

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SIBLEY COUNTY
(Including the Sibley County Library System)
GAYLORD, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 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
(Including the Sibley County Library System)
GAYLORD, MINNESOTA

Year Ended December 31, 2015



Audit Practice Division
Office of the State Auditor
State of Minnesota

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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GAYLORD, MINNESOTA**

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GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2015**

| Office | Name | Term | |
|--|------------------------|---------------|---------------|
| | | From | To |
| Commissioners | | | |
| 1st District | Bobbie Harder | January 2015 | January 2019 |
| 2nd District | William "Bill" Pinske* | January 2003 | January 2017 |
| 3rd District | Jim Swanson | January 2009 | January 2017 |
| 4th District | Joy Cohrs | January 2011 | January 2019 |
| 5th District | Gary Kruggel | January 2015 | January 2019 |
| Officers | | | |
| Elected | | | |
| Attorney | David E. Schauer | February 1988 | January 2019 |
| Auditor | Marilee Peterson | January 2015 | January 2019 |
| Recorder | Kathy Dietz | February 2005 | January 2019 |
| Registrar of Titles | Kathy Dietz | February 2005 | January 2019 |
| Sheriff | Bruce Ponath | January 2003 | January 2019 |
| Treasurer | Mary Fisher | January 1999 | January 2019 |
| Appointed | | | |
| Administrator | Roxy Traxler | | Indefinite |
| Assessor | Calvin Roberts | November 1978 | December 2015 |
| | Laura Hacker | December 2015 | December 2016 |
| Court Administrator | Karen Messner (State) | | Indefinite |
| Court Services Director | Gary Wilfahrt (State) | | Indefinite |
| Emergency Management Director | Bryan Gorman | | Indefinite |
| Environmental Services Director | Jeffery Majeski | | Indefinite |
| Examiner of Titles | Ross Arneson | | Indefinite |
| Extension Educator | Jason Ertl | | Indefinite |
| Human Resources Director | Kimberlai Moore-Sykes | | Indefinite |
| Information Service Director | Beth Wilson | | Indefinite |
| Medical Examiner | A. Quinn Strobl, MD | January 2010 | December 2018 |
| Public Health and Human Services Director | Vicki Stock | | Indefinite |
| | Timothy Becker | June 2013 | April 2017 |
| Public Works Director | Avery Grochow | January 2011 | December 2018 |
| Surveyor | Lisa Klenk | August 2008 | August 2016 |

*Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sibley County
Gaylord, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2015, 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 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 Sibley Estates, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2015, in which Sibley County has an equity interest. The SCHA is a joint venture discussed in Note 5.C. to the financial statements. The County's investment in the SCHA, \$1,890,556, represents 2.1 percent and 2.5 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have

applied procedures on the conversion adjustments to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

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 reports 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1.F. to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the 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.

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 the 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 reports dated September 13, 2016, on our consideration of Sibley County's and the Sibley County Library System component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sibley County's and the Sibley County Library System component unit's internal control over financial reporting and compliance. They do not include Sibley Estates of Sibley County or the South Country Health Alliance, which were audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sibley County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 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 13, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(Unaudited)**

The financial management of Sibley County offers the readers of Sibley County's financial statements this narrative overview and analysis of the financial activity of Sibley County for the year ended December 31, 2015. We encourage our readers to consider the information presented here in conjunction with additional information that we have provided in our notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Sibley County's governmental activities' total net position is \$76,118,927, of which \$57,565,987 is the net investment in capital assets, and \$5,310,464 is restricted to specific purposes.
- Business-type activities' total net position is \$678,586, of which \$416,939 is the net investment in capital assets.
- Governmental activities' total net position increased by \$3,469,708 after the restatement for Governmental Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the implementation of GASB Statements 68 and 71 can be found in Note 1.F. The net position of the County's business-type activities increased by \$36,097.
- At the close of 2015, the unassigned fund balance for the General Fund was \$5,584,479 or 71.9 percent, of the total General Fund expenditures. This amount will be available for 2016 budgeting purposes.
- The net cost of governmental activities in 2015 decreased by \$370,738 from the previous year to \$9,973,101. The net cost was funded by general revenues totaling \$13,442,809.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. Sibley County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A, certain budgetary comparisons, a schedule of funding progress for other postemployment benefits, and schedules of the proportionate share of net pension liability and schedules of contributions are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of Sibley County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. In the Statement of Net Position and the Statement of Activities, the County is divided into three kinds of activities:

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Business-type activities--The County charges a fee to customers to help it cover all or most of the cost of the services it provides. The activities of Sibley Estates are reported here.
- Component units--The County includes a separate legal entity in its report. The Sibley County Library System is reported in a separate column. Although legally separate, this "component unit" is important because the County is financially accountable.

Government-wide financial statements can be found on Exhibits 1 and 2.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sibley County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The County Board may also establish some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of Sibley County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

Governmental fund financial statements can be found on Exhibits 3 through 6.

- Proprietary funds--When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement

of Activities. In fact, the County's enterprise fund (a type of proprietary fund) presents the same information as the business-type activities in the government-wide statements but provides more detail and additional information, such as cash flows.

Proprietary fund financial statements can be found on Exhibits 7 through 9.

- Fiduciary funds--The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on Exhibits 10 and 11. These activities are excluded from the County's other financial statements because the County cannot use these assets to finance its ongoing operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

A useful tool for analyzing financial statements is to compare information from the previous year. Table I shows a two-year net position comparison.

Table I
Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|-------------------------|----------------------|--------------------------|-------------------|--------------------------|----------------------|
| | 2015 | 2014 Restated* | 2015 | 2014 | 2015 | 2014 Restated* |
| Assets | | | | | | |
| Current and other assets | \$ 30,451,349 | \$ 28,429,242 | \$ 285,826 | \$ 205,764 | \$ 30,737,175 | \$ 28,635,006 |
| Capital assets | 59,020,754 | 57,620,623 | 416,939 | 457,085 | 59,437,693 | 58,077,708 |
| Total Assets | \$ 89,472,103 | \$ 86,049,865 | \$ 702,765 | \$ 662,849 | \$ 90,174,868 | \$ 86,712,714 |
| Deferred Outflows of Resources | \$ 1,012,062 | \$ 283,949 | \$ - | \$ - | \$ 1,012,062 | \$ 283,949 |
| Liabilities | | | | | | |
| Long-term liabilities | \$ 10,954,581 | \$ 11,208,649 | \$ - | \$ - | \$ 10,954,581 | \$ 11,208,649 |
| Other liabilities | 2,497,216 | 2,208,075 | 24,179 | 20,360 | 2,521,395 | 2,228,435 |
| Total Liabilities | \$ 13,451,797 | \$ 13,416,724 | \$ 24,179 | \$ 20,360 | \$ 13,475,976 | \$ 13,437,084 |
| Deferred Inflows of Resources | \$ 913,441 | \$ 267,871 | \$ - | \$ - | \$ 913,441 | \$ 267,871 |
| Net Position | | | | | | |
| Net investment in capital assets | \$ 57,565,987 | \$ 55,914,110 | \$ 416,939 | \$ 457,085 | \$ 57,982,926 | \$ 56,371,195 |
| Restricted | 5,310,464 | 4,902,676 | - | - | 5,310,464 | 4,902,676 |
| Unrestricted | 13,242,476 | 11,832,433 | 261,647 | 185,404 | 13,504,123 | 12,017,837 |
| Total Net Position, as restated* | \$ 76,118,927 | \$ 72,649,219 | \$ 678,586 | \$ 642,489 | \$ 76,797,513 | \$ 73,291,708 |

*Restatement for change in accounting principles; see Note 1.F.

The net position of the County's governmental activities increased by 4.8 percent (\$3,469,708) after the restatement for GASB Statements 68 and 71. Unrestricted net position--the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$11,832,433 at December 31, 2014, as restated, to \$13,242,476 at the end of this year. Net position of the business-type activities increased by 5.6 percent (\$36,097).

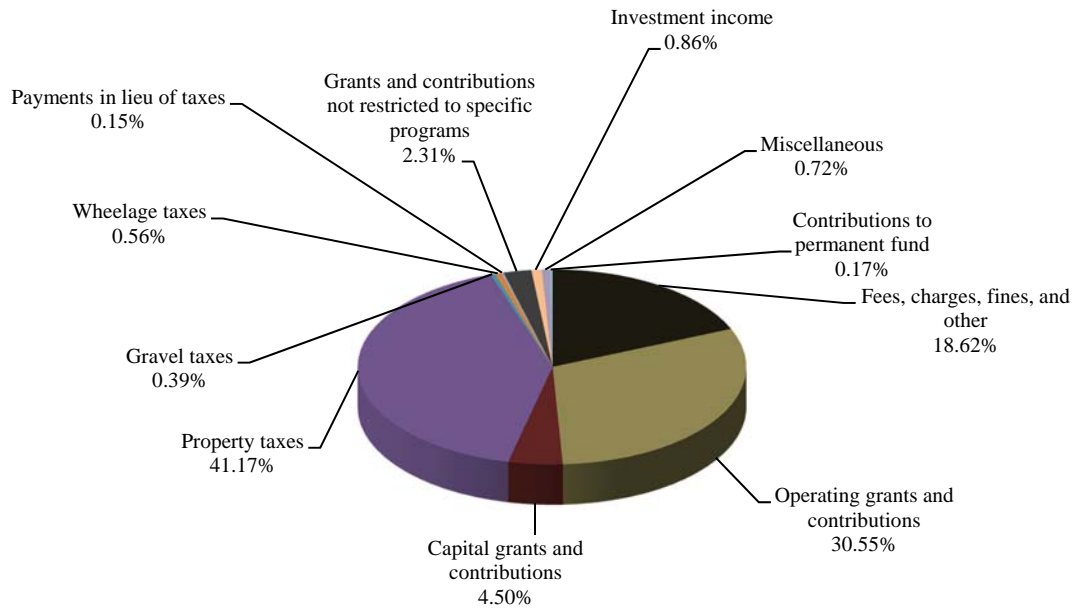
Table II
Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|-------------------------|----------------------|--------------------------|-------------------|--------------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Fees, charges, fines, and other | \$ 5,218,782 | \$ 3,846,368 | \$ 183,069 | \$ 189,628 | \$ 5,401,851 | \$ 4,035,996 |
| Operating grants and contributions | 8,726,909 | 7,744,210 | 137,056 | 123,643 | 8,863,965 | 7,867,853 |
| Capital grants and contributions | 1,306,618 | 1,646,254 | - | - | 1,306,618 | 1,646,254 |
| General revenues | | | | | | |
| Property taxes | 11,943,718 | 11,443,746 | - | - | 11,943,718 | 11,443,746 |
| Gravel taxes | 112,405 | 109,865 | - | - | 112,405 | 109,865 |
| Wheelage taxes | 163,208 | 151,287 | - | - | 163,208 | 151,287 |
| Payments in lieu of tax | 44,952 | 46,363 | - | - | 44,952 | 46,363 |
| Grants and contributions not restricted to specific programs | 670,924 | 640,908 | - | - | 670,924 | 640,908 |
| Investment income | 248,446 | 368,517 | 64 | 32 | 248,510 | 368,549 |
| Miscellaneous and other | 209,656 | 221,866 | - | - | 209,656 | 221,866 |
| Contributions to permanent fund | 49,500 | - | - | - | 49,500 | - |
| Total Revenues | \$ 28,695,118 | \$ 26,219,384 | \$ 320,189 | \$ 313,303 | \$ 29,015,307 | \$ 26,532,687 |
| Expenses | | | | | | |
| General government | \$ 4,197,381 | \$ 4,167,835 | \$ - | \$ - | \$ 4,197,381 | \$ 4,167,835 |
| Public safety | 2,807,162 | 2,714,185 | - | - | 2,807,162 | 2,714,185 |
| Highways and streets | 7,469,727 | 6,883,083 | - | - | 7,469,727 | 6,883,083 |
| Sanitation | 387,051 | 462,802 | - | - | 387,051 | 462,802 |
| Human services | 4,714,557 | 4,749,754 | - | - | 4,714,557 | 4,749,754 |
| Health | 1,237,930 | 1,315,543 | - | - | 1,237,930 | 1,315,543 |
| Culture and recreation | 370,373 | 363,033 | - | - | 370,373 | 363,033 |
| Conservation of natural resources | 3,840,792 | 2,721,498 | - | - | 3,840,792 | 2,721,498 |
| Economic development | 139,287 | 136,338 | - | - | 139,287 | 136,338 |
| Interest | 61,150 | 66,600 | - | - | 61,150 | 66,600 |
| Sibley Estates | - | - | 284,092 | 297,730 | 284,092 | 297,730 |
| Total Expenses | \$ 25,225,410 | \$ 23,580,671 | \$ 284,092 | \$ 297,730 | \$ 25,509,502 | \$ 23,878,401 |
| Changes in Net Position | \$ 3,469,708 | \$ 2,638,713 | \$ 36,097 | \$ 15,573 | \$ 3,505,805 | \$ 2,654,286 |
| Net Position – January 1, as restated | \$ 72,649,219* | \$ 75,645,379 | \$ 642,489 | \$ 626,916 | \$ 73,291,708* | \$ 76,272,295 |
| Net Position – December 31, as reported | \$ 76,118,927 | \$ 78,284,092 | \$ 678,586 | \$ 642,489 | \$ 76,797,513 | \$ 78,926,581 |

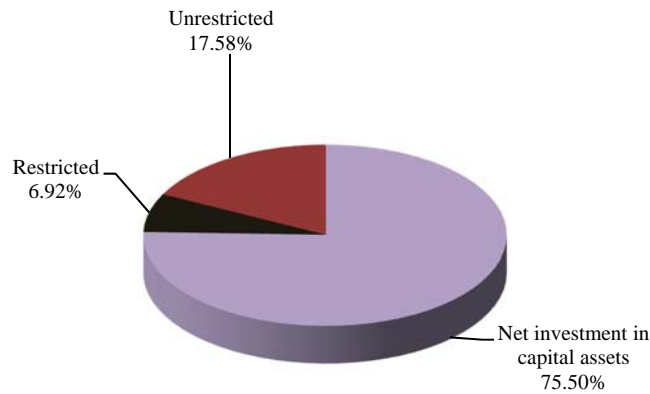
*Amount for Governmental Activities includes a change in accounting principles; see Note 1.F.

The County's expenses for governmental activities increased \$1,644,739, or 7.0 percent, from 2014. The primary reason for the increase is a result of expenses to the County and joint drainage systems which have not been assessed to the benefited land owners yet. The following pie charts represent the 2015 revenues by revenue source and net position.

2015 Total Revenues by Source



2015 Total Net Position



GOVERNMENTAL ACTIVITIES

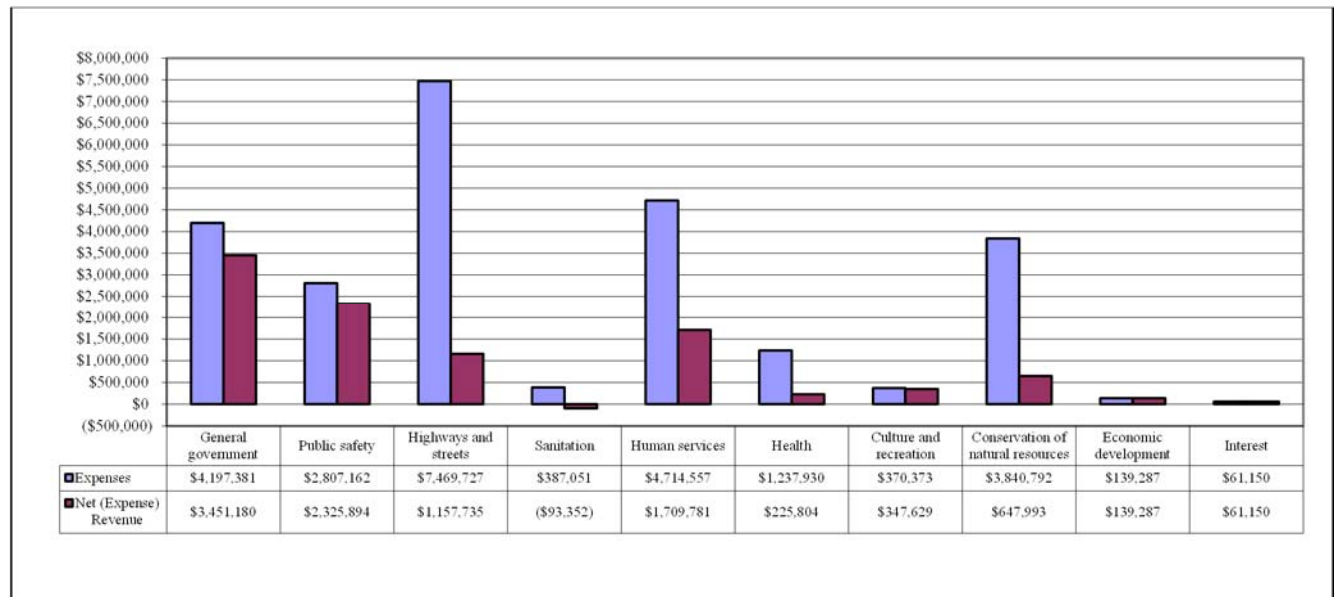
As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$9,973,101 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating or capital grants and contributions.

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

**Table III
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|-----------------------------------|------------------------|---------------|----------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| Expenses | | | | |
| General government | \$ 4,197,381 | \$ 4,167,835 | \$ 3,451,180 | \$ 3,398,535 |
| Public safety | 2,807,162 | 2,714,185 | 2,325,894 | 2,313,872 |
| Highways and streets | 7,469,727 | 6,883,083 | 1,157,735 | 1,060,323 |
| Sanitation | 387,051 | 462,802 | (93,352) | (63,719) |
| Human services | 4,714,557 | 4,749,754 | 1,709,781 | 1,849,812 |
| Health | 1,237,930 | 1,315,543 | 225,804 | 371,144 |
| Culture and recreation | 370,373 | 363,033 | 347,629 | 309,366 |
| Conservation of natural resources | 3,840,792 | 2,721,498 | 647,993 | 901,608 |
| Economic development | 139,287 | 136,338 | 139,287 | 136,298 |
| Interest | 61,150 | 66,600 | 61,150 | 66,600 |
| Total Expenses | \$ 25,225,410 | \$ 23,580,671 | \$ 9,973,101 | \$ 10,343,839 |

2015 Program Cost and Program Revenues



THE COUNTY'S FUNDS

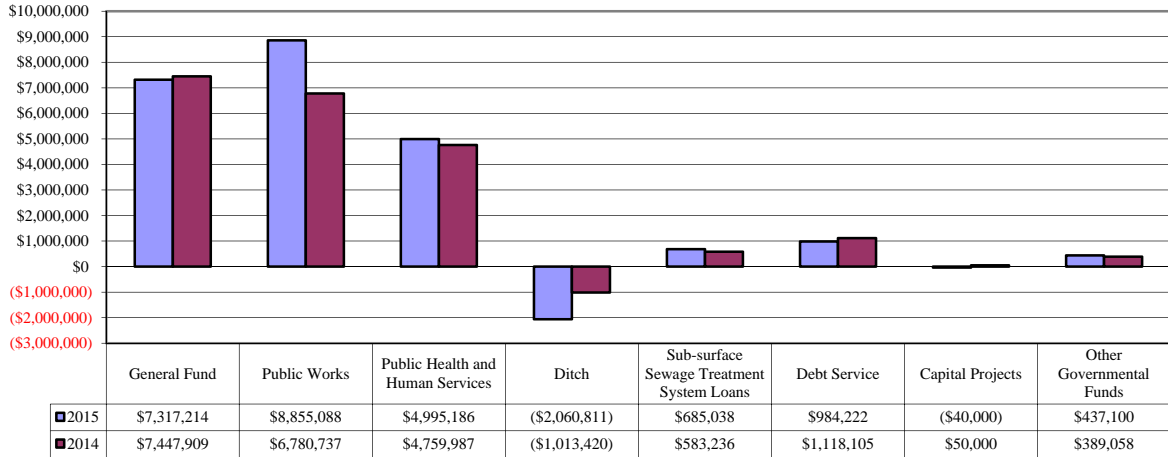
The focus of Sibley County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Sibley County's financing requirements. In particular, unrestricted balances may serve as a useful measure of a government's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

As of the end of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$21,173,037. This is an increase of \$1,057,425 in comparison to the prior fiscal year. Of the \$21,173,037 total fund balances, \$2,861,026 constitutes unassigned fund balances, which are available for spending at the government's discretion or represents deficit balances in the Ditch Special Revenue Fund and the Capital Projects Fund.

The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unassigned fund balance of the General Fund was \$5,584,479 (or 76.3 percent of the total General Fund's fund balance). As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represents 71.9 percent of total General Fund expenditures, while total fund balance represents 94.2 percent of that same amount. In 2015, the fund balance amount in the General Fund decreased \$130,695.

The Public Works Special Revenue Fund had a total fund balance of \$8,855,088 at the end of 2015. This is an increase of \$2,074,351. This increase is attributed to more intergovernmental revenue than anticipated and less than anticipated maintenance expenditures. The Public Health and Human Services Special Revenue Fund had a total fund balance of \$4,995,186 at the end of the current fiscal year. This is an increase of \$235,199 that can primarily be attributed to less than anticipated social services and public health nurse expenditures, partially offset by more than anticipated revenues. The Ditch Special Revenue Fund had a negative fund balance of \$2,060,811, which is a decrease of \$1,047,391 from the prior year. The fund had an increase in expenditures due to ditch redeterminations and additional ditch petitions. The Sub-Surface Sewage Treatment System Loans Special Revenue Fund had an increase of fund balance of \$101,802 with an ending balance of \$685,038. The Debt Service Fund had a total fund balance of \$984,222 at the end of 2015. This is a decrease of \$133,883. The Capital Projects Fund had a negative fund balance of \$40,000. This is a decrease of \$90,000 from the prior year.

Governmental Funds - Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

No budget amendments were made for 2015. The actual revenues exceeded budgeted revenues by \$297,934, and actual expenditures were less than expected by \$400,439. Actual revenues exceeding budgeted revenues was due to the increase in intergovernmental revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

| | 2015 | 2014 |
|-------------------------------------|----------------------|----------------------|
| Governmental Activities | | |
| Land | \$ 1,724,931 | \$ 1,724,931 |
| Construction in progress | 171,545 | 1,778,214 |
| Infrastructure | 49,979,378 | 46,621,197 |
| Buildings | 4,927,615 | 5,134,890 |
| Machinery, furniture, and equipment | 2,201,999 | 2,343,558 |
| Improvements other than buildings | 15,286 | 17,833 |
| Total | <u>\$ 59,020,754</u> | <u>\$ 57,620,623</u> |

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------------|-------------------|
| Business-Type Activities | | |
| Land | \$ 23,500 | \$ 23,500 |
| Improvements other than buildings | 11,692 | 14,025 |
| Buildings and improvements | 348,948 | 387,778 |
| Machinery, furniture, and equipment | <u>32,799</u> | <u>31,782</u> |
| Total | <u>\$ 416,939</u> | <u>\$ 457,085</u> |

The County's investment in capital assets for its governmental activities as of December 31, 2015, was \$59,020,754 (net of accumulated depreciation). This investment in capital assets includes a broad range of capital assets including, but not limited to, land, buildings, highways and streets, furniture, and equipment. The County's investment in capital assets for its governmental activities increased by 2.4 percent, or \$1,400,131.

The County's investment in capital assets for its business-type activities decreased by \$40,146 in the current year.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$1,851,980 versus \$2,147,310 last year--a decrease of \$295,330 or 13.8 percent--as shown in Table V. The decrease is due to scheduled debt payments.

Table V
Outstanding Debt at Year-End

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| General obligation bonds | \$ 1,360,000 | \$ 1,580,000 |
| General obligation special assessment bonds | 440,000 | 505,000 |
| General obligation revenue notes | <u>51,980</u> | <u>62,310</u> |
| Total | <u>\$ 1,851,980</u> | <u>\$ 2,147,310</u> |

The County maintains a general obligation bond rating of "Aa3". This rating is assigned by national rating agencies. The state limits the amount of net debt counties can issue to three percent of the total taxable market value of all property. In 2015, the taxable market value was \$3,555,558,400 and, in 2014, the amount was \$3,096,665,400. The County's outstanding net debt of \$1,851,980 is significantly below the state-imposed limit of \$106,666,752.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$82,219 outstanding at year-end compared with \$114,845 last year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2016 budget and the tax rates and fees that will be charged for government services.

- State aid from the State of Minnesota has been reduced dramatically over the past several years. The potential for more 2016 state-aid cuts with little mandate relief will put significant pressure on Sibley County's 2016 budget and beyond. Total county program aid for 2016 is down 21 percent compared to 2015.
- For fiscal year 2016, Sibley County's total taxable market value is \$3,373,909,400. This is a decrease of \$181,649,000, or 5.1 percent, over the 2015 total taxable market value of \$3,555,558,400. This decrease is a result of the County Sales Ratio Study conducted by the Sibley County Assessor's Office. These studies are used to update market values on a yearly basis and are based on actual land transactions in the County from year to year.
- The unemployment rate for Sibley County as of June 2016 is 3.9 percent. Sibley County's unemployment rate is slightly higher than the state unemployment rate of 3.7 percent.
- On December 22, 2015, the Sibley County Board of Commissioners approved the 2016 budget for \$25,547,620. The 2016 total levy is \$12,955,401, and the total net tax levy was \$12,757,967, which was an increase from the 2015 total net tax levy of \$12,273,594. The 2016 budget includes a 4 percent overall property tax levy increase.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

| | <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>Assets</u> | | | | |
| Cash and pooled investments | \$ 20,781,370 | \$ 260,415 | \$ 21,041,785 | \$ 158,628 |
| Cash and pooled investments - restricted | - | 16,248 | 16,248 | - |
| Petty cash and change funds | 6,150 | 300 | 6,450 | 20 |
| Cash with fiscal agent | 622,502 | - | 622,502 | - |
| Investments | 25,000 | - | 25,000 | - |
| Taxes receivable - delinquent | 150,221 | - | 150,221 | - |
| Special assessments receivable - delinquent | 65,511 | - | 65,511 | - |
| Special assessments - noncurrent | 3,624,731 | - | 3,624,731 | - |
| Accounts receivable | 147,316 | 346 | 147,662 | 1,405 |
| Accrued interest receivable | 53,812 | - | 53,812 | - |
| Due from other governments | 2,186,025 | - | 2,186,025 | 27,701 |
| Loans receivable | 95,502 | - | 95,502 | - |
| Inventories | 790,910 | - | 790,910 | - |
| Prepaid items | 11,743 | 8,517 | 20,260 | 61 |
| Investment in joint venture | 1,890,556 | - | 1,890,556 | - |
| Capital assets | | | | |
| Non-depreciable | 1,896,476 | 23,500 | 1,919,976 | - |
| Depreciable - net of accumulated depreciation | 57,124,278 | 393,439 | 57,517,717 | - |
| Total Assets | \$ 89,472,103 | \$ 702,765 | \$ 90,174,868 | \$ 187,815 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Deferred pension outflows | \$ 1,012,062 | \$ - | \$ 1,012,062 | \$ 88,103 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

| | <u>Primary Government</u> | | | Sibley County Library System Component Unit |
|---|------------------------------------|-------------------------------------|----------------------|--|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | |
| <u>Liabilities</u> | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 732,481 | \$ 7,404 | \$ 739,885 | \$ 12,484 |
| Salaries payable | 332,329 | - | 332,329 | 14,647 |
| Contracts payable | 582,611 | - | 582,611 | - |
| Retainage payable | 212,239 | - | 212,239 | - |
| Due to other governments | 443,204 | - | 443,204 | 9,911 |
| Accrued interest payable | 8,248 | 527 | 8,775 | - |
| Unearned revenue | 103,885 | - | 103,885 | - |
| Claims payable | 82,219 | - | 82,219 | - |
| Security deposits payable | - | 16,248 | 16,248 | - |
| Compensated absences payable - current | 264,103 | - | 264,103 | 8,864 |
| 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 | 175,785 | - | 175,785 | - |
| AgBMP loans payable - current | 85,074 | - | 85,074 | - |
| Noncurrent liabilities | | | | |
| Compensated absences payable | 714,058 | - | 714,058 | 23,966 |
| General obligation bonds payable | 1,140,000 | - | 1,140,000 | - |
| General obligation special assessment bonds payable | 370,000 | - | 370,000 | - |
| General obligation revenue notes payable | 41,650 | - | 41,650 | - |
| MnPCA loans payable | 735,925 | - | 735,925 | - |
| AgBMP loans payable | 808,081 | - | 808,081 | - |
| Net pension liability | 5,977,516 | - | 5,977,516 | 150,293 |
| Net OPEB obligation | 342,059 | - | 342,059 | - |
| Total Liabilities | \$ 13,451,797 | \$ 24,179 | \$ 13,475,976 | \$ 220,165 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Advance allotments | \$ 111,187 | \$ - | \$ 111,187 | \$ - |
| Deferred pension inflows | 802,254 | - | 802,254 | 7,577 |
| Total Deferred Inflows of Resources | \$ 913,441 | \$ - | \$ 913,441 | \$ 7,577 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

| | <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>Net Position</u> | | | | |
| Net investment in capital assets | \$ 57,565,987 | \$ 416,939 | \$ 57,982,926 | \$ - |
| Restricted for | | | | |
| General government | 343,716 | - | 343,716 | - |
| Public safety | 854,553 | - | 854,553 | - |
| Highways and streets | 1,191,617 | - | 1,191,617 | - |
| Sanitation | 137,872 | - | 137,872 | - |
| Culture and recreation | 36,785 | - | 36,785 | - |
| Conservation of natural resources | 1,364,583 | - | 1,364,583 | - |
| Economic development | 266,699 | - | 266,699 | - |
| Debt service | 984,222 | - | 984,222 | - |
| Permanent fund principal - nonexpendable | 130,417 | - | 130,417 | - |
| Unrestricted | <u>13,242,476</u> | <u>261,647</u> | <u>13,504,123</u> | <u>48,176</u> |
| Total Net Position | <u>\$ 76,118,927</u> | <u>\$ 678,586</u> | <u>\$ 76,797,513</u> | <u>\$ 48,176</u> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | | Program Revenues | |
|-----------------------------------|--|---|---------------------|
| Expenses | Fees, Charges, Fines, and Other | Operating Grants and Contributions | |
| <u>Functions/Programs</u> | | | |
| Primary government | | | |
| Governmental activities | | | |
| General government | \$ 4,197,381 | \$ 660,634 | \$ 85,567 |
| Public safety | 2,807,162 | 181,639 | 299,629 |
| Highways and streets | 7,469,727 | 99,411 | 4,905,963 |
| Sanitation | 387,051 | 410,711 | 69,692 |
| Human services | 4,714,557 | 528,854 | 2,475,922 |
| Health | 1,237,930 | 371,033 | 641,093 |
| Culture and recreation | 370,373 | - | 22,744 |
| Conservation of natural resources | 3,840,792 | 2,966,500 | 226,299 |
| Economic development | 139,287 | - | - |
| Interest | 61,150 | - | - |
| | \$ 25,225,410 | \$ 5,218,782 | \$ 8,726,909 |
| Business-type activities | | | |
| Sibley Estates | 284,092 | 183,069 | 137,056 |
| | \$ 25,509,502 | \$ 5,401,851 | \$ 8,863,965 |
| Component Unit | | | |
| Sibley County Library System | \$ 498,871 | \$ 139,851 | \$ 344,842 |

General Revenues

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

Total general revenues and contributions

Change in net position

Net Position - January 1, as previously reported
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 |
|--|---|---|-----------------------|---|
| | Governmental Activities | Primary Government Business-Type Activities | Total | |
| \$ - | \$ (3,451,180) | \$ - | \$ (3,451,180) | |
| - | (2,325,894) | - | (2,325,894) | |
| 1,306,618 | (1,157,735) | - | (1,157,735) | |
| - | 93,352 | - | 93,352 | |
| - | (1,709,781) | - | (1,709,781) | |
| - | (225,804) | - | (225,804) | |
| - | (347,629) | - | (347,629) | |
| - | (647,993) | - | (647,993) | |
| - | (139,287) | - | (139,287) | |
| - | (61,150) | - | (61,150) | |
| \$ 1,306,618 | \$ (9,973,101) | \$ - | \$ (9,973,101) | |
| - | - | 36,033 | 36,033 | |
| \$ 1,306,618 | \$ (9,973,101) | \$ 36,033 | \$ (9,937,068) | |
| \$ - | | | | \$ (14,178) |
| | \$ 11,943,718 | \$ - | \$ 11,943,718 | \$ - |
| | 112,405 | - | 112,405 | - |
| | 163,208 | - | 163,208 | - |
| | 44,952 | - | 44,952 | - |
| | 670,924 | - | 670,924 | - |
| | 248,446 | 64 | 248,510 | - |
| | 209,656 | - | 209,656 | - |
| | 49,500 | - | 49,500 | - |
| | \$ 13,442,809 | \$ 64 | \$ 13,442,873 | \$ - |
| | \$ 3,469,708 | \$ 36,097 | \$ 3,505,805 | \$ (14,178) |
| | \$ 78,284,092 | \$ 642,489 | \$ 78,926,581 | \$ 103,538 |
| | (5,634,873) | - | (5,634,873) | (41,184) |
| | \$ 72,649,219 | \$ 642,489 | \$ 73,291,708 | \$ 62,354 |
| | \$ 76,118,927 | \$ 678,586 | \$ 76,797,513 | \$ 48,176 |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

| | General | Public Works | Public Health and Human Services |
|--------------------------------|---------------------|-------------------------|---|
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 3,628,196 | \$ 8,339,361 | \$ 4,986,387 |
| Petty cash and change funds | 5,900 | - | 250 |
| Cash with fiscal agent | 622,502 | - | - |
| Investments | - | - | - |
| Taxes receivable | | | |
| Delinquent | 65,993 | 52,737 | 28,761 |
| Special assessments receivable | | | |
| Delinquent | 6,096 | - | - |
| Noncurrent | - | - | - |
| Accounts receivable | 43,812 | 24,740 | 78,764 |
| Accrued interest receivable | 53,812 | - | - |
| Due from other funds | 3,549,000 | 17,158 | 4,242 |
| Due from other governments | 39,134 | 1,346,719 | 431,902 |
| Loans receivable | - | - | - |
| Inventories | - | 790,910 | - |
| Prepaid items | 10,205 | 268 | 1,227 |
| | \$ 8,024,650 | \$ 10,571,893 | \$ 5,531,533 |
| Total Assets | \$ 8,024,650 | \$ 10,571,893 | \$ 5,531,533 |

EXHIBIT 3

| <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> |
|---------------------|--|-------------------------|-----------------------------|---|---|
| \$ 1,841,317 | \$ 660,038 | \$ 984,222 | \$ - | \$ 341,849 | \$ 20,781,370 |
| - | - | - | - | - | 6,150 |
| - | - | - | - | - | 622,502 |
| - | 25,000 | - | - | - | 25,000 |
| - | - | 2,730 | - | - | 150,221 |
| 41,339 | 18,076 | - | - | - | 65,511 |
| 2,308,128 | 1,316,603 | - | - | - | 3,624,731 |
| - | - | - | - | - | 147,316 |
| - | - | - | - | - | 53,812 |
| - | - | - | - | - | 3,570,400 |
| 366,778 | - | - | - | 1,492 | 2,186,025 |
| - | - | - | - | 95,502 | 95,502 |
| - | - | - | - | - | 790,910 |
| - | - | - | - | 43 | 11,743 |
| \$ 4,557,562 | \$ 2,019,717 | \$ 986,952 | \$ - | \$ 438,886 | \$ 32,131,193 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

| | General | Public Works | Public Health and Human Services |
|---|---------------------|-------------------------|---|
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | | |
| Liabilities | | | |
| Accounts payable | \$ 142,282 | \$ 146,322 | \$ 162,082 |
| Salaries payable | 147,056 | 61,022 | 122,696 |
| Contracts payable | - | 246,055 | - |
| Retainage payable | - | 212,239 | - |
| Due to other funds | 21,000 | 40 | - |
| Due to other governments | 108,299 | 15,988 | 177,491 |
| Unearned revenue | 103,885 | - | - |
| Claims payable | 82,219 | - | - |
| | \$ 604,741 | \$ 681,666 | \$ 462,269 |
| Deferred Inflows of Resources | | | |
| Advance allotments | \$ - | \$ 111,187 | \$ - |
| Unavailable revenue | 102,695 | 923,952 | 74,078 |
| | \$ 102,695 | \$ 1,035,139 | \$ 74,078 |
| Fund Balances (Note 3.E.) | | | |
| Nonspendable | \$ 10,205 | \$ 791,178 | \$ 1,227 |
| Restricted | 1,293,168 | 611,197 | - |
| Committed | 429,362 | - | - |
| Assigned | - | 7,452,713 | 4,993,959 |
| Unassigned | 5,584,479 | - | - |
| | \$ 7,317,214 | \$ 8,855,088 | \$ 4,995,186 |
| | \$ 8,024,650 | \$ 10,571,893 | \$ 5,531,533 |

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> |
|-----------------------|--|-------------------------|-----------------------------|---|---|
| \$ 241,795 | \$ - | \$ - | \$ 40,000 | \$ - | \$ 732,481 |
| - | - | - | - | 1,555 | 332,329 |
| 336,556 | - | - | - | - | 582,611 |
| - | - | - | - | - | 212,239 |
| 3,549,360 | - | - | - | - | 3,570,400 |
| 141,195 | - | - | - | 231 | 443,204 |
| - | - | - | - | - | 103,885 |
| - | - | - | - | - | 82,219 |
| \$ 4,268,906 | \$ - | \$ - | \$ 40,000 | \$ 1,786 | \$ 6,059,368 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 111,187 |
| 2,349,467 | 1,334,679 | 2,730 | - | - | 4,787,601 |
| \$ 2,349,467 | \$ 1,334,679 | \$ 2,730 | \$ - | \$ - | \$ 4,898,788 |
| \$ - | \$ 25,000 | \$ - | \$ - | \$ 130,460 | \$ 958,070 |
| 622,642 | 660,038 | 984,222 | - | 306,640 | 4,477,907 |
| - | - | - | - | - | 429,362 |
| - | - | - | - | - | 12,446,672 |
| (2,683,453) | - | - | (40,000) | - | 2,861,026 |
| \$ (2,060,811) | \$ 685,038 | \$ 984,222 | \$ (40,000) | \$ 437,100 | \$ 21,173,037 |
| \$ 4,557,562 | \$ 2,019,717 | \$ 986,952 | \$ - | \$ 438,886 | \$ 32,131,193 |

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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, 2015**

Fund balance - total governmental funds (Exhibit 3) \$ 21,173,037

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. 59,020,754

Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds. 1,890,556

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. 4,787,601

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

| | | |
|---------------------------------------|------------------|---------|
| Deferred outflows related to pensions | \$ 1,012,062 | |
| Deferred inflows related to pensions | <u>(802,254)</u> | 209,808 |

Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable. (8,248)

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 payable | \$ (1,800,000) | |
| Revenue notes payable | (51,980) | |
| MnPCA loans payable | (911,710) | |
| AgBMP loans payable | (893,155) | |
| Compensated absences | (978,161) | |
| Net pension liability | (5,977,516) | |
| Net OPEB obligation | <u>(342,059)</u> | <u>(10,954,581)</u> |

Net Position of Governmental Activities (Exhibit 1) \$ 76,118,927

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>General</u> | <u>Public Works</u> | <u>Public Health and Human Services</u> |
|-----------------------------------|---------------------|-------------------------|---|
| Revenues | | | |
| Taxes | \$ 5,144,705 | \$ 4,639,042 | \$ 2,312,522 |
| Special assessments | 133,503 | - | - |
| Licenses and permits | 36,350 | - | - |
| Intergovernmental | 963,285 | 6,342,392 | 3,079,194 |
| Charges for services | 836,380 | 70,496 | 589,528 |
| Fines and forfeits | 12,352 | - | - |
| Gifts and contributions | 1,988 | - | 123,024 |
| Investment earnings | 246,323 | - | - |
| Miscellaneous | 262,618 | 77,888 | 310,359 |
| Total Revenues | \$ 7,637,504 | \$ 11,129,818 | \$ 6,414,627 |
| Expenditures | | | |
| Current | | | |
| General government | \$ 3,711,925 | \$ - | \$ - |
| Public safety | 2,534,312 | - | - |
| Highways and streets | - | 8,555,325 | - |
| Sanitation | 212,084 | - | - |
| Human services | - | - | 4,934,028 |
| Health | - | - | 1,245,400 |
| Culture and recreation | 365,351 | - | - |
| Conservation of natural resources | 457,206 | - | - |
| Economic development | 139,152 | - | - |
| Capital outlay | 157,799 | 225,462 | - |
| Intergovernmental | 190,370 | 312,565 | - |
| Debt service | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Administrative charges | - | - | - |
| Total Expenditures | \$ 7,768,199 | \$ 9,093,352 | \$ 6,179,428 |

EXHIBIT 5

| Ditch | Sub-Surface Sewage Treatment System Loans | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---------------------|--|-------------------------|-----------------------------|---|---|
| \$ - | \$ - | \$ 97,513 | \$ - | \$ - | \$ 12,193,782 |
| 2,286,637 | 319,108 | - | - | - | 2,739,248 |
| - | - | - | - | - | 36,350 |
| - | - | 2,677 | - | 71,897 | 10,459,445 |
| - | - | - | - | - | 1,496,404 |
| - | - | - | - | - | 12,352 |
| - | - | - | - | 49,500 | 174,512 |
| - | - | - | - | 2,652 | 248,975 |
| 53,141 | - | - | - | 5,116 | 709,122 |
| \$ 2,339,778 | \$ 319,108 | \$ 100,190 | \$ - | \$ 129,165 | \$ 28,070,190 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,711,925 |
| - | - | - | - | - | 2,534,312 |
| - | - | - | - | - | 8,555,325 |
| - | 173,848 | - | - | - | 385,932 |
| - | - | - | - | - | 4,934,028 |
| - | - | - | - | - | 1,245,400 |
| - | - | - | - | - | 365,351 |
| 3,295,091 | - | - | - | 81,123 | 3,833,420 |
| - | - | - | - | - | 139,152 |
| - | - | - | 40,000 | - | 423,261 |
| - | - | - | - | - | 502,935 |
| 65,000 | 253,411 | 220,000 | - | - | 538,411 |
| 26,583 | 20,823 | 13,143 | - | - | 60,549 |
| 495 | - | 930 | - | - | 1,425 |
| \$ 3,387,169 | \$ 448,082 | \$ 234,073 | \$ 40,000 | \$ 81,123 | \$ 27,231,426 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>General</u> | <u>Public Works</u> | <u>Public Health and Human Services</u> |
|---|----------------------------|----------------------------|---|
| Excess of Revenues Over (Under) Expenditures | \$ (130,695) | \$ 2,036,466 | \$ 235,199 |
| Other Financing Sources (Uses) | | | |
| Transfers in | \$ - | \$ 50,000 | \$ - |
| Transfers out | - | - | - |
| Loans issued | - | - | - |
| Total Other Financing Sources (Uses) | \$ - | \$ 50,000 | \$ - |
| Net Change in Fund Balance | \$ (130,695) | \$ 2,086,466 | \$ 235,199 |
| Fund Balance - January 1 | 7,447,909 | 6,780,737 | 4,759,987 |
| Increase (decrease) in inventories | - | (12,115) | - |
| Fund Balance - December 31 | <u>\$ 7,317,214</u> | <u>\$ 8,855,088</u> | <u>\$ 4,995,186</u> |

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>\$ (1,047,391)</u> | <u>\$ (128,974)</u> | <u>\$ (133,883)</u> | <u>\$ (40,000)</u> | <u>\$ 48,042</u> | <u>\$ 838,764</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,000 |
| - | - | - | (50,000) | - | (50,000) |
| <u>-</u> | <u>230,776</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>230,776</u> |
| <u>\$ -</u> | <u>\$ 230,776</u> | <u>\$ -</u> | <u>\$ (50,000)</u> | <u>\$ -</u> | <u>\$ 230,776</u> |
| \$ (1,047,391) | \$ 101,802 | \$ (133,883) | \$ (90,000) | \$ 48,042 | \$ 1,069,540 |
| (1,013,420) | 583,236 | 1,118,105 | 50,000 | 389,058 | 20,115,612 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(12,115)</u> |
| <u><u>\$ (2,060,811)</u></u> | <u><u>\$ 685,038</u></u> | <u><u>\$ 984,222</u></u> | <u><u>\$ (40,000)</u></u> | <u><u>\$ 437,100</u></u> | <u><u>\$ 21,173,037</u></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, 2015**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,069,540

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. 213,133

In the funds, under the modified accrual basis, receivables not available for expenditure are unavailable. 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 unavailable revenue.

| | | |
|-----------------------------------|--------------------|---------|
| Unavailable revenue - December 31 | \$ 4,787,601 | |
| Unavailable revenue - January 1 | <u>(4,169,333)</u> | 618,268 |

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, the gain or loss on the sale or disposal of assets is reported; whereas, in the governmental funds, the proceeds from sales is reported. The difference is the net book value of assets sold or disposed.

| | | |
|---|--------------|-----------|
| Expenditures for general capital assets | \$ 4,059,504 | |
| Current year depreciation | (2,658,843) | |
| Net book value of assets sold or disposed | <u>(530)</u> | 1,400,131 |

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.

| | | |
|-----------------------------|----------------|---------|
| Proceeds of new debt | | |
| AgBMP loans payable | \$ (230,776) | |
| Repayment of debt principal | <u>538,411</u> | 307,635 |

**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, 2015**

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 inventories | \$ (12,115) | |
| Change in net deferred pension outflows, as restated | 728,113 | |
| Change in accrued interest | 824 | |
| Change in compensated absences | 58,140 | |
| Change in net pension liability, as restated | (58,694) | |
| Change in net OPEB obligation | (53,013) | |
| Change in net deferred pension inflows | <u>(802,254)</u> | <u>(138,999)</u> |
| Change in Net Position of Governmental Activities (Exhibit 2) | | <u><u>\$ 3,469,708</u></u> |

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PROPRIETARY FUND

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
SIBLEY ESTATES ENTERPRISE FUND
DECEMBER 31, 2015**

Assets

Current assets

| | |
|--|------------|
| Cash and pooled investments | \$ 260,415 |
| Cash and pooled investments - restricted | 16,248 |
| Petty cash and change funds | 300 |
| Accounts receivable | 346 |
| Prepaid items | 8,517 |
| | <hr/> |

Total current assets **\$ 285,826**

Noncurrent assets

| | |
|-------------------|-----------|
| Capital assets | |
| Nondepreciable | \$ 23,500 |
| Depreciable - net | 393,439 |
| | <hr/> |

Total noncurrent assets **\$ 416,939**

Total Assets **\$ 702,765**

Liabilities

Current liabilities

| | |
|---------------------------|----------|
| Accounts payable | \$ 7,404 |
| Accrued interest payable | 527 |
| Security deposits payable | 16,248 |
| | <hr/> |

Total Liabilities **\$ 24,179**

Net Position

| | |
|----------------------------------|------------|
| Net investment in capital assets | \$ 416,939 |
| Unrestricted | 261,647 |
| | <hr/> |

Total Net Position **\$ 678,586**

**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, 2015**

| | |
|---|-------------------|
| Operating Revenues | |
| Rents | \$ 172,937 |
| Intergovernmental - federal | 137,056 |
| Miscellaneous | 10,132 |
| | <hr/> |
| Total Operating Revenues | \$ 320,125 |
| | <hr/> |
| Operating Expenses | |
| Personal services | \$ 81,716 |
| Professional services | 22,851 |
| Supplies | 5,180 |
| Telephone | 4,070 |
| Utilities | 53,179 |
| Taxes and licenses | 545 |
| Marketing costs | 1,260 |
| Insurance | 15,532 |
| Repairs and maintenance | 25,106 |
| Independent public accountant costs | 7,600 |
| Miscellaneous | 15,613 |
| Depreciation and amortization | 51,339 |
| | <hr/> |
| Total Operating Expenses | \$ 283,991 |
| | <hr/> |
| Operating Income (Loss) | \$ 36,134 |
| | <hr/> |
| Nonoperating Revenues (Expenses) | |
| Interest income | \$ 64 |
| Interest expense | (101) |
| | <hr/> |
| Total Nonoperating Revenues (Expenses) | \$ (37) |
| | <hr/> |
| Change in Net Position | \$ 36,097 |
| | <hr/> |
| Net Position - January 1 | 642,489 |
| | <hr/> |
| Net Position - December 31 | \$ 678,586 |
| | <hr/> <hr/> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | |
|--|-------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 182,962 |
| Receipts from government agencies | 137,056 |
| Payments to suppliers and vendors | (146,012) |
| Payments to and on behalf of employees | (81,716) |
| | <hr/> |
| Net cash provided by (used in) operating activities | \$ 92,290 |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition of capital assets | \$ (11,193) |
| | <hr/> |
| Cash Flows from Investing Activities | |
| Interest paid | \$ (90) |
| Interest received on investments | 64 |
| | <hr/> |
| Net cash provided by (used in) investing activities | \$ (26) |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 81,071 |
| Cash and Cash Equivalents, January 1 | 195,892 |
| | <hr/> |
| Cash and Cash Equivalents, December 31 | \$ 276,963 |
| | <hr/> <hr/> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | |
| Operating income (loss) | \$ 36,134 |
| | <hr/> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | |
| Depreciation expense | \$ 51,339 |
| (Increase) decrease in accounts receivable | 78 |
| (Increase) decrease in prepaid items | 931 |
| Increase (decrease) in accounts payable | 3,645 |
| Increase (decrease) in accrued liabilities | 348 |
| Increase (decrease) in security deposits payable | (185) |
| | <hr/> |
| Total adjustments | \$ 56,156 |
| | <hr/> |
| Net Cash Provided by (Used in) Operating Activities | \$ 92,290 |
| | <hr/> <hr/> |

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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, 2015**

| | Private-Purpose Trust | Agency |
|-----------------------------|----------------------------------|-------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 25,729 | \$ 464,267 |
| Investments | 36,837 | - |
| Accrued interest | 61 | - |
| Total Assets | \$ 62,627 | \$ 464,267 |
| <u>Liabilities</u> | | |
| Accounts payable | \$ - | \$ 50,563 |
| Due to other governments | - | 413,704 |
| Total Liabilities | \$ - | \$ 464,267 |
| <u>Net Position</u> | | |
| Net position, held in trust | \$ 62,627 | |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Private-Purpose Trust</u> |
|---|----------------------------------|
| <u>Additions</u> | |
| Interest | \$ 13 |
| <u>Deductions</u> | |
| Administrative expenses | <u>242</u> |
| Change in Net Position | \$ (229) |
| Net Position - Beginning of the Year | <u>62,856</u> |
| Net Position - End of the Year | <u><u>\$ 62,627</u></u> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Sibley County has one discretely presented component unit.

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

Joint Ventures and Jointly-Governed Organizations

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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, except for fiduciary activities. 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 obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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 assigned 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 assigned property tax revenues used for economic assistance and community social services programs.

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major enterprise fund:

The Sibley Estates Fund is used to account 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Sibley County considers property taxes and special assessments to be available if collected within 30 days of the end of the current period. Sibley County considers licenses, interest, and all other revenues susceptible to accrual as available if collected within 90 days after the end of the current period. Expenditures are recorded when the related fund liability is 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. Issuances 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, 2015, 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. Total pooled investment earnings in the General Fund were \$246,323.

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 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.”

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

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.

Special assessments receivable consist of delinquent special assessments payable in the years 2010 through 2015 and noncurrent special assessments payable in 2016 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments 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 and in the proprietary fund 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 constructed. For business-type activities, interest incurred during the construction phase is reflected in the capitalized value of the asset constructed.

Property, plant, and equipment of the primary government 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 - 20 |

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

**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)

are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee retirements and resignations. The current portion is calculated as 27 percent of the total liability.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, which qualifies for reporting in this category. This outflow arises only under the full accrual basis of accounting and consists of pension plan contributions paid subsequent to the measurement date, pension plan changes in proportionate share, and differences between projected and actual earnings on pension plan investments and, accordingly, is reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three items, unavailable revenue, advance allotments, and deferred pension inflows, that qualify for reporting in this category. The County reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County reports advance allotments for state aid received by the County not yet appropriated by the State of Minnesota. Advance allotments are reported in the governmental funds balance sheet and on the government-wide statement of net position. This amount is deferred and recognized when the timing requirements have been met. Deferred pension inflows arise only under an accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Pension Plan

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

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

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

Unrestricted net position - 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)

11. 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 (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes 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

11. 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.

12. 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. Change in Accounting Principles

During the year ended December 31, 2015, the County and the Sibley County Library System adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County and the Sibley County Library System to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's and the Sibley County Library System's net pension liability and related deferred outflows of resources.

| | Governmental Activities | Sibley County Library System |
|---|----------------------------|---------------------------------|
| Net Position, January 1, 2015, as previously reported | \$ 78,284,092 | \$ 103,538 |
| Change in accounting principles | (5,634,873) | (41,184) |
| Net Position, January 1, 2015, as restated | \$ 72,649,219 | \$ 62,354 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Ditch Special Revenue Fund Equity

On the full accrual basis of accounting, 18 of the 88 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, 2015, using the full accrual basis of accounting.

| | |
|----------------------------------|---------------------|
| Account balances | \$ 1,266,528 |
| Account balance deficits | <u>(1,417,872)</u> |
| Fund Equity - Full Accrual Basis | <u>\$ (151,344)</u> |

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, 38 ditches had fund deficits.

| | |
|---------------------------------------|-----------------------|
| Account balances | \$ 622,642 |
| Account balance deficits | <u>(2,683,453)</u> |
| Fund Balance - Modified Accrual Basis | <u>\$ (2,060,811)</u> |

B. Deficit Fund Balance

The Ditch Special Revenue Fund has a deficit fund balance of \$2,060,811 at December 31, 2015, which will be eliminated by special assessments. The Capital Projects Fund has a deficit fund balance of \$40,000 at December 31, 2015, which will be eliminated by future transfers from other funds.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

| | | |
|--|----|-------------------|
| Governmental activities | | |
| Cash and pooled investments | \$ | 20,781,370 |
| Petty cash and change funds | | 6,150 |
| Cash with fiscal agent | | 622,502 |
| Investments | | 25,000 |
| Business-type activities | | |
| Cash and pooled investments | | 260,415 |
| Cash and pooled investments - restricted | | 16,248 |
| Petty cash and change funds | | 300 |
| Fiduciary funds | | |
| Private-purpose trust funds | | |
| Cash and pooled investments | | 25,729 |
| Investments | | 36,837 |
| Agency funds | | |
| Cash and pooled investments | | 464,267 |
| Sibley County Library System cash held by the County Treasurer | | 158,362 |
| Total Cash and Investments | \$ | <u>22,397,180</u> |
| Deposits | \$ | 6,526,988 |
| Petty cash and change funds | | 6,450 |
| Cash with fiscal agent | | 622,502 |
| Investments | | <u>15,241,240</u> |
| Total | \$ | <u>22,397,180</u> |

a. Deposits

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, County deposits may not be returned to it. The County’s policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County’s deposits and to comply with state law. As of December 31, 2015, 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;

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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. While the County does not have a policy on credit risk, it invests only in securities that meet the ratings requirements set by state statute.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has a custodial credit risk policy that permits the County's brokers to hold the County's investments to the extent that the brokers have Securities Investor Protection Corporation insurance. At December 31, 2015, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2015, 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 | | 05/24/2016 | \$ 299,250 |
| Federal Home Loan Bank | Aaa | Moody's | | 12/20/2022 | 249,450 |
| Federal Home Loan Bank | Aaa | Moody's | | 12/27/2022 | 249,275 |
| Wells Fargo Securities | | | | | |
| Federal Home Loan Bank | Aaa | Moody's | | 07/17/2019 | 247,316 |
| Northland Securities | | | | | |
| Federal Home Loan Bank | Aaa | Moody's | | 11/09/2021 | 197,842 |
| Total Federal Home Loan Bank | | | 8.16 | | \$ 1,243,133 |

**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 Home Loan Mortgage Corporation | | | | | |
| Wells Fargo Advisors | | | | | |
| Federal Home Loan Mortgage Corporation | Aaa | Moody's | | 04/29/2016 | \$ 497,100 |
| Wells Fargo Securities | | | | | |
| Federal Home Loan Mortgage Corporation | Aaa | Moody's | | 05/26/2017 | 250,103 |
| Federal Home Loan Mortgage Corporation | Aaa | Moody's | | 08/24/2018 | 247,564 |
| Northland Securities | | | | | |
| Federal Home Loan Mortgage Corporation | Aaa | Moody's | | 11/23/2021 | 235,439 |
| | | | | | 235,439 |
| Total Federal Home Loan Mortgage Corporation | | | 8.07 | | \$ 1,230,206 |
| Federal Farm Credit Bank Bond | | | | | |
| Wells Fargo Advisors | | | | | |
| Federal Farm Credit Bank Bond | Aaa | Moody's | | 01/13/2022 | \$ 246,500 |
| Wells Fargo Securities | | | | | |
| Federal Farm Credit Bank Bond | Aaa | Moody's | | 05/06/2021 | 246,679 |
| | | | | | 246,679 |
| Total Federal Farm Credit Bank Bond | | | 3.24 | | \$ 493,179 |
| Municipal Bonds | | | | | |
| Northland Securities | | | | | |
| City of North Mankato - G.O. Bond | AA | S&P | 0.36 | 02/01/2016 | \$ 55,075 |
| City of Glencoe - G.O. Bond | A1 | Moody's | 0.65 | 02/01/2018 | 99,805 |
| City of Mountain Lake - G.O. Bond | A+ | S&P | 0.67 | 02/01/2019 | 101,767 |
| | | | | | 101,767 |
| Total Municipal Bonds | | | | | \$ 256,647 |
| Negotiable certificates of deposit | | | | | |
| Wells Fargo Advisors | | | | | |
| American Express Bank, FSB | N/A | N/A | 1.62 | 09/25/2019 | \$ 246,948 |
| Barclays Bank Delaware | N/A | N/A | 1.62 | 07/16/2019 | 246,470 |
| Bank Hapoalim B.M. | N/A | N/A | 1.61 | 03/18/2016 | 244,865 |
| Capital One Bank USA, N.A. | N/A | N/A | 1.61 | 07/31/2017 | 244,838 |
| Capital One, N.A. | N/A | N/A | 1.62 | 07/29/2020 | 246,796 |
| JPMorgan Chase Bank, N.A. | N/A | N/A | 1.62 | 02/27/2020 | 247,630 |
| Webster Five Cents Savings Bank | N/A | N/A | 1.61 | 12/17/2019 | 245,194 |
| World's Foremost Bank | N/A | N/A | 1.31 | 08/13/2019 | 198,954 |
| Wells Fargo Securities | | | | | |
| Ally Bank | N/A | N/A | 1.60 | 04/24/2017 | 244,375 |
| American Express Centurion Bank | N/A | N/A | 1.47 | 05/23/2018 | 223,340 |
| Bank of Baroda | N/A | N/A | 1.60 | 03/08/2018 | 244,093 |
| Bank of North Carolina | N/A | N/A | 1.61 | 01/30/2017 | 245,180 |
| BMO Harris Bank, N.A. | N/A | N/A | 1.60 | 10/02/2017 | 244,317 |
| BMW Bank of North America | N/A | N/A | 1.57 | 10/16/2020 | 238,822 |
| Brookline Bank | N/A | N/A | 1.61 | 12/30/2016 | 244,666 |
| Capital Bank | N/A | N/A | 1.61 | 07/18/2016 | 244,847 |
| Cardinal Bank | N/A | N/A | 1.61 | 04/29/2016 | 244,865 |
| CIT Bank, N.A. | N/A | N/A | 1.59 | 09/08/2016 | 241,651 |
| Citizens State Bank | N/A | N/A | 1.61 | 03/04/2016 | 244,971 |
| Compass Bank | N/A | N/A | 1.60 | 07/24/2017 | 244,074 |
| Discover Bank | N/A | N/A | 1.61 | 08/14/2017 | 244,680 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment - Issuer | Credit Risk | | Concentration Risk (%) | Interest Rate Risk | Carrying (Fair) Value |
|--|------------------|------------------|---------------------------|-----------------------|-----------------------------|
| | Credit Rating | Rating Agency | | Maturity Date | |
| Negotiable certificates of deposit | | | | | |
| Wells Fargo Securities (Continued) | | | | | |
| EVB | N/A | N/A | 1.60 | 09/25/2019 | 244,205 |
| First Colonial National Bank | N/A | N/A | 1.61 | 06/17/2016 | 244,898 |
| Firstmerit Bank | N/A | N/A | 1.61 | 01/22/2016 | 244,995 |
| First Niagara Bank | N/A | N/A | 1.61 | 05/02/2016 | 244,960 |
| First Source Bank | N/A | N/A | 1.60 | 12/19/2017 | 243,726 |
| Fox Chase Bank | N/A | N/A | 1.61 | 12/28/2016 | 244,720 |
| GE Capital Financial | N/A | N/A | 1.59 | 08/26/2016 | 241,685 |
| Goldman Sachs Bank | N/A | N/A | 0.92 | 10/17/2016 | 140,306 |
| Goldman Sachs Bank | N/A | N/A | 0.69 | 05/15/2017 | 104,672 |
| Investors Bank | N/A | N/A | 1.60 | 02/17/2017 | 244,432 |
| MB Financial Bank, N.A. | N/A | N/A | 1.60 | 03/09/2017 | 244,278 |
| Medallion Bank | N/A | N/A | 1.60 | 03/16/2018 | 244,197 |
| Mercantil Commercebank | N/A | N/A | 1.61 | 09/23/2016 | 244,687 |
| Merrick Bank | N/A | N/A | 1.60 | 10/30/2017 | 244,082 |
| Safra National Bank | N/A | N/A | 1.61 | 02/26/2016 | 244,977 |
| Sallie Mae Bank | N/A | N/A | 0.92 | 10/17/2016 | 140,219 |
| Santander Bank, N.A. | N/A | N/A | 1.61 | 01/14/2016 | 245,000 |
| Toyota Financial Savings Bank | N/A | N/A | 1.30 | 02/20/2020 | 198,182 |
| United Bank | N/A | N/A | 1.60 | 12/15/2016 | 244,416 |
| Wells Fargo Bank, N.A. | N/A | N/A | 1.60 | 12/04/2017 | 243,816 |
| Whitney Bank | N/A | N/A | 1.61 | 08/12/2016 | 244,779 |
| Northland Securities | | | | | |
| Bank of India | N/A | N/A | 1.60 | 11/23/2016 | 244,461 |
| Customers Bank | N/A | N/A | 1.60 | 06/19/2017 | 244,015 |
| Stockman Bank of Montana | N/A | N/A | 1.44 | 04/27/2020 | 219,791 |
| Total negotiable certificates of deposit | | | | | \$ 10,517,075 |
| Mutual funds/investment pools | | | | | |
| MAGIC | N/R | N/A | N/A | N/A | \$ 1,501,000 |
| Total investments | | | | | \$ 15,241,240 |
| Deposits | | | | | |
| Petty cash and change funds | | | | | 6,526,988 |
| Cash with fiscal agent | | | | | 6,450 |
| | | | | | 622,502 |
| Total Cash and Investments | | | | | \$ 22,397,180 |

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, 2015, for the County are as follows:

| | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|----------------------------------|----------------------|--|
| Governmental Activities | | |
| Taxes - delinquent | \$ 150,221 | \$ - |
| Special assessments - delinquent | 65,511 | - |
| Special assessments - noncurrent | 3,624,731 | 1,715,382 |
| Accounts receivable | 147,316 | - |
| Accrued interest receivable | 53,812 | - |
| Due from other governments | 2,186,025 | - |
| Loans receivable | 95,502 | 83,870 |
| Total Governmental Activities | \$ 6,323,118 | \$ 1,799,252 |

Loans receivable represents the unpaid principal portions of loans made by the County through its Revolving Loan Fund. Principal and interest received by the County on these loans are recognized, at the fund level, in the period in which they are collected.

3. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

Governmental Activities

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--------------------------------------|----------------------|--------------|--------------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 1,724,931 | \$ - | \$ - | \$ 1,724,931 |
| Construction in progress | 1,778,214 | 3,770,568 | 5,377,237 | 171,545 |
| Total capital assets not depreciated | \$ 3,503,145 | \$ 3,770,568 | \$ 5,377,237 | \$ 1,896,476 |
| Capital assets depreciated | | | | |
| Infrastructure | \$ 64,146,506 | \$ 5,355,482 | \$ - | \$ 69,501,988 |
| Buildings | 8,617,049 | 18,663 | - | 8,635,712 |
| Machinery, furniture, and equipment | 7,259,677 | 292,028 | 70,089 | 7,481,616 |
| Improvements other than buildings | 39,333 | - | - | 39,333 |
| Total capital assets depreciated | \$ 80,062,565 | \$ 5,666,173 | \$ 70,089 | \$ 85,658,649 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Less: accumulated depreciation for | | | | |
| Infrastructure | \$ 17,525,309 | \$ 1,997,301 | \$ - | \$ 19,522,610 |
| Buildings | 3,482,159 | 225,938 | - | 3,708,097 |
| Machinery, furniture, and equipment | 4,916,119 | 433,057 | 69,559 | 5,279,617 |
| Improvements other than buildings | 21,500 | 2,547 | - | 24,047 |
| Total accumulated depreciation | <u>\$ 25,945,087</u> | <u>\$ 2,658,843</u> | <u>\$ 69,559</u> | <u>\$ 28,534,371</u> |
| Total capital assets depreciated, net | <u>\$ 54,117,478</u> | <u>\$ 3,007,330</u> | <u>\$ 530</u> | <u>\$ 57,124,278</u> |
| Total Capital Assets, Net | <u>\$ 57,620,623</u> | <u>\$ 6,777,898</u> | <u>\$ 5,377,767</u> | <u>\$ 59,020,754</u> |

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 | \$ 58,536 | \$ - | \$ - | \$ 58,536 |
| Buildings and improvements | 1,477,519 | 2,000 | - | 1,479,519 |
| Machinery, furniture, and equipment | 139,383 | 9,193 | - | 148,576 |
| Total capital assets depreciated | <u>\$ 1,675,438</u> | <u>\$ 11,193</u> | <u>\$ -</u> | <u>\$ 1,686,631</u> |
| Less: accumulated depreciation for | | | | |
| Improvements other than buildings | \$ 44,511 | \$ 2,333 | \$ - | \$ 46,844 |
| Buildings and improvements | 1,089,741 | 40,830 | - | 1,130,571 |
| Machinery, furniture, and equipment | 107,601 | 8,176 | - | 115,777 |
| Total accumulated depreciation | <u>\$ 1,241,853</u> | <u>\$ 51,339</u> | <u>\$ -</u> | <u>\$ 1,293,192</u> |
| Total capital assets depreciated, net | <u>\$ 433,585</u> | <u>\$ (40,146)</u> | <u>\$ -</u> | <u>\$ 393,439</u> |
| Total Capital Assets, Net | <u>\$ 457,085</u> | <u>\$ (40,146)</u> | <u>\$ -</u> | <u>\$ 416,939</u> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

| | | |
|---|----|-----------|
| Governmental Activities | | |
| General government | \$ | 161,910 |
| Public safety | | 130,121 |
| Highways and streets, including depreciation of infrastructure assets | | 2,355,253 |
| Human services | | 4,968 |
| Culture and recreation | | 5,018 |
| Conservation of natural resources | | 1,573 |
| | | 2,658,843 |
| Total Depreciation Expense - Governmental Activities | \$ | 2,658,843 |
| | | |
| Business-Type Activities | | |
| Housing and redevelopment | \$ | 51,339 |
| | | 51,339 |

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, is as follows:

1. Due To/From Other Funds

| Receivable Fund | Payable Fund | Amount |
|--|-------------------|--------------|
| General Fund | Ditch Fund | \$ 3,549,000 |
| Public Works Fund | General Fund | \$ 16,798 |
| | Ditch Fund | 360 |
| Total due to Public Works Fund | | \$ 17,158 |
| Public Health and Human Services Fund | General Fund | \$ 4,202 |
| | Public Works Fund | 40 |
| Total due to Public Health and Human Services Fund | | \$ 4,242 |
| Total Due To/From Other Funds | | \$ 3,570,400 |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

| <u>Transfers Out</u> | <u>Transfers In</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------------|---------------------|------------------|----------------------|
| Capital Projects Fund | Public Works Fund | <u>\$ 50,000</u> | Gravel pit expansion |

C. Liabilities

1. Security Deposits Payable

Security deposits are collected from the tenants of 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.

2. Contract Commitments

The County has active contract commitments as of December 31, 2015. The commitments include the following:

| | <u>Spent-to-Date</u> | <u>Remaining Commitment</u> |
|--|----------------------|---------------------------------|
| Public Works Special Revenue Fund Highway projects | \$ 3,443,009 | \$ 420,363 |
| Ditch Special Revenue Fund Ditch projects and repairs | 1,489,282 | 439,276 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. 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 |
|----------------------------|-----------|
| 2016 | \$ 23,096 |
| 2017 | 19,980 |
| 2018 | 16,575 |
| 2019 | 13,263 |
| 2020 | 5,527 |
| Total | \$ 78,441 |

4. Long-Term Debt

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2015 |
|--|-------------------|--------------------------|-------------------------|-----------------------------|--|
| General obligation bonds 2012 G.O. Refunding Bonds | 2021 | \$220,000 - \$235,000 | 0.55 - 1.30 | \$ 1,800,000 | \$ 1,360,000 |
| General obligation special assessment bonds 2012 G.O. Special Assessment Refunding Bonds | 2023 | \$50,000 - \$70,000 | 1.20 - 2.35 | \$ 645,000 | \$ 440,000 |
| General obligation revenue notes 2001 G.O. Revenue Note - County-Wide | 2021 | \$2,665 - \$5,165 | - | \$ 103,300 | \$ 51,980 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2015 |
|---|-------------------|------------------------|-------------------------|-----------------------------|--|
| Minnesota Pollution Control Agency (MnPCA) loans | | | | | |
| High Island I | 2017 | \$14,495 | 2.00 | \$ 261,561 | \$ 56,556 |
| High Island II | 2021 | \$20,390 | 2.00 | 367,955 | 229,496 |
| Rush River I | 2018 | \$14,704 | 2.00 | 265,347 | 71,366 |
| Rush River II | 2021 | \$32,009 | 2.00 | 577,616 | 360,261 |
| Buffalo Creek I | 2019 | \$2,582 | 2.00 | 46,589 | 19,754 |
| Buffalo Creek II | 2022 | \$1,279 | 2.00 | 23,089 | 16,638 |
| Middle Minnesota I | 2021 | \$1,362 | 2.00 | 24,587 | 14,126 |
| Middle Minnesota II | 2023 | \$2,419 | 2.00 | 43,657 | 35,607 |
| Bevens Silver Creek | 2023 | \$7,332 | 2.00 | 132,304 | 107,906 |
| Total MnPCA Loans | | | | <u>\$ 1,742,705</u> | <u>\$ 911,710</u> |
| Minnesota Department of Agriculture loans | | | | | |
| Ag Best Management Loan Program (AgBMP) | 2026 | \$9,698 - \$60,181 | - | <u>\$ 1,067,639</u> | <u>\$ 893,155</u> |

5. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

| Year Ending December 31 | General Obligation Bonds | | General Obligation Special Assessment Bonds | |
|----------------------------|--------------------------|------------------|--|------------------|
| | Principal | Interest | Principal | Interest |
| 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 | 225,000 | 6,825 | 50,000 | 4,763 |
| 2020 | 230,000 | 4,378 | 50,000 | 3,850 |
| 2021 - 2023 | 235,000 | 1,528 | 150,000 | 5,200 |
| Total | <u>\$ 1,360,000</u> | <u>\$ 44,329</u> | <u>\$ 440,000</u> | <u>\$ 33,080</u> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

| Year Ending December 31 | General Obligation Revenue Notes | | MnPCA Loans | | AgBMP Loans | |
|----------------------------|----------------------------------|-------------|-------------------|------------------|-------------------|-------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$ 10,330 | \$ - | \$ 175,785 | \$ 17,360 | \$ 85,074 | \$ - |
| 2017 | 10,330 | - | 179,319 | 13,826 | 102,168 | - |
| 2018 | 10,330 | - | 139,085 | 10,367 | 99,725 | - |
| 2019 | 10,330 | - | 127,029 | 7,718 | 102,738 | - |
| 2020 | 5,330 | - | 124,393 | 5,191 | 105,841 | - |
| 2021 - 2025 | 5,330 | - | 166,099 | 3,685 | 396,710 | - |
| 2026 | - | - | - | - | 899 | - |
| Total | <u>\$ 51,980</u> | <u>\$ -</u> | <u>\$ 911,710</u> | <u>\$ 58,147</u> | <u>\$ 893,155</u> | <u>\$ -</u> |

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|---------------------|---------------------|------------------------|
| Governmental activities long-term liabilities | | | | | |
| Bonds payable | | | | | |
| General obligation bonds | \$ 1,580,000 | \$ - | \$ 220,000 | \$ 1,360,000 | \$ 220,000 |
| General obligation special assessment bonds | 505,000 | - | 65,000 | 440,000 | 70,000 |
| Total bonds payable | \$ 2,085,000 | \$ - | \$ 285,000 | \$ 1,800,000 | \$ 290,000 |
| General obligation revenue notes | 62,310 | - | 10,330 | 51,980 | 10,330 |
| MnPCA loans | 1,084,032 | - | 172,322 | 911,710 | 175,785 |
| AgBMP loans | 733,138 | 230,776 | 70,759 | 893,155 | 85,074 |
| Compensated absences | 1,036,301 | 592,370 | 650,510 | 978,161 | 264,103 |
| Governmental Activities Long-Term Liabilities | <u>\$ 5,000,781</u> | <u>\$ 823,146</u> | <u>\$ 1,188,921</u> | <u>\$ 4,635,006</u> | <u>\$ 825,292</u> |

Compensated absences, other postemployment benefit liability, and pension liabilities are generally liquidated by the General Fund and Public Works, Public Health and Human Services, and Water Projects Special Revenue Funds.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. 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, 2015, there was one retiree receiving health benefits from the County’s health plan and three 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 2015, the County contributed \$35,841 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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 | \$ | 94,523 |
| Interest on net OPEB obligation | | 11,562 |
| Adjustment to ARC | | <u>(17,231)</u> |
| Annual OPEB cost | \$ | 88,854 |
| Contributions made (pay-as-you-go) | | <u>(35,841)</u> |
| Increase in net OPEB obligation | \$ | 53,013 |
| Net OPEB Obligation - Beginning of Year | | <u>289,046</u> |
| Net OPEB Obligation - End of Year | \$ | <u><u>342,059</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, 2013, 2014, and 2015, 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, 2013 | \$ 78,353 | \$ 39,517 | 50.4% | \$ 220,221 |
| December 31, 2014 | 90,261 | 21,436 | 23.7 | 289,046 |
| December 31, 2015 | 88,854 | 35,841 | 40.3 | 342,059 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the County had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$636,254, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$636,254. The covered payroll (annual payroll of active employees covered by the plan) was \$6,138,389, and the ratio of the UAAL to the covered payroll was 10.4 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

7. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

For January 1, 2014, the actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 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 7.5 percent initially and grading to 5.0 percent over ten years.

D. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue and deferred inflows of resources as of December 31, 2015, for the County's governmental funds are as follows:

| | Unearned Revenue | Deferred Inflows of Resources |
|---|---------------------|-------------------------------------|
| Advanced allotments | | |
| Highway allotments that were received in advance | \$ - | \$ 111,187 |
| Unavailable revenue | | |
| Delinquent property taxes | - | 150,221 |
| Special assessments receivable, delinquent and noncurrent | - | 3,690,242 |
| Highway allotments that do not provide current financial resources | - | 819,079 |
| Grants | - | 97,453 |
| Accrued interest | - | 30,606 |
| Unearned revenue | | |
| Grants | 103,885 | - |
| Total Governmental Funds | \$ 103,885 | \$ 4,898,788 |

**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</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 | \$ - | \$ 790,910 | \$ - | \$ - | \$ - |
| Prepaid items | 10,205 | 268 | 1,227 | - | - |
| Federal lands | - | - | - | - | - |
| Loan security | - | - | - | - | 25,000 |
| Total nonspendable | \$ 10,205 | \$ 791,178 | \$ 1,227 | \$ - | \$ 25,000 |
| Restricted | | | | | |
| Highway maintenance and construction - gravel tax | \$ - | \$ 378,318 | \$ - | \$ - | \$ - |
| Debt service | - | - | - | - | - |
| Sub-surface sewage treatment systems | - | - | - | - | 660,038 |
| Economic development loans | - | - | - | - | - |
| Conservation projects | - | - | - | - | - |
| Juvenile fines | 19,976 | - | - | - | - |
| Ditch maintenance and construction | - | - | - | 622,642 | - |
| Land restoration - gravel tax | - | 203,423 | - | - | - |
| Attorney's forfeited property | 41,189 | - | - | - | - |
| Recorder's equipment purchases | 166,425 | - | - | - | - |
| Land records technology | 133,640 | - | - | - | - |
| Shoreland grant | 2,462 | - | - | - | - |
| E-911 | 834,577 | - | - | - | - |
| Park improvements | 36,785 | - | - | - | - |
| Aquatic invasive species program | 58,114 | - | - | - | - |
| Local government allotments | - | 29,456 | - | - | - |
| Total restricted | \$ 1,293,168 | \$ 611,197 | \$ - | \$ 622,642 | \$ 660,038 |
| Committed | | | | | |
| Tobacco ordinance | \$ 10,143 | \$ - | \$ - | \$ - | \$ - |
| County parks | 101,332 | - | - | - | - |
| Alcohol enforcement and education | 4,239 | - | - | - | - |
| Solid waste | 313,648 | - | - | - | - |
| Total committed | \$ 429,362 | \$ - | \$ - | \$ - | \$ - |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

| | <u>General</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 | \$ - | \$ 7,452,713 | \$ - | \$ - | \$ - |
| Public health and human services | - | - | 4,993,959 | - | - |
| Total assigned | <u>\$ -</u> | <u>\$ 7,452,713</u> | <u>\$ 4,993,959</u> | <u>\$ -</u> | <u>\$ -</u> |
| Unassigned | <u>\$ 5,584,479</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,683,453)</u> | <u>\$ -</u> |
| Total Fund Balance | <u><u>\$ 7,317,214</u></u> | <u><u>\$ 8,855,088</u></u> | <u><u>\$ 4,995,186</u></u> | <u><u>\$ (2,060,811)</u></u> | <u><u>\$ 685,038</u></u> |

| | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|---|---------------------|-----------------------------|---|---------------------|
| Nonspendable | | | | |
| Inventories | \$ - | \$ - | \$ - | \$ 790,910 |
| Prepaid items | - | - | 43 | 11,743 |
| Federal lands | - | - | 130,417 | 130,417 |
| Loan security | - | - | - | 25,000 |
| Total nonspendable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 130,460</u> | <u>\$ 958,070</u> |
| Restricted | | | | |
| Highway maintenance and construction - gravel tax | \$ - | \$ - | \$ - | \$ 378,318 |
| Debt service | 984,222 | - | - | 984,222 |
| Sub-surface sewage treatment systems | - | - | - | 660,038 |
| Economic development loans | - | - | 266,699 | 266,699 |
| Conservation projects | - | - | 39,941 | 39,941 |
| Juvenile fines | - | - | - | 19,976 |
| Ditch maintenance and construction | - | - | - | 622,642 |
| Land restoration - gravel tax | - | - | - | 203,423 |
| Attorney's forfeited property | - | - | - | 41,189 |
| Recorder's equipment purchases | - | - | - | 166,425 |
| Land records technology | - | - | - | 133,640 |
| Shoreland grant | - | - | - | 2,462 |
| E-911 | - | - | - | 834,577 |
| Park improvements | - | - | - | 36,785 |
| Aquatic invasive species program | - | - | - | 58,114 |
| Local government allotments | - | - | - | 29,456 |
| Total restricted | <u>\$ 984,222</u> | <u>\$ -</u> | <u>\$ 306,640</u> | <u>\$ 4,477,907</u> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

| | Debt Service | Capital Projects | Other Governmental Funds | Total |
|-----------------------------------|-------------------|---------------------|--------------------------------|----------------------|
| Committed | | | | |
| Tobacco ordinance | \$ - | \$ - | \$ - | \$ 10,143 |
| County parks | - | - | - | 101,332 |
| Alcohol enforcement and education | - | - | - | 4,239 |
| Solid waste | - | - | - | 313,648 |
| Total committed | \$ - | \$ - | \$ - | \$ 429,362 |
| Assigned | | | | |
| Public works | \$ - | \$ - | \$ - | \$ 7,452,713 |
| Public health and human services | - | - | - | 4,993,959 |
| Total assigned | \$ - | \$ - | \$ - | \$ 12,446,672 |
| Unassigned | \$ - | \$ (40,000) | \$ - | \$ 2,861,026 |
| Total Fund Balance | \$ 984,222 | \$ (40,000) | \$ 437,100 | \$ 21,173,037 |

4. Pension Plans

A. Defined Benefit Pension Plans

1. 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. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

1. 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. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement 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. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

| | |
|---------------------------------------|--------|
| General Employees Retirement Fund | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 7.50 |
| Public Employees Police and Fire Fund | 16.20 |
| Public Employees Correctional Fund | 8.75 |

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

| | |
|---------------------------------------|------------|
| General Employees Retirement Fund | \$ 455,148 |
| Public Employees Police and Fire Fund | 110,069 |
| Public Employees Correctional Fund | 34,698 |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$5,099,599 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0984 percent. It was 0.1096 percent measured as of June 30, 2014. The County recognized pension expense of \$548,234 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual economic experience | \$ - | \$ 257,106 |
| Difference between projected and actual investment earnings | 482,755 | - |
| Changes in proportion | - | 394,590 |
| Contributions paid to PERA subsequent to the measurement date | <u>237,349</u> | <u>-</u> |
| Total | <u>\$ 720,104</u> | <u>\$ 651,696</u> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

A total of \$237,349 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31</u> | <u>Pension Expense Amount</u> |
|-----------------------------------|---------------------------------------|
| 2016 | \$ (96,543) |
| 2017 | (96,543) |
| 2018 | (96,543) |
| 2019 | 120,688 |

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$840,813 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.074 percent. It was 0.070 percent measured as of June 30, 2014. The County recognized pension expense of \$152,092 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$6,660 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 136,352 |
| Difference between projected and actual investment earnings | 146,498 | - |
| Changes in proportion | 36,001 | - |
| Contributions paid to PERA subsequent to the measurement date | 57,463 | - |
| Total | \$ 239,962 | \$ 136,352 |

A total of \$57,463 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---------------------------|------------------------------|
| 2016 | \$ 16,554 |
| 2017 | 16,554 |
| 2018 | 16,554 |
| 2019 | 16,554 |
| 2020 | (20,069) |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$37,104 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.24 percent. It was 0.19 percent measured as of June 30, 2014. The County recognized pension expense of \$40,985 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 14,206 |
| Difference between projected and actual investment earnings | 30,929 | - |
| Changes in proportion | 2,829 | - |
| Contributions paid to PERA subsequent to the measurement date | 18,238 | - |
| Total | \$ 51,996 | \$ 14,206 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

A total of \$18,238 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31</u> | <u>Pension Expense Amount</u> |
|-----------------------------------|---------------------------------------|
| 2016 | \$ 3,940 |
| 2017 | 3,940 |
| 2018 | 3,940 |
| 2019 | 7,732 |

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$741,311.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

| | |
|------------------------------|-----------------------|
| Inflation | 2.75 percent per year |
| Active member payroll growth | 3.50 percent per year |
| Investment rate of return | 7.90 percent |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic stocks | 45% | 5.50% |
| International stocks | 15 | 6.00 |
| Bonds | 18 | 1.45 |
| Alternative assets | 20 | 6.40 |
| Cash | 2 | 0.50 |

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

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

| | <u>1% Decrease in Discount Rate (6.9%)</u> | <u>Discount Rate (7.9%)</u> | <u>1% Increase in Discount Rate (8.9%)</u> |
|--|--|---------------------------------|--|
| Proportionate share of the General Employees Retirement Fund net pension liability | \$ 8,018,382 | \$ 5,099,599 | \$ 2,689,132 |
| Public Employees Police and Fire Fund net pension liability | 1,638,754 | 840,813 | 181,575 |
| Public Employees Correctional Fund net pension liability | 258,398 | 37,104 | (140,021) |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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, 2015, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount | \$ 7,749 | \$ 7,749 |
| Percentage of covered payroll | 5% | 5% |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

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 \$490,000 per claim in 2015 and \$500,000 in 2016. 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 2015, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

| | Year Ended December 31 | |
|---|------------------------|------------|
| | 2015 | 2014 |
| Unpaid claims, beginning of fiscal year | \$ 114,845 | \$ 16,948 |
| Incurred claims (including IBNRs) | 1,051,857 | 1,096,057 |
| Claims payments | (1,080,976) | (997,801) |
| Less: recoveries | (3,507) | (359) |
| Unpaid Claims, End of Fiscal Year | \$ 82,219 | \$ 114,845 |

B. Contingent Liabilities

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

In 1993, the South Central Minnesota Multi-County Housing 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 2015 is \$130,758. The proportionate shares of the counties may change for the years 2016 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.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Meeker-McLeod-Sibley Community Health Services Board

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

Current financial statements are available from the McLeod County Auditor-Treasurer's Office, 2391 Hennepin Avenue N., Glencoe, Minnesota 55336.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development 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. During 2015, Sibley County paid \$1,000 to the Board.

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)

High Island Watershed Evaluation Project

Sibley County entered into a Joint Powers agreement with Renville County, McLeod County and High Island Watershed District to create and operate the High Island Watershed Evaluation Project pursuant to Minn. Stat. § 471.59 and a joint powers agreement effective August 7, 2007. Management of the High Island Watershed Evaluation Project is vested in the Board of Directors, which consists of four representatives, one from the Sibley County Board of Commissioners, one from the McLeod County Board of Commissioners, one from the Renville County Board of Commissioners, and one from the High Island Watershed District Board. The purpose of this joint powers agreement is to organize, govern, train, equip, and maintain an evaluation project to promote the water quality, improvement, and management of the High Island Creek Watershed.

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

Sibley County Children's Collaborative

Sibley County and Independent School Districts 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 2310 Board of Education, one representative from the Independent School District 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. During the year, the County contributed \$1,000 to 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Central Minnesota Regional Emergency Communications Board

The South Central Minnesota Regional Emergency Communications Board (formally known as 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.

Blue Earth County acts as the fiscal agent for the Radio Board. During 2015, Sibley County contributed \$2,681 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, Le Sueur, 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 2015.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined the joint venture. As of December 31, 2010, Cass, Freeborn, and Crow Wing Counties withdrew 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.

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 annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at the end of 2015 was \$1,890,556. 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. Hicks, SCHA Chief Fiscal Officer, 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 2015, the County provided \$11,649 in funding to the Collaborative.

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, New Ulm, Minnesota 56073.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Trailblazer Transit Board

Sibley County entered into a joint powers agreement 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 state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2015, Sibley County made no contributions to the Board.

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 programs, excluding the collection and disposal of solid waste, 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 \$44,143 in 2015. Nicollet County became the fiscal agent effective January 1, 2015.

Current audited financial statements are not available.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

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 was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the 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.

Sentence to Serve

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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 2015.

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 2015.

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. Sibley County did not contribute to the SW-MIIC during 2015.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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.

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 | \$ 158,362 |
| Cash with the Henderson Branch | <u>266</u> |
| Total Cash and Pooled Investments | <u>\$ 158,628</u> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

B. Detailed Notes on the General Fund

1. Assets

Deposits (Continued)

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Sibley County Library System's deposits may not be returned to it. 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, 2015, 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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------|----------------------|-----------|------------|-------------------|------------------------|
| Long-term liabilities | | | | | |
| Compensated absences | \$ 28,645 | \$ 11,877 | \$ 7,692 | \$ 32,830 | \$ 8,864 |

C. Defined Benefit Pension Plans

1. Plan Description

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

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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

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. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plans (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015.

In 2015, the Library System was required to contribute the following percentages of annual covered salary:

| | |
|-----------------------------------|--------|
| General Employees Retirement Fund | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 7.50 |

The Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014.

The Library System's contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were \$13,845. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2015, the Library System reported a liability of \$150,293 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library System's proportion of the net pension liability was based on the Library System's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Library System's proportion was 0.0029 percent. It was 0.0010 percent measured as of June 30, 2014. The Library System recognized pension expense of \$42,347 for its proportionate share of the General Employees Retirement Fund's pension expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plans

4. Pension Costs (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 7,577 |
| Difference between projected and actual investment earnings | 14,228 | - |
| Changes in proportion | 66,939 | - |
| Contributions paid to PERA subsequent to the measurement date | 6,936 | - |
| Total | \$ 88,103 | \$ 7,577 |

A total of \$6,936 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---------------------------|------------------------------|
| 2016 | \$ 23,344 |
| 2017 | 23,344 |
| 2018 | 23,344 |
| 2019 | 3,558 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

| | |
|------------------------------|-----------------------|
| Inflation | 2.75 percent per year |
| Active member payroll growth | 3.50 percent per year |
| Investment rate of return | 7.90 percent |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees was assumed to be 1.0 percent effective every January 1 through 2035, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentage.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic stocks | 45% | 5.50% |
| International stocks | 15 | 6.00 |
| Bonds | 18 | 1.45 |
| Alternative assets | 20 | 6.40 |
| Cash | 2 | 0.50 |

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plans (Continued)

7. Pension Liability Sensitivity

The following presents the Library System’s proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the Library System’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

| | 1% Decrease in Discount Rate (6.9%) | Discount Rate (7.9%) | 1% Increase in Discount Rate (8.9%) |
|--|---|-------------------------|---|
| Proportionate share of the General Employees Retirement Fund net pension liability | \$ 236,314 | \$ 150,293 | \$ 79,253 |

8. Pension Plan Fiduciary Net Position

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

D. Risk Management

The Sibley County Library System 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 Sibley County Library System carries commercial insurance. The Sibley County Library System has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The Sibley County Library System is a member of both the MCIT Workers’ Compensation and Property and Casualty Divisions. The Sibley County Library System does not offer employee health or dental benefits. For other risk, the Sibley County Library System 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**

6. Sibley County Library System Component Unit Disclosures

D. 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 \$490,000 per claim in 2015 and \$500,000 in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Sibley County Library System in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the Sibley County Library System 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 Sibley County Library System in a method and amount to be determined by MCIT.

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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, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 5,306,399 | \$ 5,306,399 | \$ 5,144,705 | \$ (161,694) |
| Special assessments | 134,000 | 134,000 | 133,503 | (497) |
| Licenses and permits | 24,380 | 24,380 | 36,350 | 11,970 |
| Intergovernmental | 646,549 | 646,549 | 963,285 | 316,736 |
| Charges for services | 787,275 | 787,275 | 836,380 | 49,105 |
| Fines and forfeits | 8,100 | 8,100 | 12,352 | 4,252 |
| Gifts and contributions | 350 | 350 | 1,988 | 1,638 |
| Investment earnings | 200,250 | 200,250 | 246,323 | 46,073 |
| Miscellaneous | 232,267 | 232,267 | 262,618 | 30,351 |
| Total Revenues | \$ 7,339,570 | \$ 7,339,570 | \$ 7,637,504 | \$ 297,934 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 288,998 | \$ 288,998 | \$ 244,998 | \$ 44,000 |
| Courts | 45,000 | 45,000 | 76,401 | (31,401) |
| Law library | 27,500 | 27,500 | 20,464 | 7,036 |
| County auditor | 320,533 | 320,533 | 296,551 | 23,982 |
| County treasurer | 318,532 | 318,532 | 301,040 | 17,492 |
| Audit services | 72,750 | 72,750 | 88,905 | (16,155) |
| Information services | 438,440 | 438,440 | 418,627 | 19,813 |
| Elections/voter registration | 89,066 | 89,066 | 51,111 | 37,955 |
| County administrator/human resources | 329,410 | 329,410 | 339,911 | (10,501) |
| County attorney | 495,471 | 495,471 | 417,069 | 78,402 |
| County recorder | 282,303 | 282,303 | 263,503 | 18,800 |
| County surveyor | 32,500 | 32,500 | 32,500 | - |
| County assessor | 344,596 | 344,596 | 352,734 | (8,138) |
| Planning and zoning | 52,485 | 52,485 | 51,201 | 1,284 |
| Courthouse building | 109,997 | 109,997 | 79,414 | 30,583 |
| Building custodians | 176,806 | 176,806 | 165,624 | 11,182 |
| Sibley County food shelf | 93 | 93 | 117 | (24) |
| Jail building | 82,436 | 82,436 | 94,112 | (11,676) |
| Sibley County service center | 75,293 | 75,293 | 71,771 | 3,522 |
| Sheriff shed | 4,405 | 4,405 | 2,170 | 2,235 |
| Sibley East and West | 10,859 | 10,859 | 8,770 | 2,089 |
| Veterans service officer | 125,011 | 125,011 | 120,033 | 4,978 |
| Public transit | 147,500 | 147,500 | 21,737 | 125,763 |
| County fleet car | 32,156 | 32,156 | 13,297 | 18,859 |
| Shoreland ordinance | 2,700 | 2,700 | 1,248 | 1,452 |
| MPCA feedlot program | 64,690 | 64,690 | 63,825 | 865 |
| Other general government activities | 37,046 | 37,046 | 114,792 | (77,746) |
| Total general government | \$ 4,006,576 | \$ 4,006,576 | \$ 3,711,925 | \$ 294,651 |

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, 2015**

| | <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 | \$ 2,223,742 | \$ 2,223,742 | \$ 2,122,568 | \$ 101,174 |
| Enhanced 911 system | 49,500 | 49,500 | 12,163 | 37,337 |
| Probation officer | 195,863 | 195,863 | 199,310 | (3,447) |
| Sentence to Serve | 58,156 | 58,156 | 59,211 | (1,055) |
| Emergency management | 108,591 | 108,591 | 110,997 | (2,406) |
| South Central Minnesota Regional Emergency Communications Board | 1,900 | 1,900 | 30,063 | (28,163) |
| Total public safety | \$ 2,637,752 | \$ 2,637,752 | \$ 2,534,312 | \$ 103,440 |
| Sanitation | | | | |
| SCORE solid waste | \$ 220,554 | \$ 220,554 | \$ 211,148 | \$ 9,406 |
| County landfill | 835 | 835 | 936 | (101) |
| Total sanitation | \$ 221,389 | \$ 221,389 | \$ 212,084 | \$ 9,305 |
| Culture and recreation | | | | |
| Historical society | \$ 15,000 | \$ 15,000 | \$ 10,000 | \$ 5,000 |
| Sibley County Library System | 285,215 | 285,215 | 284,722 | 493 |
| Parks | 43,750 | 43,750 | 30,566 | 13,184 |
| County seat trail | - | - | 37,739 | (37,739) |
| Tourism | 2,725 | 2,725 | 2,324 | 401 |
| Total culture and recreation | \$ 346,690 | \$ 346,690 | \$ 365,351 | \$ (18,661) |
| Conservation of natural resources | | | | |
| Soil and water conservation | \$ 145,049 | \$ 145,049 | \$ 145,049 | \$ - |
| County extension | 149,560 | 149,560 | 134,106 | 15,454 |
| Agriculture ditch inspector | 121,017 | 121,017 | 117,078 | 3,939 |
| County fair | 23,040 | 23,040 | 23,040 | - |
| Aquatic invasive species | - | - | 37,933 | (37,933) |
| Total conservation of natural resources | \$ 438,666 | \$ 438,666 | \$ 457,206 | \$ (18,540) |
| Economic development | | | | |
| Housing and Redevelopment Authority | \$ 131,743 | \$ 131,743 | \$ 131,516 | \$ 227 |
| Minnesota Valley Action Council | 8,179 | 8,179 | 7,636 | 543 |
| Total economic development | \$ 139,922 | \$ 139,922 | \$ 139,152 | \$ 770 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures (Continued) | | | | |
| Capital outlay | | | | |
| General government | \$ 124,600 | \$ 124,600 | \$ 77,057 | \$ 47,543 |
| Public safety | 202,750 | 202,750 | 80,742 | 122,008 |
| Culture and recreation | 50,293 | 50,293 | - | 50,293 |
| Total capital outlay | <u>\$ 377,643</u> | <u>\$ 377,643</u> | <u>\$ 157,799</u> | <u>\$ 219,844</u> |
| Intergovernmental | | | | |
| General government | \$ - | \$ - | \$ 190,370 | \$ (190,370) |
| Total Expenditures | <u>\$ 8,168,638</u> | <u>\$ 8,168,638</u> | <u>\$ 7,768,199</u> | <u>\$ 400,439</u> |
| Net Change in Fund Balance | <u>\$ (829,068)</u> | <u>\$ (829,068)</u> | <u>\$ (130,695)</u> | <u>\$ 698,373</u> |
| Fund Balance - January 1 | <u>7,447,909</u> | <u>7,447,909</u> | <u>7,447,909</u> | <u>-</u> |
| Fund Balance - December 31 | <u><u>\$ 6,618,841</u></u> | <u><u>\$ 6,618,841</u></u> | <u><u>\$ 7,317,214</u></u> | <u><u>\$ 698,373</u></u> |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 4,741,329 | \$ 4,741,329 | \$ 4,639,042 | \$ (102,287) |
| Intergovernmental | 4,030,544 | 4,030,544 | 6,342,392 | 2,311,848 |
| Charges for services | 72,575 | 72,575 | 70,496 | (2,079) |
| Miscellaneous | 202,417 | 202,417 | 77,888 | (124,529) |
| Total Revenues | \$ 9,046,865 | \$ 9,046,865 | \$ 11,129,818 | \$ 2,082,953 |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Geographical information systems (GIS) | \$ 32,640 | \$ 32,640 | \$ 34,496 | \$ (1,856) |
| Maintenance | 3,146,174 | 3,146,174 | 2,309,147 | 837,027 |
| Engineering/construction | 4,193,403 | 4,193,403 | 5,268,100 | (1,074,697) |
| Equipment, shop maintenance, and repairs | 924,642 | 924,642 | 632,256 | 292,386 |
| Administration | 345,521 | 345,521 | 311,326 | 34,195 |
| Township allotments | 40,000 | 40,000 | - | 40,000 |
| Total highways and streets | \$ 8,682,380 | \$ 8,682,380 | \$ 8,555,325 | \$ 127,055 |
| Capital outlay | | | | |
| Highways and streets | 410,500 | 410,500 | 225,462 | 185,038 |
| Intergovernmental | | | | |
| Highways and streets | 296,564 | 296,564 | 312,565 | (16,001) |
| Total Expenditures | \$ 9,389,444 | \$ 9,389,444 | \$ 9,093,352 | \$ 296,092 |
| Excess of Revenues Over (Under) Expenditures | \$ (342,579) | \$ (342,579) | \$ 2,036,466 | \$ 2,379,045 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 49,872 | \$ 49,872 | \$ 50,000 | \$ 128 |
| Transfers out | 308,872 | 308,872 | - | (308,872) |
| Total Other Financing Sources (Uses) | \$ 358,744 | \$ 358,744 | \$ 50,000 | \$ (308,744) |
| Net Change in Fund Balance | \$ 16,165 | \$ 16,165 | \$ 2,086,466 | \$ 2,070,301 |
| Fund Balance - January 1 | 6,780,737 | 6,780,737 | 6,780,737 | - |
| Increase (decrease) in inventories | - | - | (12,115) | (12,115) |
| Fund Balance - December 31 | \$ 6,796,902 | \$ 6,796,902 | \$ 8,855,088 | \$ 2,058,186 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 2,383,436 | \$ 2,383,436 | \$ 2,312,522 | \$ (70,914) |
| Intergovernmental | 3,054,819 | 3,054,819 | 3,079,194 | 24,375 |
| Charges for services | 646,062 | 646,062 | 589,528 | (56,534) |
| Gifts and contributions | 500 | 500 | 123,024 | 122,524 |
| Miscellaneous | 184,411 | 184,411 | 310,359 | 125,948 |
| Total Revenues | \$ 6,269,228 | \$ 6,269,228 | \$ 6,414,627 | \$ 145,399 |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 1,286,885 | \$ 1,286,885 | \$ 1,345,118 | \$ (58,233) |
| Social services | 3,827,648 | 3,827,648 | 3,561,450 | 266,198 |
| Miscellaneous social service programs | 26,246 | 26,246 | 27,460 | (1,214) |
| Total human services | \$ 5,140,779 | \$ 5,140,779 | \$ 4,934,028 | \$ 206,751 |
| Health | | | | |
| Public health nurse | 1,418,186 | 1,418,186 | 1,245,400 | 172,786 |
| Total Expenditures | \$ 6,558,965 | \$ 6,558,965 | \$ 6,179,428 | \$ 379,537 |
| Net Change in Fund Balance | \$ (289,737) | \$ (289,737) | \$ 235,199 | \$ 524,936 |
| Fund Balance - January 1 | 4,759,987 | 4,759,987 | 4,759,987 | - |
| Fund Balance - December 31 | \$ 4,470,250 | \$ 4,470,250 | \$ 4,995,186 | \$ 524,936 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| January 1, 2008 | \$ - | \$ 439,762 | \$ 439,762 | 0.00% | \$ 5,555,369 | 7.92% |
| January 1, 2011 | - | 627,928 | 627,928 | 0.00 | 5,392,445 | 11.64 |
| January 1, 2014 | - | 636,254 | 636,254 | 0.00 | 6,138,389 | 10.37 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|------------------------------------|---|---|
| 2015 | 0.0984% | \$ 5,099,599 | \$ 5,784,914 | 88.15% | 78.19% |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b-a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2015 | \$ 455,148 | \$ 455,148 | - | \$ 6,069,024 | 7.50% |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-7

**SIBLEY COUNTY LIBRARY SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

| <u>Measurement Date</u> | <u>Employer's Proportion of the Net Pension Liability (Asset)</u> | <u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u> | <u>Covered Payroll (b)</u> | <u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|-------------------------|---|--|----------------------------|---|---|
| 2015 | 0.0029% | \$ 150,293 | \$ 172,103 | 87.33% | 78.19% |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-8

**SIBLEY COUNTY LIBRARY SYSTEM
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

| <u>Year Ending</u> | <u>Statutorily Required Contributions (a)</u> | <u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u> | <u>Contribution (Deficiency) Excess (b-a)</u> | <u>Covered Payroll (c)</u> | <u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u> |
|--------------------|---|---|---|----------------------------|--|
| 2015 | \$ 13,845 | \$ 13,845 | \$ - | \$ 184,592 | 7.50% |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|------------------------------------|---|---|
| 2015 | 0.074% | \$ 840,813 | \$ 680,776 | 123.51% | 86.61% |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b-a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2015 | \$ 110,069 | \$ 110,069 | - | \$ 679,436 | 16.20% |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

| <u>Measurement Date</u> | <u>Employer's Proportion of the Net Pension Liability (Asset)</u> | <u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u> | <u>Covered Payroll (b)</u> | <u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|-------------------------|---|--|----------------------------|---|---|
| 2015 | 0.24% | \$ 37,104 | \$ 423,611 | 8.76% | 96.95% |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

| <u>Year Ending</u> | <u>Statutorily Required Contributions (a)</u> | <u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u> | <u>Contribution (Deficiency) Excess (b-a)</u> | <u>Covered Payroll (c)</u> | <u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u> |
|--------------------|---|---|---|----------------------------|--|
| 2015 | \$ 34,698 | \$ 34,698 | \$ - | \$ 396,549 | 8.75% |

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

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. Other Postemployment Benefits

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero.

See Note 3.C.7. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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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, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 100,000 | \$ 100,000 | \$ 97,513 | \$ (2,487) |
| Intergovernmental | - | - | 2,677 | 2,677 |
| Total Revenues | \$ 100,000 | \$ 100,000 | \$ 100,190 | \$ 190 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | \$ 220,000 | \$ 220,000 | \$ 220,000 | \$ - |
| Interest | 13,142 | 13,142 | 13,143 | (1) |
| Administrative charges | 14,768 | 14,768 | 930 | 13,838 |
| Total Expenditures | \$ 247,910 | \$ 247,910 | \$ 234,073 | \$ 13,837 |
| Net Change in Fund Balance | \$ (147,910) | \$ (147,910) | \$ (133,883) | \$ 14,027 |
| Fund Balance - January 1 | 1,118,105 | 1,118,105 | 1,118,105 | - |
| Fund Balance - December 31 | \$ 970,195 | \$ 970,195 | \$ 984,222 | \$ 14,027 |

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NONMAJOR FUNDS

Nonmajor Special Revenue Funds

Revolving Loan (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, 2015**

| | <u>Special Revenue Funds</u> | | | <u>Permanent Fund Federal Lands</u> | <u>Total Nonmajor Governmental Funds (Exhibit 3)</u> |
|---|---------------------------------------|---------------------------|-------------------|---|--|
| | <u>Revolving Loan (SEDCO)</u> | <u>Water Projects</u> | <u>Total</u> | | |
| <u>Assets</u> | | | | | |
| Cash and pooled investments | \$ 171,197 | \$ 40,235 | \$ 211,432 | \$ 130,417 | \$ 341,849 |
| Due from other governments | - | 1,492 | 1,492 | - | 1,492 |
| Loans receivable | 95,502 | - | 95,502 | - | 95,502 |
| Prepaid items | - | 43 | 43 | - | 43 |
| Total Assets | \$ 266,699 | \$ 41,770 | \$ 308,469 | \$ 130,417 | \$ 438,886 |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities | | | | | |
| Salaries payable | \$ - | \$ 1,555 | \$ 1,555 | \$ - | \$ 1,555 |
| Due to other governments | - | 231 | 231 | - | 231 |
| Total Liabilities | \$ - | \$ 1,786 | \$ 1,786 | \$ - | \$ 1,786 |
| Fund Balances | | | | | |
| Nonspendable for | | | | | |
| Federal lands | \$ - | \$ - | \$ - | \$ 130,417 | \$ 130,417 |
| Prepaid items | - | 43 | 43 | - | 43 |
| Restricted for | | | | | |
| Economic development loans | 266,699 | - | 266,699 | - | 266,699 |
| Conservation projects | - | 39,941 | 39,941 | - | 39,941 |
| Total Fund Balances | \$ 266,699 | \$ 39,984 | \$ 306,683 | \$ 130,417 | \$ 437,100 |
| Total Liabilities and Fund Balances | \$ 266,699 | \$ 41,770 | \$ 308,469 | \$ 130,417 | \$ 438,886 |

**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, 2015**

| | <u>Special Revenue Funds</u> | | | <u>Permanent Fund Federal Lands</u> | <u>Total Nonmajor Governmental Funds (Exhibit 5)</u> |
|-----------------------------------|---------------------------------------|---------------------------|-------------------|---|--|
| | <u>Revolving Loan (SEDCO)</u> | <u>Water Projects</u> | <u>Total</u> | | |
| Revenues | | | | | |
| Intergovernmental | \$ - | \$ 66,397 | \$ 66,397 | \$ 5,500 | \$ 71,897 |
| Gifts and contributions | - | - | - | 49,500 | 49,500 |
| Investment earnings | 2,247 | - | 2,247 | 405 | 2,652 |
| Miscellaneous | - | 5,116 | 5,116 | - | 5,116 |
| Total Revenues | \$ 2,247 | \$ 71,513 | \$ 73,760 | \$ 55,405 | \$ 129,165 |
| Expenditures | | | | | |
| Current | | | | | |
| Conservation of natural resources | - | 75,404 | 75,404 | 5,719 | 81,123 |
| Net Change in Fund Balance | \$ 2,247 | \$ (3,891) | \$ (1,644) | \$ 49,686 | \$ 48,042 |
| Fund Balance - January 1 | 264,452 | 43,875 | 308,327 | 80,731 | 389,058 |
| Fund Balance - December 31 | \$ 266,699 | \$ 39,984 | \$ 306,683 | \$ 130,417 | \$ 437,100 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | \$ 142,550 | \$ 142,550 | \$ 66,397 | \$ (76,153) |
| Miscellaneous | - | - | 5,116 | 5,116 |
| Total Revenues | \$ 142,550 | \$ 142,550 | \$ 71,513 | \$ (71,037) |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| High Island TMDL Implementation | \$ 136,974 | \$ 136,974 | \$ 68,467 | \$ 68,507 |
| SWAG | 5,576 | 5,576 | 5,369 | 207 |
| Water Projects Administration | - | - | 1,568 | (1,568) |
| Total Expenditures | \$ 142,550 | \$ 142,550 | \$ 75,404 | \$ 67,146 |
| Net Change in Fund Balance | \$ - | \$ - | \$ (3,891) | \$ (3,891) |
| Fund Balance - January 1 | 43,875 | 43,875 | 43,875 | - |
| Fund Balance - December 31 | \$ 43,875 | \$ 43,875 | \$ 39,984 | \$ (3,891) |

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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. Nicollet County became the fiscal agent of the joint venture effective January 1, 2015.

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, 2015**

| | <u>Nurse Development</u> | <u>Missing Heirs</u> | <u>Total</u> |
|-----------------------------|------------------------------|--------------------------|-------------------------|
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 1,639 | \$ 24,090 | \$ 25,729 |
| Investments | 5,500 | 31,337 | 36,837 |
| Accrued interest | <u>1</u> | <u>60</u> | <u>61</u> |
| Total Assets | <u>\$ 7,140</u> | <u>\$ 55,487</u> | <u>\$ 62,627</u> |
| <u>Net Position</u> | | | |
| Net position, held in trust | <u>\$ 7,140</u> | <u>\$ 55,487</u> | <u>\$ 62,627</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, 2015**

| | Nurse Development | Missing Heirs | Total |
|---|------------------------------|--------------------------|------------------|
| <u>Additions</u> | | | |
| Interest | \$ 13 | \$ - | \$ 13 |
| <u>Deductions</u> | | | |
| Administrative expenses | - | 242 | 242 |
| Change in Net Position | \$ 13 | \$ (242) | \$ (229) |
| Net Position - Beginning of the Year | 7,127 | 55,729 | 62,856 |
| Net Position - End of the Year | \$ 7,140 | \$ 55,487 | \$ 62,627 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|---------------------|-------------------|--------------------------------|
| <u>OTHER AGENCY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 43,742 | \$ 1,108,118 | \$ 998,318 | \$ 153,542 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 1,975 | \$ 457,688 | \$ 459,459 | \$ 204 |
| Due to other governments | 41,767 | 650,430 | 538,859 | 153,338 |
| Total Liabilities | \$ 43,742 | \$ 1,108,118 | \$ 998,318 | \$ 153,542 |
| <u>TAXES AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 77,240 | \$ 28,403,918 | \$ 28,338,150 | \$ 143,008 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 77,240 | \$ 28,403,918 | \$ 28,338,150 | \$ 143,008 |
| <u>TRI-COUNTY SOLID WASTE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 42,900 | \$ 30,292 | \$ 73,192 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 42,900 | \$ 30,292 | \$ 73,192 | \$ - |

**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, 2015**

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|--|------------------------------|------------------|-------------------|--------------------------------|
| <u>FORFEITED TAX</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 340 | \$ 48,376 | \$ 20,682 | \$ 28,034 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 340 | \$ 48,376 | \$ 20,682 | \$ 28,034 |
| <u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 84,169 | \$ 60,378 | \$ 94,188 | \$ 50,359 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 84,169 | \$ 60,378 | \$ 94,188 | \$ 50,359 |
| <u>ECONOMIC DEVELOPMENT</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 111,046 | \$ 63,423 | \$ 85,145 | \$ 89,324 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 111,046 | \$ 63,423 | \$ 85,145 | \$ 89,324 |

**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, 2015**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--------------------------------------|------------------------------|----------------------|----------------------|--------------------------------|
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 359,437 | \$ 29,714,505 | \$ 29,609,675 | \$ 464,267 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 86,144 | \$ 518,066 | \$ 553,647 | \$ 50,563 |
| Due to other governments | 273,293 | 29,196,439 | 29,056,028 | 413,704 |
| Total Liabilities | \$ 359,437 | \$ 29,714,505 | \$ 29,609,675 | \$ 464,267 |

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SIBLEY COUNTY LIBRARY SYSTEM 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 SYSTEM COMPONENT UNIT
DECEMBER 31, 2015**

| | General Fund | Adjustments | Governmental Activities |
|---|-------------------------|---------------------|------------------------------------|
| <u>Assets and Deferred Outflows of Resources</u> | | | |
| Current assets | | | |
| Cash and pooled investments | \$ 158,628 | \$ - | \$ 158,628 |
| Petty cash and change funds | 20 | - | 20 |
| Accounts receivable | 1,405 | - | 1,405 |
| Due from other governments | 27,701 | - | 27,701 |
| Prepaid items | 61 | - | 61 |
| | \$ 187,815 | \$ - | \$ 187,815 |
| Deferred outflows of resources | | | |
| Deferred pension outflows | \$ - | \$ 88,103 | \$ 88,103 |
| | \$ 187,815 | \$ 88,103 | \$ 275,918 |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u> | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 12,484 | \$ - | \$ 12,484 |
| Salaries payable | 14,647 | - | 14,647 |
| Due to other governments | 9,911 | - | 9,911 |
| Compensated absences payable - current | - | 8,864 | 8,864 |
| Noncurrent liabilities | | | |
| Compensated absences payable | - | 23,966 | 23,966 |
| Net pension liability | - | 150,293 | 150,293 |
| | \$ 37,042 | \$ 183,123 | \$ 220,165 |
| Deferred Inflows of Resources | | | |
| Deferred pension inflows | \$ - | \$ 7,577 | \$ 7,577 |
| Fund Balance | | | |
| Nonspendable - prepaid items | \$ 61 | \$ (61) | |
| Unassigned | 150,712 | (150,712) | |
| | \$ 150,773 | \$ (150,773) | |
| Net Position | | | |
| Unrestricted | | \$ 48,176 | \$ 48,176 |
| | \$ 187,815 | \$ 88,103 | \$ 275,918 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

***EXHIBIT E-1
(Continued)***

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT
DECEMBER 31, 2015**

Reconciliation of the General Fund Balance to Net Position

| | | | |
|--|----|------------------|----------------------|
| Fund Balance - General Fund | | \$ | 150,773 |
| Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund. | | | 88,103 |
| Long-term liabilities, including compensated absences and pension liability are not due and payable in the current period and, therefore, are not reported in the governmental fund. | | | |
| Compensated absences | \$ | (32,830) | |
| Net pension liability | | <u>(150,293)</u> | (183,123) |
| Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund. | | | <u>(7,577)</u> |
| Net Position - Governmental Activities | | \$ | <u>48,176</u> |

**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 SYSTEM COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | General Fund | Adjustments | Governmental Activities |
|---|-------------------------|---------------------|------------------------------------|
| Revenues | | | |
| Intergovernmental | \$ 290,914 | \$ - | \$ 290,914 |
| Charges for services | 65,645 | - | 65,645 |
| Gifts and contributions | 53,928 | - | 53,928 |
| Miscellaneous | 74,206 | - | 74,206 |
| Total Revenues | \$ 484,693 | \$ - | \$ 484,693 |
| Expenditures/Expenses | | | |
| Current | | | |
| Culture and recreation | | | |
| County library | 466,103 | 32,768 | 498,871 |
| Net Change in Fund Balance/Net Position | \$ 18,590 | \$ (32,768) | \$ (14,178) |
| Fund Balance/Net Position - January 1, as restated (Note 1.F.) | 132,183 | (69,829) | 62,354 |
| Fund Balance/Net Position - December 31 | \$ 150,773 | \$ (102,597) | \$ 48,176 |

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

Net Change in Fund Balance **\$ 18,590**

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.

| | |
|---|-----------|
| Change in compensated absences payable | (4,185) |
| Change in net pension liability, as restated | (103,318) |
| Change in deferred outflows of resources, as restated | 82,312 |
| Change in deferred inflows of resources | (7,577) |

Change in Net Position of Governmental Activities **\$ (14,178)**

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SCHEDULES

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2015**

| | Assets | | | | | |
|-----------------------------|---------------------|--------------------------------|-------------------|-----------------------|-------------|---------------------|
| | Cash | Special Assessments Receivable | | One-Year Repair Liens | Receivables | Total |
| | | Delinquent | Noncurrent | | | |
| County Ditches | | | | | | |
| C.D. #1 | \$ 3,602 | \$ 34,207 | \$ 1,788 | \$ 8,596 | \$ - | \$ 48,193 |
| C.D. #2 | 21,769 | 3 | 3,520 | - | - | 25,292 |
| C.D. #4A | 1,964 | - | - | 48,919 | - | 50,883 |
| C.D. #9A | 2,936 | 7 | - | 724 | - | 3,667 |
| C.D. #10 | 5,948 | - | - | 5,755 | - | 11,703 |
| C.D. #11 | 9,318 | 1 | 11,610 | 30,946 | - | 51,875 |
| C.D. #12A | 6,623 | - | - | 12,395 | - | 19,018 |
| C.D. #13A | 10,059 | - | - | 35,938 | - | 45,997 |
| C.D. #18 | 15,467 | 12 | 14,204 | 103,562 | - | 133,245 |
| C.D. #21A | 2,414 | - | - | 1,328 | - | 3,742 |
| C.D. #22 | 8,331 | 3 | 14,400 | 31,880 | - | 54,614 |
| C.D. #23A | 23,831 | 468 | - | 57,098 | - | 81,397 |
| C.D. #24A | 396,386 | 20 | 919 | - | - | 397,325 |
| C.D. #25A | 5,746 | - | - | 1,509 | - | 7,255 |
| C.D. #26 | 1,478 | - | - | 3,265 | - | 4,743 |
| C.D. #29 | 11,678 | 188 | 30,025 | 134,907 | - | 176,798 |
| C.D. #29 Impr. SCHWARTZ | 6,854 | 83 | 40,279 | - | - | 47,216 |
| C.D. #30A | 6,054 | - | - | 6,480 | - | 12,534 |
| C.D. #31A | 6,527 | 162 | - | 33,426 | - | 40,115 |
| C.D. #32A | 4,603 | - | - | 2,685 | - | 7,288 |
| C.D. #37A | 1,618 | - | - | - | - | 1,618 |
| C.D. #38 | 215 | - | - | - | - | 215 |
| C.D. #39 | 5,382 | - | 2,377 | 28,576 | - | 36,335 |
| C.D. #40A | 2,010 | - | - | 1,324 | - | 3,334 |
| C.D. #42 | 205,601 | 18 | - | 77,369 | - | 282,988 |
| C.D. #43 | 7,596 | - | - | 15,969 | - | 23,565 |
| C.D. #44 | 5,784 | - | 109,941 | - | - | 115,725 |
| C.D. #45 | 4,066 | - | - | 7,203 | - | 11,269 |
| C.D. #46 | 497 | - | - | - | - | 497 |
| C.D. #47 | 4,852 | - | 31,766 | 3,816 | - | 40,434 |
| C.D. #48 | 5,348 | - | - | 7,741 | - | 13,089 |
| C.D. #49 | 20,889 | - | 6,779 | - | - | 27,668 |
| C.D. #50 | 5,679 | - | - | 50,891 | - | 56,570 |
| C.D. #54 | 7,814 | - | - | 45,483 | - | 53,297 |
| C.D. #55 | 90,388 | 2,354 | - | 97,897 | - | 190,639 |
| C.D. #56 | 6,924 | - | - | - | - | 6,924 |
| C.D. #57A | 7,361 | - | - | 12,379 | - | 19,740 |
| C.D. #58 | 11,097 | - | - | - | - | 11,097 |
| C.D. #59 | 9,007 | 262 | - | 36,601 | - | 45,870 |
| C.D. #60 | 2,467 | - | - | - | - | 2,467 |
| C.D. #61 | 6,894 | - | - | - | - | 6,894 |
| C.D. #64 | 21,452 | - | - | - | - | 21,452 |
| C.D. #65 | 7,104 | - | - | - | - | 7,104 |
| C.D. #66 | 19,752 | - | - | - | - | 19,752 |
| C.D. #67 | 88,035 | 3 | - | - | - | 88,038 |
| C.D. #61 Outlet Impr | 4,381 | - | 2,434 | - | - | 6,815 |
| C.D. #70 | 90,887 | - | 162,584 | - | - | 253,471 |
| Total County Ditches | \$ 1,194,688 | \$ 37,791 | \$ 432,626 | \$ 904,662 | \$ - | \$ 2,569,767 |

EXHIBIT F-1

| Accounts and Contracts Payable | Liabilities | | | Total | 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 | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 48,193 | \$ 48,193 |
| - | - | - | - | - | - | 25,292 | 25,292 |
| 879 | - | - | - | 879 | - | 50,004 | 50,883 |
| - | - | - | - | - | - | 3,667 | 3,667 |
| - | 360 | - | - | 360 | - | 11,343 | 11,703 |
| 3,617 | 25,000 | - | - | 28,617 | - | 23,258 | 51,875 |
| - | - | - | - | - | - | 19,018 | 19,018 |
| - | 25,000 | - | - | 25,000 | - | 20,997 | 45,997 |
| - | 150,000 | - | - | 150,000 | - | (16,755) | 133,245 |
| - | - | - | - | - | - | 3,742 | 3,742 |
| 1,195 | 35,000 | - | - | 36,195 | - | 18,419 | 54,614 |
| - | - | - | - | - | - | 81,397 | 81,397 |
| 6,694 | 400,000 | - | - | 406,694 | - | (9,369) | 397,325 |
| - | 5,000 | - | - | 5,000 | - | 2,255 | 7,255 |
| - | - | - | - | - | - | 4,743 | 4,743 |
| 214,478 | 700,000 | - | - | 914,478 | - | (737,680) | 176,798 |
| - | 45,000 | - | - | 45,000 | - | 2,216 | 47,216 |
| - | 20,000 | - | - | 20,000 | - | (7,466) | 12,534 |
| 6,061 | 20,000 | - | - | 26,061 | - | 14,054 | 40,115 |
| - | - | - | - | - | - | 7,288 | 7,288 |
| - | - | - | - | - | - | 1,618 | 1,618 |
| - | - | - | - | - | - | 215 | 215 |
| 183,701 | 10,000 | - | - | 193,701 | - | (157,366) | 36,335 |
| - | - | - | - | - | - | 3,334 | 3,334 |
| 8,144 | 265,000 | - | - | 273,144 | - | 9,844 | 282,988 |
| - | 25,000 | - | - | 25,000 | - | (1,435) | 23,565 |
| 2,149 | 125,000 | - | - | 127,149 | - | (11,424) | 115,725 |
| - | 10,000 | - | - | 10,000 | - | 1,269 | 11,269 |
| - | - | - | - | - | - | 497 | 497 |
| - | 30,000 | - | - | 30,000 | - | 10,434 | 40,434 |
| - | 5,000 | - | - | 5,000 | - | 8,089 | 13,089 |
| - | - | - | - | - | - | 27,668 | 27,668 |
| - | 25,000 | - | - | 25,000 | - | 31,570 | 56,570 |
| - | 20,000 | - | - | 20,000 | - | 33,297 | 53,297 |
| 17,740 | - | - | - | 17,740 | - | 172,899 | 190,639 |
| - | - | - | - | - | - | 6,924 | 6,924 |
| - | 40,000 | - | - | 40,000 | - | (20,260) | 19,740 |
| - | - | - | - | - | - | 11,097 | 11,097 |
| - | 25,000 | - | - | 25,000 | - | 20,870 | 45,870 |
| - | - | - | - | - | - | 2,467 | 2,467 |
| - | - | - | - | - | - | 6,894 | 6,894 |
| - | - | - | - | - | - | 21,452 | 21,452 |
| - | - | - | - | - | - | 7,104 | 7,104 |
| - | - | - | - | - | - | 19,752 | 19,752 |
| 900 | - | - | - | 900 | - | 87,138 | 88,038 |
| - | 6,000 | - | - | 6,000 | - | 815 | 6,815 |
| 1,500 | 255,000 | - | - | 256,500 | - | (3,029) | 253,471 |
| \$ 447,058 | \$ 2,266,360 | \$ - | \$ - | \$ 2,713,418 | \$ - | \$ (143,651) | \$ 2,569,767 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2015**

| | 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 | 32,350 | - | 3,982 | - | - | 36,332 |
| H.I. Proj. #11 | 201,069 | - | 189,208 | - | - | 390,277 |
| Total High Island Project | \$ 233,475 | \$ - | \$ 193,190 | \$ - | \$ - | \$ 426,665 |
| Judicial Ditches | | | | | | |
| JD #1A S&N | \$ 4,077 | \$ 162 | \$ - | \$ 28,802 | \$ 9,599 | \$ 42,640 |
| J.D. #2 SC | 8,891 | - | 2,874 | 44,036 | 3,178 | 58,979 |
| JD #3 SCM | 4,779 | - | 16,152 | 57,566 | 24,924 | 103,421 |
| JD #5 M&S | 7,417 | - | - | 5,595 | 12 | 13,024 |
| JD #5 S&N | 7,145 | - | - | 4,821 | 497 | 12,463 |
| JD #6A S&N | 22,859 | 5 | - | 19,981 | 6,703 | 49,548 |
| JD #8 S&R | 6,581 | - | - | 12,099 | 1,047 | 19,727 |
| JD #8 M&S | 7,495 | - | - | 9,405 | 786 | 17,686 |
| JD #11 RSM | 47,259 | - | - | 95,333 | 246,739 | 389,331 |
| JD #12 Sibley | 4,431 | - | - | 8,804 | - | 13,235 |
| JD #13 SRN | 4,605 | 25 | - | 14,440 | 3,839 | 22,909 |
| JD #13 N&S | 237 | - | - | - | 5 | 242 |
| JD #14 S&N | 1,232 | - | - | - | 1 | 1,233 |
| JD #15 S&M | 5,309 | - | - | - | 82 | 5,391 |
| JD #15 R&S | 4,877 | - | - | 2,045 | 123 | 7,045 |
| JD #15 N&S | 1,837 | - | - | - | 63 | 1,900 |
| JD #16 N&S | 5,203 | - | - | - | 357 | 5,560 |
| JD #17 S&M | 4,986 | - | - | 2,931 | 224 | 8,141 |
| JD #18 S&M | 5,748 | - | - | 95,851 | 33,302 | 134,901 |
| JD #19 S&M | 4,856 | - | - | 4,713 | 286 | 9,855 |
| JD #20 S&N | 6,931 | 1,832 | - | 32,835 | 859 | 42,457 |
| JD #21 S&C | 6,450 | - | - | 1,248 | 113 | 7,811 |
| JD #22 S&C | 3,673 | - | - | 8,962 | 12,148 | 24,783 |
| JD #24 RSM | 8,984 | 1,295 | - | 37,378 | 15,812 | 63,469 |
| JD #30 R&S | 61 | - | - | - | - | 61 |
| JD #31 RSN | 906 | - | - | 3,540 | 130 | 4,576 |
| JD #32 SM | 6,790 | - | - | - | 7 | 6,797 |
| JD #6 NS | 1,441 | - | - | - | 77 | 1,518 |
| JT #1A N&S | 27,255 | 176 | - | 79,649 | 1,003 | 108,083 |
| JT #1 RS | 3,690 | - | - | - | 218 | 3,908 |
| JT #7 SNR | 178,553 | - | 15,526 | 49,844 | 4,501 | 248,424 |
| JT #24 CS | 373 | - | - | - | 143 | 516 |
| JT #7 Lat 17 IMP Berger | 6,858 | 53 | 70,790 | - | - | 77,701 |
| JT #5 YAHNKE S&N Impr | 1,365 | - | 52,430 | - | - | 53,795 |
| Total Judicial Ditches | \$ 413,154 | \$ 3,548 | \$ 157,772 | \$ 619,878 | \$ 366,778 | \$ 1,561,130 |
| Total All Ditches | \$ 1,841,317 | \$ 41,339 | \$ 783,588 | \$ 1,524,540 | \$ 366,778 | \$ 4,557,562 |
| Reconcile to Exhibit 3 | - | - | - | - | - | - |
| Total Modified Accrual | \$ 1,841,317 | \$ 41,339 | \$ 783,588 | \$ 1,524,540 | \$ 366,778 | \$ 4,557,562 |

EXHIBIT F-1
(Continued)

| Accounts and Contracts 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 |
| - | - | - | - | - | - | 36,332 | 36,332 |
| - | - | - | 400,000 | 400,000 | - | (9,723) | 390,277 |
| \$ - | \$ - | \$ - | \$ 400,000 | \$ 400,000 | \$ - | \$ 26,665 | \$ 426,665 |
| \$ 5,909 | \$ - | \$ 1,984 | \$ - | \$ 7,893 | \$ - | \$ 34,747 | \$ 42,640 |
| - | 80,000 | - | - | 80,000 | - | (21,021) | 58,979 |
| - | 15,000 | 55,420 | - | 70,420 | - | 33,001 | 103,421 |
| - | 20,000 | 11 | - | 20,011 | - | (6,987) | 13,024 |
| - | - | 52 | - | 52 | - | 12,411 | 12,463 |
| 19,781 | - | 844 | - | 20,625 | - | 28,923 | 49,548 |
| - | 15,000 | 529 | - | 15,529 | - | 4,198 | 19,727 |
| - | 15,000 | 5,894 | - | 20,894 | - | (3,208) | 17,686 |
| 53,851 | 600,000 | 14,155 | - | 668,006 | - | (278,675) | 389,331 |
| - | - | - | - | - | - | 13,235 | 13,235 |
| - | 10,000 | 1,574 | - | 11,574 | - | 11,335 | 22,909 |
| - | - | 61 | - | 61 | - | 181 | 242 |
| - | - | 456 | - | 456 | - | 777 | 1,233 |
| - | - | 560 | - | 560 | - | 4,831 | 5,391 |
| - | 5,000 | 2,979 | - | 7,979 | - | (934) | 7,045 |
| - | - | 224 | - | 224 | - | 1,676 | 1,900 |
| - | 5,000 | 62 | - | 5,062 | - | 498 | 5,560 |
| - | 4,000 | 5 | - | 4,005 | - | 4,136 | 8,141 |
| 28,390 | 63,000 | 230 | - | 91,620 | - | 43,281 | 134,901 |
| - | 5,000 | 1,380 | - | 6,380 | - | 3,475 | 9,855 |
| - | 25,000 | 6,039 | - | 31,039 | - | 11,418 | 42,457 |
| - | 6,000 | - | - | 6,000 | - | 1,811 | 7,811 |
| - | 20,000 | - | - | 20,000 | - | 4,783 | 24,783 |
| 7,360 | 80,000 | 23,654 | - | 111,014 | - | (47,545) | 63,469 |
| - | - | 46 | - | 46 | - | 15 | 61 |
| - | - | 2,212 | - | 2,212 | - | 2,364 | 4,576 |
| 5,419 | 45,000 | - | - | 50,419 | - | (43,622) | 6,797 |
| - | - | 190 | - | 190 | - | 1,328 | 1,518 |
| - | - | 17,447 | - | 17,447 | - | 90,636 | 108,083 |
| - | - | 973 | - | 973 | - | 2,935 | 3,908 |
| 10,583 | 235,000 | 4,214 | 40,000 | 289,797 | - | (41,373) | 248,424 |
| - | - | - | - | - | - | 516 | 516 |
| - | 35,000 | - | - | 35,000 | - | 42,701 | 77,701 |
| - | - | - | - | - | - | 53,795 | 53,795 |
| \$ 131,293 | \$ 1,283,000 | \$ 141,195 | \$ 40,000 | \$ 1,595,488 | \$ - | \$ (34,358) | \$ 1,561,130 |
| \$ 578,351 | \$ 3,549,360 | \$ 141,195 | \$ 440,000 | \$ 4,708,906 | \$ - | \$ (151,344) | \$ 4,557,562 |
| - | - | - | (440,000) | (440,000) | 2,349,467 | (1,909,467) | - |
| \$ 578,351 | \$ 3,549,360 | \$ 141,195 | \$ - | \$ 4,268,906 | \$ 2,349,467 | \$ (2,060,811) | \$ 4,557,562 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Governmental Funds</u> | <u>Enterprise Fund</u> | <u>Total Primary Government</u> | <u>Component Unit</u> |
|--|-------------------------------|----------------------------|---|---------------------------|
| Appropriations and Shared Revenue | | | | |
| State | | | | |
| Highway users tax | \$ 3,386,140 | \$ - | \$ 3,386,140 | \$ - |
| Market value credit | 338,879 | - | 338,879 | - |
| PERA rate reimbursement | 25,384 | - | 25,384 | - |
| Disparity reduction aid | 54,618 | - | 54,618 | - |
| County program aid | 249,886 | - | 249,886 | - |
| Police aid | 85,738 | - | 85,738 | - |
| E-911 | 87,933 | - | 87,933 | - |
| Petroleum tax relief | 2,157 | - | 2,157 | - |
| SCORE | 69,692 | - | 69,692 | - |
| Aquatic invasive species prevention aid | 66,239 | - | 66,239 | - |
| Total appropriations and shared revenue | \$ 4,366,666 | \$ - | \$ 4,366,666 | \$ - |
| Reimbursement for Services | | | | |
| State | | | | |
| Minnesota Department of Human Services | \$ 427,405 | \$ - | \$ 427,405 | \$ - |
| Payments | | | | |
| Local | | | | |
| Local contributions | \$ 6,750 | \$ - | \$ 6,750 | \$ 290,914 |
| Payments in lieu of taxes | 44,952 | - | 44,952 | - |
| Total payments | \$ 51,702 | \$ - | \$ 51,702 | \$ 290,914 |
| Grants | | | | |
| State | | | | |
| Minnesota Department/Board of | | | | |
| Corrections | \$ 22,383 | \$ - | \$ 22,383 | \$ - |
| Public Safety | 345,578 | - | 345,578 | - |
| Transportation | 532,326 | - | 532,326 | - |
| Health | 110,480 | - | 110,480 | - |
| Natural Resources | 62,973 | - | 62,973 | - |
| Human Services | 1,045,075 | - | 1,045,075 | - |
| Veteran's Affairs | 10,000 | - | 10,000 | - |
| Water and Soil Resources | 93,663 | - | 93,663 | - |
| Peace Officer Standards and Training Board | 3,998 | - | 3,998 | - |
| Pollution Control Agency | 4,650 | - | 4,650 | - |
| Total state | \$ 2,231,126 | \$ - | \$ 2,231,126 | \$ - |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>Governmental Funds</u> | <u>Enterprise Fund</u> | <u>Total Primary Government</u> | <u>Component Unit</u> |
|--|-------------------------------|----------------------------|---|---------------------------|
| Grants (Continued) | | | | |
| Federal | | | | |
| Department of | | | | |
| Agriculture | \$ 247,172 | \$ - | \$ 247,172 | \$ - |
| Transportation | 748,745 | - | 748,745 | - |
| Housing and Urban Development | - | 137,056 | 137,056 | - |
| Education | 1,717 | - | 1,717 | - |
| Health and Human Services | 1,192,392 | - | 1,192,392 | - |
| Homeland Security | 1,136,773 | - | 1,136,773 | - |
| Environmental Protection Agency | 55,747 | - | 55,747 | - |
| Total federal | \$ 3,382,546 | \$ 137,056 | \$ 3,519,602 | \$ - |
| Total state and federal grants | \$ 5,613,672 | \$ 137,056 | \$ 5,750,728 | \$ - |
| Total Intergovernmental Revenue | \$ 10,459,445 | \$ 137,056 | \$ 10,596,501 | \$ 290,914 |

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | 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 | 16162MN004W1003 | \$ 73,307 |
| Passed Through Minnesota Department of Human Services | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 15152MN101S2514 | <u>173,865</u> |
| Total U.S. Department of Agriculture | | | \$ 247,172 |
| U.S. Department of Housing and Urban Development | | | |
| Passed Through Minnesota Housing Finance Agency | | | |
| Section 8 Housing Choice Vouchers | 14.871 | MN46-8023-001 | <u>\$ 137,056</u> |
| U.S. Department of Transportation | | | |
| Passed Through Minnesota Department of Transportation | | | |
| Highway Planning and Construction | 20.205 | 00072 | <u>\$ 827,220</u> |
| U.S. Environmental Protection Agency | | | |
| Passed Through Minnesota Pollution Control Agency | | | |
| Nonpoint Source Implementation Grants | 66.460 | 97593511 | <u>\$ 55,747</u> |
| U.S. Department of Education | | | |
| Passed Through Meeker-McLeod-Sibley Community Health Services | | | |
| Special Education - Grants for Infants and Families | 84.181 | H181A150029 | <u>\$ 1,717</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 | EP-HIT-15-001 | \$ 3,500 |
| Passed Through Meeker-McLeod-Sibley Community Health Services | | | |
| Public Health Emergency Preparedness | 93.069 | 90TP000529 | 23,293 |
| Universal Newborn Hearing Screening | 93.251 | H61MC00035 | 275 |
| Immunization Cooperative Agreements | 93.268 | H23IP000737 | 3,026 |
| Temporary Assistance for Needy Families | 93.558 | 1601MNTANF | 30,957 |
| (Total Temporary Assistance for Needy Families 93.558 \$131,109) | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | TI010027-14 | 14,079 |
| (Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$183,474) | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | B04MC28107 | 11,387 |

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, 2015**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | Expenditures |
|---|------------------------------------|---|---------------------|
| U.S. Department of Health and Human Services (Continued) | | | |
| Passed Through Minnesota Department of Human Services | | | |
| Promoting Safe and Stable Families | 93.556 | G-1611MNFPCV | 1,859 |
| Temporary Assistance for Needy Families | 93.558 | 1601MNTANF | 100,152 |
| (Total Temporary Assistance for Needy Families 93.558 \$131,109) | | | |
| Child Support Enforcement | 93.563 | 1504MNCSES | 199,829 |
| Refugee and Entrant Assistance - State-Administered Programs | 93.566 | 1501MNRCSMA | 204 |
| Child Care and Development Block Grant | 93.575 | G1501MNCDF | 2,587 |
| Community-Based Child Abuse Prevention Grants | 93.590 | G-1402MNFPRG | 12,770 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | G-1501MNCWSS | 873 |
| Foster Care - Title IV-E | 93.658 | 1501MNFST | 64,458 |
| Social Services Block Grant | 93.667 | G-1501MNSOSR | 90,020 |
| Chafee Foster Care Independence Program | 93.674 | G-1601MNCILP | 68 |
| Children's Health Insurance Program | 93.767 | 05-1505MN5021 | 54 |
| Medical Assistance Program | 93.778 | 05-1505MN5ADM | 508,923 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | TI010027-14 | 169,395 |
| (Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$183,474) | | | |
| Total U.S. Department of Health and Human Services | | | \$ 1,237,709 |
| U.S. Department of Homeland Security | | | |
| Passed Through Henderson Township | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR-4182/P07204182PA | \$ 745,425 |
| (Total Disaster Grants - Public Assistance (Presidentially Declared Disasters) 97.036 \$828,309) | | | |
| Passed Through Minnesota Department of Public Safety | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR-4182/P07204182PA | 82,884 |
| (Total Disaster Grants - Public Assistance (Presidentially Declared Disasters) 97.036 \$828,309) | | | |
| Emergency Management Performance Grants | 97.042 | 2014 EMPG SFY15 | 39,281 |
| Emergency Management Performance Grants | 97.042 | 2015 EMPG SFY16 | 39,477 |
| (Total Emergency Management Performance Grants 97.042 \$78,758) | | | |
| Total U.S. Department of Homeland Security | | | \$ 907,067 |
| Total Federal Awards | | | \$ 3,413,688 |

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

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**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, changes in net position, or cash flows of Sibley County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of Sibley County. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Sibley County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|--|---------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 3,519,602 |
| Grants received more than 90 days after year-end, unavailable in 2015 | |
| Highway Planning and Construction (CFDA No. 20.205) | 162,872 |
| Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959) | 45,317 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) | 52,136 |
| Unavailable in 2014, recognized as revenue in 2015 | |
| Highway Planning and Construction (CFDA No. 20.205) | (84,397) |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) | <u>(281,842)</u> |
| Expenditures Per Schedule of Expenditures of Federal Awards | <u>\$ 3,413,688</u> |

**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, 2015

| | Taxes Levied for Collection | | | | | |
|---|-----------------------------|---------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| | 2014 | | 2015 | | 2016 | |
| | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) | Amount | Net Tax Capacity Rate (%) |
| Tax Capacity | | | | | | |
| Real property | \$ 24,391,422 | | \$ 27,681,395 | | \$ 25,686,881 | |
| Personal property | 645,873 | | 1,316,063 | | 1,698,169 | |
| Total Tax Capacity | \$ 25,037,295 | | \$ 28,997,458 | | \$ 27,385,050 | |
| Taxes Levied for County Purposes | | | | | | |
| General government | \$ 5,310,186 | 20.675 | \$ 5,368,773 | 18.243 | \$ 5,542,467 | 19.950 |
| Public works | 4,267,587 | 16.616 | 4,611,019 | 15.669 | 4,200,253 | 15.299 |
| Health and human services | 2,228,218 | 8.676 | 2,443,688 | 8.304 | 3,112,681 | 11.300 |
| Debt service | 248,840 | 1.000 | 100,000 | 0.347 | 100,000 | 0.368 |
| Total Levy for County Purposes | \$ 12,054,831 | | \$ 12,523,480 | | \$ 12,955,401 | |
| Less: County program aid | 365,693 | | 249,886 | | 197,434 | |
| Net Levy for County Purposes | \$ 11,689,138 | 46.967 | \$ 12,273,594 | 42.563 | \$ 12,757,967 | 46.917 |
| Tax Capacity - Light and Power | | | | | | |
| Transmission lines | \$ 3,740 | | \$ 3,910 | | \$ 3,990 | |
| Distribution lines | 8,364 | | 2,562 | | 2,618 | |
| Total Tax Capacity - Light and Power | \$ 12,104 | | \$ 6,472 | | \$ 6,608 | |
| Tax Levies - Light and Power | | | | | | |
| Transmission lines | \$ 3,119 | 83.389 | \$ 3,242 | 82.904 | \$ 3,623 | 90.807 |
| Distribution lines | 6,975 | 83.389 | 2,124 | 82.904 | 2,377 | 90.807 |
| Total Tax Levies - Light and Power | \$ 10,094 | | \$ 5,366 | | \$ 6,000 | |
| Special Assessments | | | | | | |
| Ditch liens and all other assessments | \$ 1,781,831 | | \$ 1,697,240 | | \$ 2,084,203 | |
| Percentage of Tax Collections for All Purposes | | 99.02% | | 98.60% | | |

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SIBLEY COUNTY

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

| | |
|---|-----------------|
| Highway Planning and Construction | CFDA No. 20.205 |
| Medical Assistance Program | CFDA No. 93.778 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | CFDA No. 97.036 |

The threshold for distinguishing between Types A and B programs was \$750,000.

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 ITEM NOT RESOLVED

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, 2015:

- An adjustment of \$189,910 was required in the Ditch Special Revenue Fund to reclassify payables.
- The Capital Projects Fund required an adjustment of \$40,000 to record an accounts payable that was not included in the fund and to reclassify fund balance for proper presentation.
- Reclassifications of \$688,559, \$96,203, and \$49,500 were required in the Public Works Special Revenue Fund, the Water Projects Special Revenue Fund, and the Federal Lands Permanent Fund, respectively, to properly report revenues.
- Reclassification of \$78,647 was required in the Sub-Surface Sewage Treatment System Loans Special Revenue Fund to properly account for principal and sanitation expenditures.

Cause: County staff did not fully understand grant classifications and missed recording a flagged payable.

Recommendation: We recommend 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.

Client's Response:

The Sibley County Auditor's Office staff will work to review the County-prepared trial balances and prepare the necessary (if any) audit adjustments and or reclassifications so as to ensure the County's financial statements reflect the accrual basis of accounting. Communication with the State Auditor's Office is key to ensure consistent acceptable practices year after year. The audit adjustments will diminish as our new staff become more familiar with financial practices, the financial statements, grant schedules, and alike. Procedures have been implemented to deter repetition of these adjustments.

PREVIOUSLY REPORTED ITEMS RESOLVED

Accounting Policies and Procedures Manual (2001-002)

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. As of December 31, 2014, the County did not have an approved current and comprehensive accounting policies and procedures manual.

Resolution

The County Board adopted the Sibley County Financial Policies in December 2015.

Assessing and Monitoring Internal Controls (2009-001)

The County's management is responsible for establishing and maintaining effective internal control over financial reporting. A risk assessment of existing controls over significant functions of the accounting system used to produce financial information had not been completed.

Resolution

In 2015, the County adopted Financial Policies which document the significant internal controls in its accounting system. The Auditor's Office has procedures in place to monitor and assess significant internal controls on a regular basis.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding 2015-001

Reporting

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778); Award No. 05-1505MN5ADM, 2015

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303, states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: During our review of the first and second quarter Local Collaborative Time Study (LCTS) Cost Schedules (DHS 3220) submitted to the DHS, none of the reports were reviewed by the Fiscal Reporting and Payment Agent or someone independent of the preparer. Additionally, the signed copies of the quarterly reports were not retained on site.

Questioned Costs: None.

Context: DHS Bulletin #13-32-08 states that the Fiscal Reporting and Payment Agent will review all cost schedules on or before the 20th calendar day following the end of the quarter. The Bulletin also states that the LCTS Fiscal Reporting and Payment Agent and Fiscal Site Contacts must print a copy of the complete web-based cost schedule, sign it, and retain the signed copy at the County/Collaborative for the length of time required by the County record retention policy or at least four years, whichever is longer.

Effect: The lack of a review increases the risk that reports will not be submitted as required or will not be correct.

Cause: The County was unaware of the requirement for review of the reports prior to submission and the requirement to retain the signed reports on site.

Recommendation: We recommend the County have the Fiscal Reporting and Payment Agent or someone independent of the preparer review the report and also retain a copy of the signed reports on site.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Rosalyn Quast, Fiscal Supervisor
Sibley County Public Health and Human Services*

Corrective Action Planned:

Fiscal Reporting and Payment Agent (Rosalyn Quast) will print, review for reasonableness, and maintain LCTS reports completed by County partners on a quarterly basis. Records will be maintained for four years. Reports from past quarters have been requested from County partners and will be kept on file as requested.

Anticipated Completion Date:

Quarter-end September 30, 2016 - all reports will be on file in the Public Health and Human Services Department.

Finding 2015-002

Identification of Federal Awards

Program: U.S. Department of Homeland Security's Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036); Award No. DR-4182/P07204182PA, 2014

Pass-Through Agency: Henderson Township

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal Statutes, regulations, and the terms and conditions of the federal award.

Condition: The County did not properly identify amounts expended for the Disaster Grants - Public Assistance (Presidentially Declared Disasters) federal award program in the population of expenditures provided for audit. The expenditure population did not include \$745,425 related to the Henderson Township project that the County was administering.

Questioned Costs: None.

Context: All expenditures reimbursed with federal funds are subject to audit as part of the County's single audit.

Effect: Because the project was not initially identified, the Disaster Grants - Public Assistance (Presidentially Declared Disasters) federal award became a major program. This resulted in additional audit time and costs because control and compliance testing were required to be performed.

Cause: The County informed us that the project not identified in the expenditure population was a project that the County was administering for Henderson Township.

Recommendation: We recommend the County develop written procedures that will allow staff to correctly identify all federal financial assistance received and expended.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor

Corrective Action Planned:

A complete and comprehensive list of agreements and contracts signed into by the County will be compiled by new staff in the administration department and submitted to the Office of the State Auditor on an annual basis. Department heads and fiscal staff throughout the County will be educated on the importance of communicating grant dollars that are not received directly from the state or federal government. In addition, the criteria of a single audit will be a topic of education at upcoming finance staff meetings and department head meetings.

Anticipated Completion Date:

December 31, 2016

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2013-001

Driver Awareness Class

Criteria: As stated in Minn. Stat. § 169.022:

The provisions of [Minn. Stat., ch. 169] shall be applicable and uniform throughout this state and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. 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 penalty provided for in this chapter for the same offense.

In *State v. Hoben*, 89 N.W.2d 813 (1959), the Minnesota Supreme Court recognized in this language a legislative intent “that the application of its provisions should be uniform throughout the state both as to penalties and procedures.” The Supreme Court concluded: “It would be a strange anomaly for the legislature to define a crime, specify punishment therefore, provide that its application shall be uniform throughout the state, and then permit a municipality to prosecute that crime as a civil offense.”

The Minnesota Attorney General’s Office stated “[i]n the specific case of traffic offenses, the legislature has plainly preempted the field of enforcement.” December 1, 2003, letter to State Representative Steve Smith (citing Minn. Stat. § 169.022, *Hoben*, and other provisions of Minn. Stat., ch. 169). It noted the strong legislative assertion of state preemption in the area of traffic regulation, and concluded that local governments were precluded from creating their own enforcement systems.

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 the December 1, 2013, letter to State Representative Steve Smith 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, by not offering a Driver Awareness Class in lieu of issuance or court filing of a state uniform traffic ticket.

Client’s Response:

Sibley County respectfully disagrees with the analysis of the Office of the State Auditor with regard to Sibley County Driver’s Awareness Class. Sibley County Driver’s Awareness Class does not constitute a traffic regulation, nor can it be construed as an administrative citation. First, the program is not a regulation, as contemplated in Minn. Stat. § 169.022, because it does not mandate or prohibit any conduct other than that provided in statute or ordinance. Second, citations issued by deputies or city law enforcement are not administrative citations pursuant to Minn. Stat. § 169.999, because the citations issued to offenders who do not take advantage of the course will ultimately be filed in the District Court. Third, the

order from Judge Fabian, seated in Wabasha County, did not specifically address the Sibley County Driver's Awareness Class. It is our position that the order was limited to the facts of the case litigated there in the Third Judicial District.

The Sibley County Driver's Awareness Class is a diversion program and this is an exercise of law enforcement and prosecutorial discretion. The letter of the Sibley County Attorney dated November 20, 2013, addressed to the State Auditor's Office is incorporated by reference. That analysis is instructive.

The Sibley County Driver's Awareness Class is founded on the principle of law enforcement discretion and prosecutorial discretion. Whether a law enforcement officer stops a vehicle or not, issues a citation or not, or gives a verbal warning or not, is all within the officer's discretion. The Sibley County Driver's Awareness Class was implemented as a joint action of the Sibley County Attorney's Office and the Sibley County Sheriff's Office. Its purpose was to provide education to drivers and to improve public safety, rather than just take money from them. The diversion criteria for participating in the class was established by both departments and the criteria limits participants to only limited offenders. It should be noted that Sibley County has multiple diversion programs in place for adult and juvenile offenders. The most recent being the Driving Diversion Program with Diversion Solutions, LLC., created on October 14, 2014.

As noted above, Sibley County respectfully disagrees with the analysis of the Office of the State Auditor with regard to the Sibley County Driver's Awareness Class. Sibley County will continue to comply with the laws of the State of Minnesota and court decisions interpreting them. Sibley County has not found any law or court ruling which specifically prohibits the exercise of discretion by law enforcement of prosecutors.

Auditor's Reply:

As stated by both the Minnesota Third Judicial District and the Minnesota Attorney General's Office, the state has preempted the field of traffic enforcement through Chapter 169 of the Minnesota Statutes. Local governments are precluded from creating their own traffic enforcement systems inconsistent with those prescribed by statute. The suggested prosecutorial/law enforcement discretion justification has been rejected previously by both the Third Judicial District and the Attorney General's Office.

The driver awareness classes are neither authorized administrative citation programs nor authorized driver improvement clinics. We recommend the County comply with Minn. Stat. ch. 169 by not offering a driver awareness class in lieu of issuance or court filing of a state uniform traffic ticket.

PREVIOUSLY REPORTED ITEM RESOLVED

Ditch Fund Cash Balance Deficits (2010-002)

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. Five County ditches had negative cash balances at December 31, 2014, totaling \$8,748.

Resolution

None of the individual ditch systems had deficit cash balances at December 31, 2015.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2014-001

Ditch Fund Deficit Balances

Criteria: Each individual ditch system should maintain positive balances to meet its financial obligations.

Condition: The County had ditch systems with individual fund deficit balances at December 31, 2015.

Context: As of December 31, 2015, 18 County ditches had fund deficit balances totaling \$1,417,872.

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

Cause: The County indicated in recent years the number of ditch petitions have greatly increased, and expensive cleanouts have occurred on ditch systems such as County Ditch 29 and 24A. Although the petitions and the maintenance are the financial responsibility of those who benefit from the watershed, this work has been done prior to the landowners being assessed.

Recommendation: We recommend that the County continue to monitor the balances of the ditch systems and eliminate the fund deficit balances by approving the necessary special assessments whenever practical.

Client's Response:

Sibley County recognizes the importance of having fund balance available to provide for the repair and maintenance costs of a county drainage system. The principal understanding is that each drainage system belongs to the property owners located within that watershed. Sibley County Commissioners manage the drainage systems in their respective districts though the funds do not belong to the County. Annually, four criteria are used to determine the assessment levy: (1) fund balance, (2) previous expenditures, (3) future expenditures, and (4) outstanding loan balances. Nevertheless, after the assessment is levied on a drainage system, culvert, bridge, and ditch repairs happen or natural disasters which are unforeseen. These emergency ditch repairs are critical to the operation of a drainage system. Sibley County Commissioners realize Minn. Stat. § 103E.735, subd. 1, gives the authority to establish a fund balance not to exceed 20 percent of the assessed benefits for the drainage system or \$100,000, whichever is larger. Sibley County continues to monitor the fund balances of the drainage systems and work toward eliminating the deficits in the future. In addition, the County is actively pursuing bonding in order to fund current and future ditch projects.

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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
Gaylord, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2015, 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 13, 2016. Our report includes references to other auditors who audited the financial statements of Sibley Estates of Sibley County and the South Country Health Alliance joint venture as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance was not audited in accordance with *Government Auditing Standards*. The results of our testing of the Sibley County Library System component unit's internal control over financial reporting and on compliance and other matters are reported on separately within this Management and Compliance Report.

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.

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.

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

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 Counties*, except as described in the Schedule of Findings and Questioned Costs as item 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.

Other Matters

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

Sibley County's Response to Findings

Sibley County's responses to the internal control, legal compliance, and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 13, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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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
Gaylord, Minnesota

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) *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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

Sibley County's Responses to Findings

Sibley County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Sibley County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 13, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT

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**SIBLEY COUNTY LIBRARY SYSTEM
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (2013-001)

During prior audits, we identified and proposed audit adjustments that resulted in significant changes to the Sibley County Library System's financial statements.

Resolution

The Sibley County Library System has continued to implement procedures over financial reporting to detect misstatements in the financial statements. We proposed no significant audit adjustments for the 2015 audit.

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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

Members of the Sibley County Library System Board
Sibley County Library System
Gaylord, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sibley County, Minnesota, which include as supplementary information, the financial statements of the Sibley County Library System, a discretely presented component unit of Sibley County, as of and for the year ended December 31, 2015, 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 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sibley County Library System'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 Sibley County Library System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sibley County Library System's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sibley County Library System'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 Other 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 Sibley County Library System's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions of deposits and investments, claims and disbursements, and miscellaneous provisions because they were tested in conjunction with the audit of the financial statements of Sibley County. We also did not test for compliance with the provisions of contracting and bidding, public indebtedness, or tax increment financing because the Sibley County Library System did not enter into any contracts that were subject to legal requirements as stipulated by Minnesota statutes, issue any bonds, or administer any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Sibley County Library System failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 Sibley County Library System'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 Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Sibley County Library System'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 Sibley County Library System'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 13, 2016