver diversion program operated by another Minnesota county. The judge, like the Minnesota Attorney General, concluded that the driver diversion program was not authorized under Minnesota law. The involved county has discontinued its program and has not appealed the decision.

Effect: The Sibley County Driver Awareness Class is unauthorized and in violation of Minn. Stat. § 169.022.

Cause: The County informed us, in its opinion, the reliance on Minn. Stat. § 169.022 as the objection to the County’s Driver Awareness Class is unfounded. The County, through its prosecutors and its law enforcement officers, will continue to enforce Minn. Stat., ch. 169 as it presently does.

Recommendation: We recommend the County comply with Minn. Stat. ch. 169, including Minn. Stat. § 169.999 or any subsequent legislation, by not offering a Driver Awareness Class in lieu of issuance or court filing of a state uniform traffic ticket.



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

Independent Auditor's Report

Board of County Commissioners
Sibley County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 22, 2014. Other auditors audited the financial statements of the Sibley Estates Enterprise Fund, as described in our report on Sibley County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were

not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items 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 2011-002 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 2001-002, 2009-001, and 2011-001 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance in tax increment financing because the County had no tax increment financing districts or the legal compliance requirements where the activities took place in the various cities that are included in the Sibley County Library System.

In connection with our audit, nothing came to our attention that caused us to believe that Sibley County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 2010-002 and 2013-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 22, 2014

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Sibley County

Report on Compliance for Each Major Federal Program

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 the County's major federal programs for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sibley County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Sibley County complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

Management of Sibley County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 22, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR