

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

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

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 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, 2018



Audit Practice Division
Office of the State Auditor
State of Minnesota

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2018

Office	Name	Term Expires
Commissioners		
1st District	Bobbie Harder	January 2023
2nd District	William “Bill” Pinske	January 2021
3rd District	Jim Swanson*	January 2021
4th District	Joy Cohrs	January 2023
5th District	Gary Kruggel	January 2019
Officers		
Elected		
Attorney	David E. Schauer	January 2023
Auditor-Treasurer	Marilee Peterson	January 2023
Recorder	Kathy Dietz	January 2023
Registrar of Titles	Kathy Dietz	January 2023
Sheriff**	Pat Nienaber	January 2023
Appointed		
Administrator	Roxy Traxler	Indefinite
Assessor	Laura Hacker	December 2020
Court Administrator	Karen Messner (State)	Indefinite
Court Services Director	Mary Karl (State)	Indefinite
Emergency Management Director	Vacant	
Examiner of Titles	Ross Arneson	Indefinite
Extension Educator	Jason Ertl	Indefinite
Human Resources Director	Jodi Coleman	Indefinite
Office of Technology Manager	Alan Cole	Indefinite
Medical Examiner	A. Quinn Strobl, MD	December 2018
Public Health and Human Services Director	John Gliszinski	Indefinite
Public Works Director	Timothy Becker	April 2021
Surveyor	Avery Grochow	December 2018
Veterans Services Officer	Lisa Klenk	August 2020

*Chair

**Sheriff Pat Nienaber was elected to start his term in January 2019, but was appointed early due to the death of Bruce Ponath.

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JULIE BLAHA
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, 2018, 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 thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sibley Estates of Sibley County, 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, 2018, in which Sibley County has an equity interest. The SCHA is a joint venture discussed in Note 4.C. to the financial statements. The County's investment in the SCHA, \$820,171, represents 0.8 percent and 1.0 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 SCHA 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 the 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, 2018, 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 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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 and Other Information 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 as listed in the table of contents 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 Supplementary 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 August 16, 2019, 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 solely 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 effectiveness of Sibley County's or the Sibley County Library System component unit's internal control over financial reporting or on compliance. Those 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 SCHA joint venture, 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 the 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 16, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. 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 \$82,942,540, of which \$63,128,861 is the net investment in capital assets, and \$6,359,165 is restricted to specific purposes.
- Business-type activities' total net position is \$907,225, of which \$573,320 is the net investment in capital assets.
- Governmental activities' total net position increased by \$2,702,973 in 2018 after the restatement for Governmental Accounting Standards Board (GASB). The net position of the County's business-type activities increased by \$67,174.
- At the close of 2018, the unassigned fund balance for the General Fund was \$2,704,676, or 28.7 percent, of the total General Fund expenditures. This amount will be available for 2019 budgeting purposes.
- The net cost of governmental activities in 2018 increased by \$725,020 from the previous year, raising the total to \$12,565,848. The net cost of governmental activities was funded by general revenues totaling \$15,357,992.

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 nonmajor funds is provided in the form of combining statements within the Supplementary Information section of this report.

Governmental fund financial statements can be found on 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	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 35,538,749	\$ 38,653,703	\$ 365,885	\$ 393,569	\$ 35,904,634	\$ 39,047,272
Capital assets	68,889,520	62,831,174	573,320	506,479	69,462,840	63,337,653
Total Assets	\$ 104,428,269	\$ 101,484,877	\$ 939,205	\$ 900,048	\$ 105,367,474	\$ 102,384,925
Deferred Outflows of Resources	\$ 2,688,984	\$ 3,871,426	\$ -	\$ -	\$ 2,688,984	\$ 3,871,426
Liabilities						
Long-term liabilities	\$ 17,858,907	\$ 19,902,844	\$ -	\$ -	\$ 17,858,907	\$ 19,902,844
Other liabilities	2,570,909	2,025,420	31,980	59,997	2,602,889	2,085,417
Total Liabilities	\$ 20,429,816	\$ 21,928,264	\$ 31,980	\$ 59,997	\$ 20,461,796	\$ 21,988,261
Deferred Inflows of Resources	\$ 3,744,897	\$ 3,188,472	\$ -	\$ -	\$ 3,744,897	\$ 3,188,472
Net Position						
Net investment in capital assets	\$ 63,128,861	\$ 61,277,621	\$ 573,320	\$ 506,479	\$ 63,702,181	\$ 61,784,100
Restricted	6,359,165	10,738,265	335,100	312,063	6,694,265	11,050,328
Unrestricted	13,454,514	8,223,681	(1,195)	21,509	13,453,319	8,245,190
Total Net Position, as reported	\$ 82,942,540	\$ 80,239,567	\$ 907,225	\$ 840,051	\$ 83,849,765	\$ 81,079,618
Change in accounting principles*		(89,171)		-		(89,171)
Total Net Position, as restated		\$ 80,150,396		\$ 840,051		\$ 80,990,447

*The January 1, 2018, net position was decreased by \$89,171 to adopt new accounting guidance by implementing the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The net position of the County’s governmental activities increased by 3.37 percent (\$2,702,973) from 2017 to 2018, after restatement. 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 \$8,223,681 at December 31, 2017, to \$13,454,514 at the end of this year. Net position of the business-type activities increased by 8.0 percent (\$67,174).

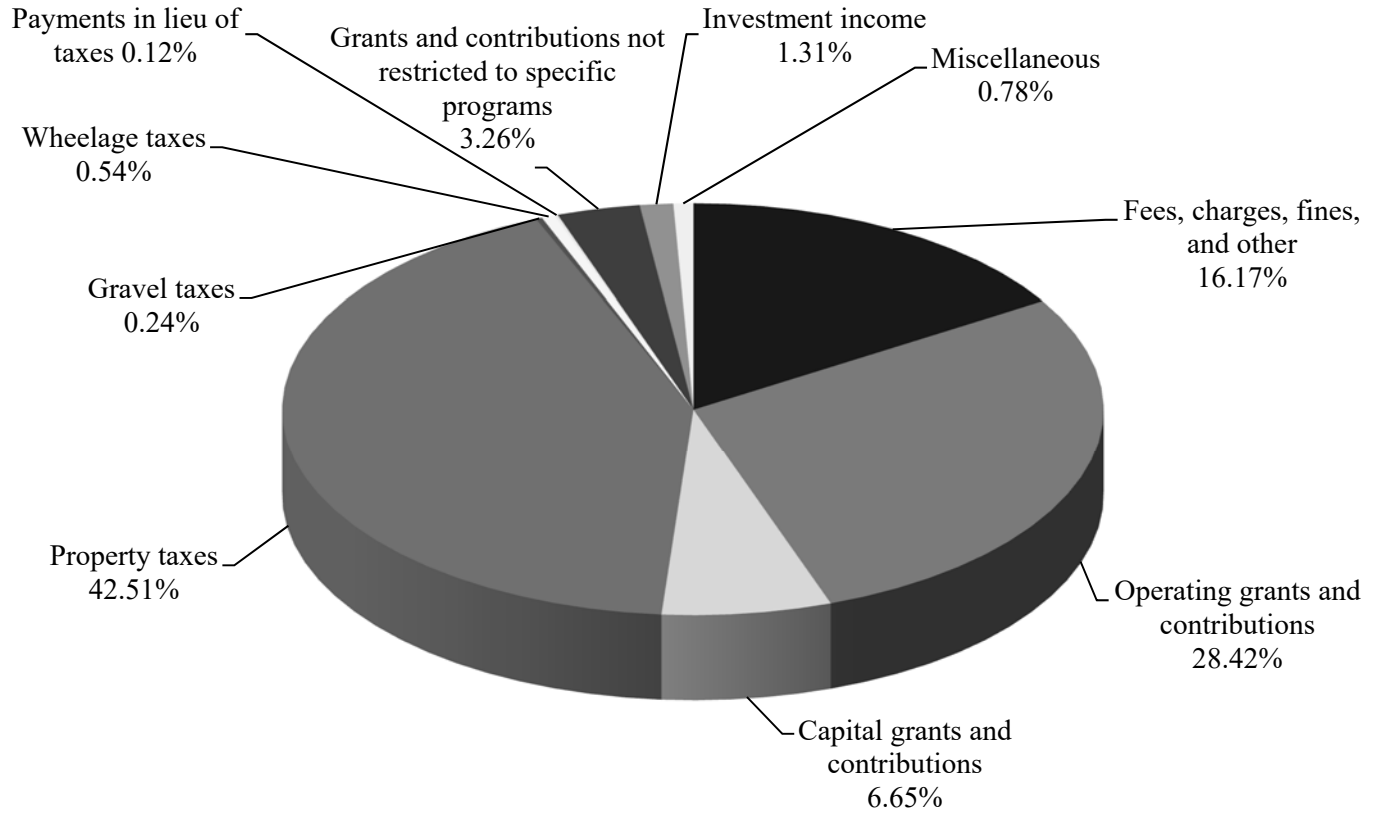
Table II
Change in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 4,913,023	\$ 4,886,931	\$ 180,202	\$ 295,237	\$ 5,093,225	\$ 5,182,168
Operating grants and contributions	8,795,783	7,864,023	156,166	152,290	8,951,949	8,016,313
Capital grants and contributions	2,095,177	924,760	-	-	2,095,177	924,760
General revenues						
Property taxes	13,388,124	12,876,748	-	-	13,388,124	12,876,748
Gravel taxes	77,115	117,889	-	-	77,115	117,889
Wheelage taxes	168,741	160,157	-	-	168,741	160,157
Payments in lieu of tax	37,470	23,201	-	-	37,470	23,201
Grants and contributions not restricted to specific programs	1,027,976	696,778	-	-	1,027,976	696,778
Investment income	412,120	287,545	920	664	413,040	288,209
Miscellaneous and other	246,446	240,339	-	-	246,446	240,339
Total Revenues	\$ 31,161,975	\$ 28,078,371	\$ 337,288	\$ 448,191	\$ 31,499,263	\$ 28,526,562
Expenses						
General government	\$ 5,371,823	\$ 4,964,581	\$ -	\$ -	\$ 5,371,823	\$ 4,964,581
Public safety	3,033,169	3,104,985	-	-	3,033,169	3,104,985
Highways and streets	7,801,956	6,630,488	-	-	7,801,956	6,630,488
Sanitation	470,647	391,002	-	-	470,647	391,002
Human services	6,689,420	5,414,615	-	-	6,689,420	5,414,615
Health	942,749	1,054,811	-	-	942,749	1,054,811
Culture and recreation	412,999	381,970	-	-	412,999	381,970
Conservation of natural resources	3,244,401	3,272,279	-	-	3,244,401	3,272,279
Economic development	146,243	141,561	-	-	146,243	141,561
Interest	256,424	160,250	-	-	256,424	160,250
Sibley Estates	-	-	270,114	314,476	270,114	314,476
Total Expenses	\$ 28,369,831	\$ 25,516,542	\$ 270,114	\$ 314,476	\$ 28,639,945	\$ 25,831,018
Changes in Net Position	\$ 2,792,144	\$ 2,561,829	\$ 67,174	\$ 133,715	\$ 2,859,318	\$ 2,695,544
Net Position – January 1, as restated	80,150,396*	77,677,738	840,051	706,336	80,990,447*	78,384,074
Net Position – December 31, as reported	\$ 82,942,540	\$ 80,239,567	\$ 907,225	\$ 840,051	\$ 83,849,765	\$ 81,079,618

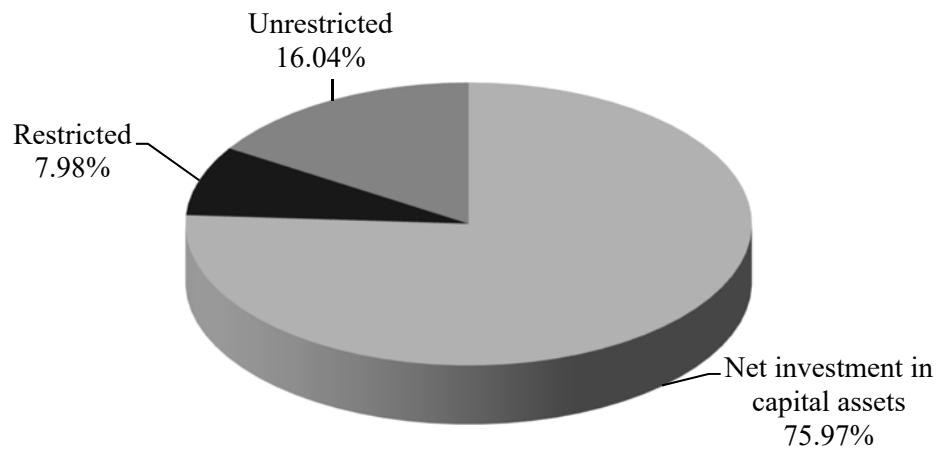
*Amount includes a change in accounting principles.

The County's expenses for governmental activities increased \$2,853,289 from 2017. The following pie charts represent the 2018 revenues by revenue source and net position.

2018 Total Revenues by Source



2018 Total Net Position



GOVERNMENTAL ACTIVITIES

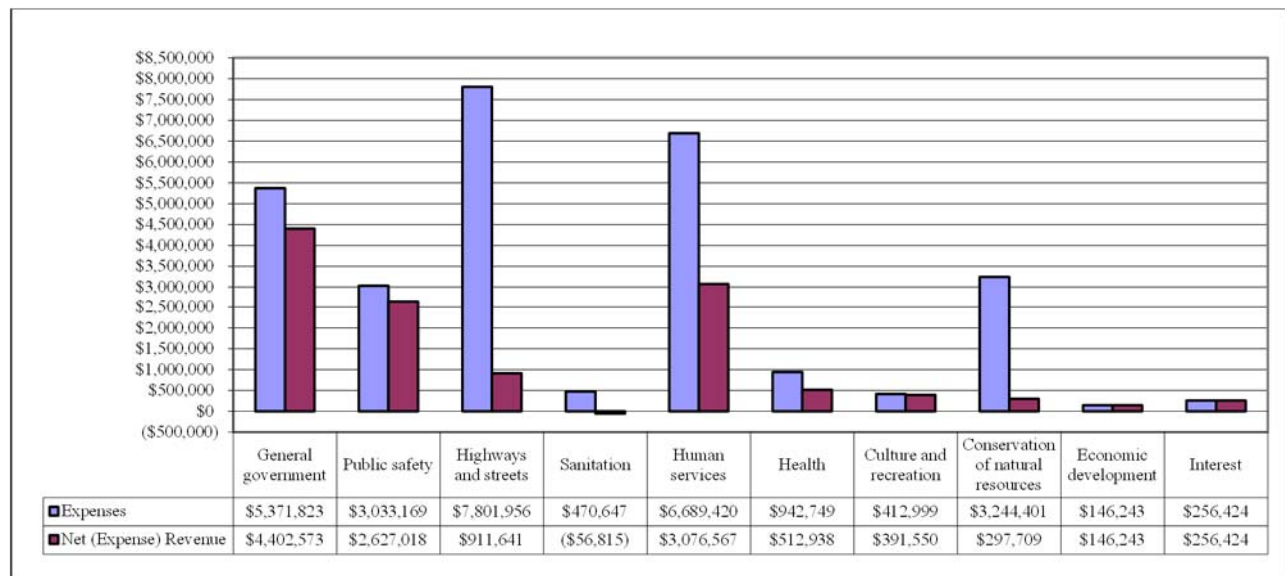
As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$12,565,848 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations 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 (Revenue) of Services	
	2018	2017	2018	2017
Expenses				
General government	\$ 5,371,823	\$ 4,964,581	\$ 4,402,573	\$ 4,112,725
Public safety	3,033,169	3,104,985	2,627,018	2,688,665
Highways and streets	7,801,956	6,630,488	911,641	1,695,778
Sanitation	470,647	391,002	(56,815)	(99,819)
Human services	6,689,420	5,414,615	3,076,567	2,277,906
Health	942,749	1,054,811	512,938	601,676
Culture and recreation	412,999	381,970	391,550	345,520
Conservation of natural resources	3,244,401	3,272,279	297,709	(83,434)
Economic development	146,243	141,561	146,243	141,561
Interest	256,424	160,250	256,424	160,250
Total Expenses	\$ 28,369,831	\$ 25,516,542	\$ 12,565,848	\$ 11,840,828

2018 Program Cost and Program Revenues



THE COUNTY'S FUNDS

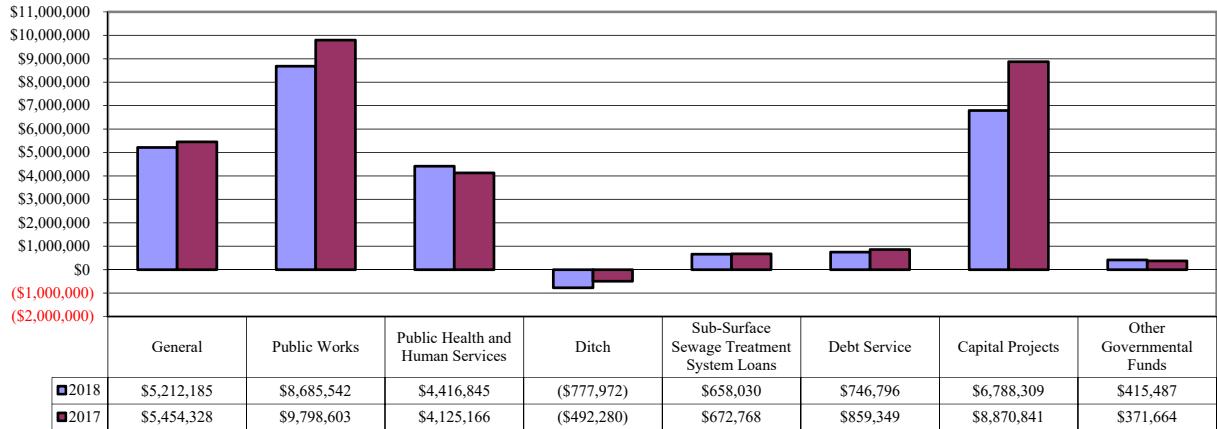
The focus of Sibley County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Sibley County's financing requirements. In particular, unrestricted balances may serve as a useful measure of a government's 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 \$26,145,222. This is a decrease of \$3,515,217 in comparison to the prior fiscal year. Of the \$26,145,222 total fund balances, \$19,329,341 constitutes unrestricted fund balances, which are available for spending at the government's discretion or represents the deficit balance in the Ditch Special Revenue Funds.

The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unrestricted fund balance of the General Fund was \$3,242,567 (or 62.2 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 (unrestricted) fund balance to total expenditures. The unrestricted fund balance represents 34.4 percent of total General Fund expenditures. In 2018, the fund balance amount in the General Fund decreased \$242,143.

The Public Works Special Revenue Fund had a total fund balance of \$8,685,542 at the end of 2018. This is a decrease of \$1,113,061. This decrease is attributed to a significant transfer to the Capital Projects Fund. The Public Health and Human Services Special Revenue Fund had a total fund balance of \$4,416,845 at the end of the current fiscal year. This is an increase of \$291,679 that can primarily be attributed to less than anticipated expenditures, partially offset by more than anticipated revenues. The Ditch Special Revenue Fund had a negative fund balance of \$777,972, which is a decrease of \$285,692 from the prior year. The fund had an increase in expenditures due to ditch redeterminations and additional ditch projects that were completed but not assessed to land owners. The Sub-Surface Sewage Treatment System Loans Special Revenue Fund had a decrease of fund balance of \$14,738, with an ending balance of \$658,030. The Debt Service Fund had a total fund balance of \$746,796 at the end of 2018. This is a decrease of \$112,553. The Capital Projects Fund, which had been dormant for many years leading up to 2016, ended 2018 with a fund balance of \$6,788,309. This is a decrease of \$2,082,532 mostly due to use of funds for the courthouse remodeling project, purchase of a 4WD loader and snow plow chasis. Transfers were made from the General Fund and the Public Works and Public Health and Human Services Special Revenue Funds into the Capital Projects Fund, partially offsetting the fund decrease.

Governmental Funds – Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

No budget amendments were made for 2018. The actual revenues were \$497,007 more than the budgeted revenues, and actual expenditures were greater than expected by \$663,358. Actual revenue exceeded budgeted revenue due to unbudgeted intergovernmental revenue. Actual expenditures exceeded budgeted expenditures due mostly to unbudgeted public safety, conservation of natural resources, and general government expenditures.

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)**

	2018	2017
Governmental Activities		
Land	\$ 1,736,809	\$ 1,726,309
Construction in progress	7,266,676	1,820,379
Infrastructure	52,549,936	52,218,323
Buildings	4,338,079	4,569,005
Machinery, furniture, and equipment	2,987,360	2,485,183
Improvements other than buildings	10,660	11,975
Total	<u>\$ 68,889,520</u>	<u>\$ 62,831,174</u>
Business-Type Activities	<u>\$ 573,320</u>	<u>\$ 506,479</u>

The County’s investment in capital assets for its governmental activities as of December 31, 2018, was \$68,889,520 (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 9.6 percent, or \$6,058,346. The increase is due to the construction in progress on the building remodel.

The County’s investment in capital assets for its business-type activities increased by \$66,841 in the current year from \$506,479 in 2017 to \$573,320 in 2018.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$7,955,990, versus \$8,241,320 last year—a decrease of \$285,330, or 3.5 percent—as shown in Table V. The decrease is due to scheduled debt payments.

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

	2018	2017
General obligation bonds	\$ 5,775,000	\$ 6,000,000
General obligation special assessment bonds	2,160,000	2,210,000
General obligation revenue notes	20,990	31,320
Total	\$ 7,955,990	\$ 8,241,320

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 2018, the taxable market value was \$3,003,536,400 and, in 2017, the amount was \$3,162,367,600. The County’s outstanding net debt of \$7,955,990 is significantly below the state-imposed limit of \$90,106,092.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The County’s elected and appointed officials considered many factors when setting the fiscal year 2019 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. However, the 2018 legislative session made changes to the calculation of County Program Aid in order to effectively equalize the aid. Total county program aid for 2019 (\$559,667) is up 0.43 percent compared to 2018 (\$557,273).

- For fiscal year 2019, Sibley County's total taxable market value is \$3,057,190,800. This is an increase of \$53,654,400, or 2 percent, over the 2018 total taxable market value of \$3,003,536,400. This increase is a result of the County Sales Ratio Study conducted by the Sibley County Assessor's Office. These studies are used to update market values on a yearly basis and are based on actual land transactions in the County from year to year.
- The unemployment rate for Sibley County as of June 2019 is 3.5 percent. Sibley County's unemployment rate is slightly higher than the state unemployment rate of 3.4 percent,
- which is similar to last year when Sibley County's unemployment rate was 0.1 percentage points higher than the state average.
- On December 26, 2018, the Sibley County Board of Commissioners approved the 2019 budget for \$28,817,607. The 2019 total levy is \$14,626,060, and the total net tax levy was \$14,066,393 (reduced by County Program Aid). This was an increase from the 2018 total net tax levy of \$13,669,964. The 2019 budget includes a 2.9 percent overall property tax 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/Treasurer, Sibley County Courthouse, 400 Court Avenue, PO Box 51, 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, 2018**

	<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	\$ 24,421,250	\$ 29,332	\$ 24,450,582	\$ 259,474
Cash and pooled investments – restricted	-	335,100	335,100	-
Petty cash and change funds	6,175	300	6,475	20
Investments	1,070,930	-	1,070,930	-
Taxes receivable – delinquent	177,080	-	177,080	-
Special assessments receivable – delinquent	75,993	-	75,993	-
Special assessments receivable – noncurrent	4,095,428	-	4,095,428	-
Accounts receivable – net	445,656	703	446,359	335
Accrued interest receivable	182,769	-	182,769	-
Due from other governments	2,996,471	-	2,996,471	20,503
Loans receivable	109,521	-	109,521	-
Advance to other governments	69,729	-	69,729	-
Inventories	941,840	-	941,840	-
Prepaid items	125,736	450	126,186	243
Investment in joint venture	820,171	-	820,171	-
Capital assets				
Non-depreciable	9,003,485	23,500	9,026,985	-
Depreciable – net of accumulated depreciation	59,886,035	549,820	60,435,855	-
Total Assets	\$ 104,428,269	\$ 939,205	\$ 105,367,474	\$ 280,575
<u>Deferred Outflows of Resources</u>				
Deferred other postemployment benefits outflows	\$ 25,677	\$ -	\$ 25,677	\$ -
Deferred pension outflows	2,663,307	-	2,663,307	49,889
Total Deferred Outflows of Resources	\$ 2,688,984	\$ -	\$ 2,688,984	\$ 49,889

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 663,949	\$ 9,023	\$ 672,972	\$ 14,175
Salaries payable	391,221	-	391,221	12,404
Contracts payable	567,309	-	567,309	-
Retainage payable	242,537	-	242,537	-
Due to other governments	545,009	8,850	553,859	5,849
Accrued interest payable	82,029	744	82,773	-
Unearned revenue	78,855	-	78,855	-
Security deposits payable	-	13,363	13,363	-
Compensated absences payable – current	306,152	-	306,152	9,788
General obligation bonds payable – current	240,000	-	240,000	-
General obligation special assessment bonds payable – current	155,000	-	155,000	-
General obligation revenue notes payable – current	10,330	-	10,330	-
MnPCA loans payable – current	127,029	-	127,029	-
AgBMP loans payable – current	133,977	-	133,977	-
Noncurrent liabilities				
Compensated absences payable	827,745	-	827,745	26,465
General obligation bonds payable – net	5,643,329	-	5,643,329	-
General obligation special assessment bonds payable – net	2,046,492	-	2,046,492	-
General obligation revenue notes payable	10,660	-	10,660	-
MnPCA loans payable	290,494	-	290,494	-
AgBMP loans payable	1,009,563	-	1,009,563	-
Net pension liability	6,478,231	-	6,478,231	188,618
Other postemployment benefits liability	579,905	-	579,905	-
Total Liabilities	\$ 20,429,816	\$ 31,980	\$ 20,461,796	\$ 257,299
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 3,744,897	\$ -	\$ 3,744,897	\$ 45,800

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	<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	\$ 63,128,861	\$ 573,320	\$ 63,702,181	\$ -
Restricted for				
General government	444,736	-	444,736	-
Public safety	1,058,609	-	1,058,609	-
Highways and streets	1,568,712	-	1,568,712	-
Sanitation	149,985	-	149,985	-
Culture and recreation	36,785	-	36,785	-
Conservation of natural resources	1,255,723	-	1,255,723	-
Economic development	277,423	-	277,423	-
Housing and redevelopment	-	335,100	335,100	-
Capital projects	689,979	-	689,979	-
Debt service	746,796	-	746,796	-
Permanent fund principal – nonexpendable	130,417	-	130,417	-
Unrestricted	13,454,514	(1,195)	13,453,319	27,365
Total Net Position	\$ 82,942,540	\$ 907,225	\$ 83,849,765	\$ 27,365

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 5,371,823	\$ 768,520	\$ 189,911
Public safety	3,033,169	142,463	263,688
Highways and streets	7,801,956	72,607	4,733,350
Sanitation	470,647	453,250	74,212
Human services	6,689,420	769,437	2,843,416
Health	942,749	176,764	253,047
Culture and recreation	412,999	-	21,449
Conservation of natural resources	3,244,401	2,529,982	416,710
Economic development	146,243	-	-
Interest	256,424	-	-
Total governmental activities	\$ 28,369,831	\$ 4,913,023	\$ 8,795,783
Business-type activities			
Sibley Estates	270,114	180,202	156,166
Total Primary Government	\$ 28,639,945	\$ 5,093,225	\$ 8,951,949
Component Unit			
Sibley County Library System	<u>\$ 570,171</u>	<u>\$ 260,051</u>	<u>\$ 336,345</u>

General Revenues

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

Total general revenues

Change in net position

Net Position – January 1, as restated (Note 1.F.)

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	
\$ 10,819	\$ (4,402,573)	\$ -	\$ (4,402,573)	
-	(2,627,018)	-	(2,627,018)	
2,084,358	(911,641)	-	(911,641)	
-	56,815	-	56,815	
-	(3,076,567)	-	(3,076,567)	
-	(512,938)	-	(512,938)	
-	(391,550)	-	(391,550)	
-	(297,709)	-	(297,709)	
-	(146,243)	-	(146,243)	
-	(256,424)	-	(256,424)	
<u>\$ 2,095,177</u>	<u>\$ (12,565,848)</u>	<u>\$ -</u>	<u>\$ (12,565,848)</u>	
-	-	66,254	66,254	
<u>\$ 2,095,177</u>	<u>\$ (12,565,848)</u>	<u>\$ 66,254</u>	<u>\$ (12,499,594)</u>	
<u>\$ -</u>				<u>\$ 26,225</u>
	\$ 13,388,124	\$ -	\$ 13,388,124	\$ -
	77,115	-	77,115	-
	168,741	-	168,741	-
	37,470	-	37,470	-
	1,027,976	-	1,027,976	-
	412,120	920	413,040	-
	246,446	-	246,446	-
	<u>\$ 15,357,992</u>	<u>\$ 920</u>	<u>\$ 15,358,912</u>	<u>\$ -</u>
	\$ 2,792,144	\$ 67,174	\$ 2,859,318	\$ 26,225
	<u>80,150,396</u>	<u>840,051</u>	<u>80,990,447</u>	<u>1,140</u>
	<u>\$ 82,942,540</u>	<u>\$ 907,225</u>	<u>\$ 83,849,765</u>	<u>\$ 27,365</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Public Works	Public Health and Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 3,798,356	\$ 7,349,534	\$ 4,190,635
Petty cash and change funds	5,925	-	250
Investments	-	-	-
Taxes receivable – delinquent	78,677	52,487	42,367
Special assessments receivable			
Delinquent	5,390	-	-
Noncurrent	-	-	-
Accounts receivable – net	16,882	14,823	413,951
Accrued interest receivable	182,769	-	-
Due from other funds	1,689,143	229	219
Due from other governments	54,287	2,297,985	553,496
Loans receivable	-	-	-
Advance to other governments	69,729	-	-
Inventories	-	941,840	-
Prepaid items	114,457	7,924	3,355
	\$ 6,015,615	\$ 10,664,822	\$ 5,204,273
Total Assets	\$ 6,015,615	\$ 10,664,822	\$ 5,204,273

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>
\$ 1,234,357	\$ 708,535	\$ 747,231	\$ 6,090,164	\$ 302,438	\$ 24,421,250
-	-	-	-	-	6,175
-	25,000	-	1,045,930	-	1,070,930
-	-	3,549	-	-	177,080
57,977	12,626	-	-	-	75,993
3,009,016	1,086,412	-	-	-	4,095,428
-	-	-	-	-	445,656
-	-	-	-	-	182,769
-	-	-	-	6,000	1,695,591
90,703	-	-	-	-	2,996,471
-	-	-	-	109,521	109,521
-	-	-	-	-	69,729
-	-	-	-	-	941,840
-	-	-	-	-	125,736
<u>\$ 4,392,053</u>	<u>\$ 1,832,573</u>	<u>\$ 750,780</u>	<u>\$ 7,136,094</u>	<u>\$ 417,959</u>	<u>\$ 36,414,169</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Public Works	Public Health and Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 196,049	\$ 56,614	\$ 138,546
Salaries payable	177,033	67,740	146,448
Contracts payable	-	219,524	-
Retainage payable	-	242,537	-
Due to other funds	6,406	42	2,643
Due to other governments	223,774	61,495	67,024
Unearned revenue	49,367	-	-
	\$ 652,629	\$ 647,952	\$ 354,661
Deferred Inflows of Resources			
Unavailable revenue	\$ 150,801	\$ 1,331,328	\$ 432,767
Fund Balances (Note 3.G.)			
Nonspendable	\$ 184,186	\$ 949,764	\$ 3,355
Restricted	1,785,432	429,026	-
Committed	537,891	-	-
Assigned	-	7,306,752	4,413,490
Unassigned	2,704,676	-	-
	\$ 5,212,185	\$ 8,685,542	\$ 4,416,845
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,015,615	\$ 10,664,822	\$ 5,204,273

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>
\$ 223,816	\$ 46,017	\$ 435	\$ -	\$ 2,472	\$ 663,949
-	-	-	-	-	391,221
-	-	-	347,785	-	567,309
-	-	-	-	-	242,537
1,686,500	-	-	-	-	1,695,591
192,716	-	-	-	-	545,009
-	29,488	-	-	-	78,855
<u>\$ 2,103,032</u>	<u>\$ 75,505</u>	<u>\$ 435</u>	<u>\$ 347,785</u>	<u>\$ 2,472</u>	<u>\$ 4,184,471</u>
<u>\$ 3,066,993</u>	<u>\$ 1,099,038</u>	<u>\$ 3,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,084,476</u>
\$ -	\$ 25,000	\$ -	\$ -	\$ 130,417	\$ 1,292,722
953,826	633,030	746,796	689,979	285,070	5,523,159
-	-	-	6,098,330	-	6,636,221
-	-	-	-	-	11,720,242
(1,731,798)	-	-	-	-	972,878
<u>\$ (777,972)</u>	<u>\$ 658,030</u>	<u>\$ 746,796</u>	<u>\$ 6,788,309</u>	<u>\$ 415,487</u>	<u>\$ 26,145,222</u>
<u>\$ 4,392,053</u>	<u>\$ 1,832,573</u>	<u>\$ 750,780</u>	<u>\$ 7,136,094</u>	<u>\$ 417,959</u>	<u>\$ 36,414,169</u>

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Fund balance – total governmental funds (Exhibit 3)		\$ 26,145,222
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.		68,889,520
Investments in joint ventures are reported in governmental activities and are not financial resources and, therefore, are not reported in the governmental funds.		820,171
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.		6,084,476
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	\$ 2,663,307	
Deferred inflows related to pensions	<u>(3,744,897)</u>	(1,081,590)
Deferred outflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.		25,677
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(82,029)
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	\$ (8,084,821)	
Revenue notes payable	(20,990)	
MnPCA loans payable	(417,523)	
AgBMP loans payable	(1,143,540)	
Compensated absences	(1,133,897)	
Net pension liability	(6,478,231)	
Other postemployment benefits liability	<u>(579,905)</u>	<u>(17,858,907)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 82,942,540</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Revenues			
Taxes	\$ 6,078,001	\$ 3,900,607	\$ 3,423,186
Special assessments	134,415	-	-
Licenses and permits	65,264	-	-
Intergovernmental	1,428,601	6,794,815	3,433,658
Charges for services	719,154	69,375	451,627
Fines and forfeits	8,507	-	-
Gifts and contributions	2,588	-	-
Investment earnings	350,907	-	-
Miscellaneous	443,810	32,367	138,087
Total Revenues	\$ 9,231,247	\$ 10,797,164	\$ 7,446,558
Expenditures			
Current			
General government	\$ 4,856,786	\$ -	\$ -
Public safety	3,068,681	-	-
Highways and streets	-	9,425,414	-
Sanitation	155,219	-	-
Human services	-	-	5,891,949
Health	-	-	945,044
Culture and recreation	405,901	-	-
Conservation of natural resources	725,876	-	-
Economic development	146,255	-	-
Capital outlay	73,880	36,091	-
Intergovernmental	-	377,381	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 9,432,598	\$ 9,838,886	\$ 6,836,993

EXHIBIT 5

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 234,657	\$ -	\$ -	\$ 13,636,451
2,106,143	292,468	-	-	-	2,533,026
-	-	-	-	-	65,264
40,193	6,483	5,895	-	210,446	11,920,091
-	-	-	-	-	1,240,156
-	-	-	-	-	8,507
-	-	-	-	-	2,588
1,931	-	-	49,533	4,461	406,832
-	-	-	-	96	614,360
\$ 2,148,267	\$ 298,951	\$ 240,552	\$ 49,533	\$ 215,003	\$ 30,427,275
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,856,786
-	-	-	-	-	3,068,681
-	-	-	-	-	9,425,414
-	315,458	-	-	-	470,677
-	-	-	-	-	5,891,949
-	-	-	-	-	945,044
-	-	-	-	-	405,901
2,331,027	-	-	-	171,180	3,228,083
-	-	-	-	-	146,255
-	-	-	4,427,402	-	4,537,373
-	-	-	-	-	377,381
50,000	261,251	225,000	-	-	536,251
52,041	10,370	127,076	-	-	189,487
891	-	1,029	-	-	1,920
\$ 2,433,959	\$ 587,079	\$ 353,105	\$ 4,427,402	\$ 171,180	\$ 34,081,202

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Excess of Revenues Over (Under) Expenditures	\$ (201,351)	\$ 958,278	\$ 609,565
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(40,792)	(1,936,659)	(317,886)
Loans issued	-	-	-
Total Other Financing Sources (Uses)	\$ (40,792)	\$ (1,936,659)	\$ (317,886)
Net Change in Fund Balance	\$ (242,143)	\$ (978,381)	\$ 291,679
Fund Balance – January 1	5,454,328	9,798,603	4,125,166
Increase (decrease) in inventories	-	(134,680)	-
Fund Balance – December 31	\$ 5,212,185	\$ 8,685,542	\$ 4,416,845

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>
\$ (285,692)	\$ (288,128)	\$ (112,553)	\$ (4,377,869)	\$ 43,823	\$ (3,653,927)
\$ -	\$ -	\$ -	\$ 2,295,337	\$ -	\$ 2,295,337
-	-	-	-	-	(2,295,337)
-	273,390	-	-	-	273,390
<u>\$ -</u>	<u>\$ 273,390</u>	<u>\$ -</u>	<u>\$ 2,295,337</u>	<u>\$ -</u>	<u>\$ 273,390</u>
\$ (285,692)	\$ (14,738)	\$ (112,553)	\$ (2,082,532)	\$ 43,823	\$ (3,380,537)
(492,280)	672,768	859,349	8,870,841	371,664	29,660,439
-	-	-	-	-	(134,680)
<u>\$ (777,972)</u>	<u>\$ 658,030</u>	<u>\$ 746,796</u>	<u>\$ 6,788,309</u>	<u>\$ 415,487</u>	<u>\$ 26,145,222</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, 2018**

Net change in fund balance – total governmental funds (Exhibit 5) \$ (3,380,537)

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. (804,223)

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	\$ 6,084,476	
Unavailable revenue – January 1	<u>(5,349,776)</u>	734,700

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	\$ 9,284,467	
Current year depreciation	(3,178,178)	
Net book value of assets sold or disposed	<u>(47,943)</u>	6,058,346

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	\$ (273,390)	
Repayment of debt principal	<u>536,251</u>	262,861
Amortization of premium/discount on bonds		10,686

**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, 2018**

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	\$	(134,680)	
Change in deferred pension outflows		(1,208,119)	
Change in deferred other postemployment benefits outflows		25,677	
Change in accrued interest		(75,703)	
Change in compensated absences		12,127	
Change in net pension liability		1,897,390	
Change in other postemployment benefits liability, as restated		(49,956)	
Change in deferred pension inflows		<u>(556,425)</u>	<u>(89,689)</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u>\$ 2,792,144</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, 2018**

Assets

Current assets

Cash and pooled investments	\$ 29,332
Cash and pooled investments – restricted	335,100
Petty cash and change funds	300
Accounts receivable	703
Prepaid items	450
	<hr/>

Total current assets **\$ 365,885**

Noncurrent assets

Capital assets	
Non-depreciable	\$ 23,500
Depreciable – net of accumulated depreciation	549,820
	<hr/>

Total noncurrent assets **\$ 573,320**

Total Assets **\$ 939,205**

Liabilities

Current liabilities

Accounts payable	\$ 9,023
Due to other governments	8,850
Accrued interest payable	744
Security deposits payable	13,363
	<hr/>

Total Liabilities **\$ 31,980**

Net Position

Net investment in capital assets	\$ 573,320
Restricted for housing and redevelopment	335,100
Unrestricted	(1,195)
	<hr/>

Total Net Position **\$ 907,225**

**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, 2018**

Operating Revenues	
Rents	\$ 172,458
Intergovernmental – federal	156,166
Miscellaneous	7,744
	<hr/>
Total Operating Revenues	\$ 336,368
Operating Expenses	
Professional services	\$ 54,728
Telephone	3,946
Utilities	48,848
Taxes and licenses	2,100
Marketing costs	1,566
Insurance	8,850
Repairs and maintenance	124,911
Independent public accountant costs	7,400
Miscellaneous	14,865
Depreciation and amortization	2,801
	<hr/>
Total Operating Expenses	\$ 270,015
Operating Income (Loss)	\$ 66,353
Nonoperating Revenues (Expenses)	
Interest income	\$ 920
Interest expense	(99)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 821
Change in Net Position	\$ 67,174
Net Position – January 1	840,051
	<hr/>
Net Position – December 31	\$ 907,225
	<hr/> <hr/>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Flows from Operating Activities	
Receipts from customers	\$ 178,739
Receipts from government agencies	156,166
Payments to suppliers and vendors	<u>(259,969)</u>
Net cash provided by (used in) operating activities	<u>\$ 74,936</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	\$ (104,031)
Insurance proceeds	<u>34,389</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (69,642)</u>
Cash Flows from Investing Activities	
Interest paid	\$ (109)
Interest received on investments	<u>920</u>
Net cash provided by (used in) investing activities	<u>\$ 811</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 6,105
Cash and Cash Equivalents, January 1	<u>358,627</u>
Cash and Cash Equivalents, December 31	<u>\$ 364,732</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ 66,353</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 2,801
(Increase) decrease in accounts receivable	(600)
Increase (decrease) in accounts payable	(2,219)
Increase (decrease) in due to other governments	8,514
Increase (decrease) in accrued liabilities	950
Increase (decrease) in security deposits payable	<u>(863)</u>
Total adjustments	<u>\$ 8,583</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 74,936</u>

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FIDUCIARY FUNDS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018**

	<u>Nurse Development Private-Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 5,317	\$ 548,166
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 4,258
Due to other governments	-	543,908
Total Liabilities	\$ -	\$ 548,166
<u>Net Position</u>		
Net position, held in trust	\$ 5,317	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 8
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>29,428</u>
Change in Net Position	\$ (29,420)
Net Position – Beginning of the Year	<u>34,737</u>
Net Position – End of the Year	<u><u>\$ 5,317</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. 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 4.C. The County also participates in the jointly-governed organizations described in Note 4.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 full 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 all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of 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, 2018. A market approach is used to value all investments other than external investment pools and mutual funds, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

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.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2018 were \$350,907.

**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.”

Accounts receivable is shown net of an allowance for uncollectible balances.

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 2013 through 2018 and noncurrent special assessments payable in 2019 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 weighted average valuation method for all inventory purchased. 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 acquisition value (entry price) on 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
Machinery, furniture, and equipment	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 Paid Time Off (PTO) leave balances. The liability is calculated using the vesting method, in which leave amounts for all employees who currently are eligible to receive termination payments and other employees who are expected to be eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide

**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)

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. Compensated absences are generally liquidated by the General Fund and the Public Works and Public Health and Human Services Special Revenue Funds.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position 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 will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes and special assessments receivable, grant receivables, and other long-term receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

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. The net pension liability is generally liquidated by the General Fund and the Public Works and Public Health and Human Services Special Revenue Funds.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Sibley 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.

**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)

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 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.

Sibley 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; 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.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues

2. Intergovernmental (Continued)

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.

F. Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring OPEB liabilities and related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the required supplementary information. Beginning net position has been restated to reflect this change.

	<u>Governmental Activities</u>
Net Position, January 1, 2018, as previously reported	\$ 80,239,567
Change in accounting principles	<u>(89,171)</u>
Net Position, January 1, 2018, as restated	<u>\$ 80,150,396</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance – Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a deficit fund balance of \$777,972. The deficit will be eliminated with future special assessment levies against benefited properties. The following is a summary of the individual ditch systems:

38 ditches with positive fund balances	\$ 953,826
49 ditches with deficit fund balances	<u>(1,731,798)</u>
 Total Fund Balance	 <u>\$ (777,972)</u>

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	\$ 24,421,250
Petty cash and change funds	6,175
Investments	1,070,930
Business-type activities	
Cash and pooled investments	29,332
Cash and pooled investments – restricted	335,100
Petty cash and change funds	300
Fiduciary funds	
Private-purpose trust funds	
Cash and pooled investments	5,317
Agency funds	
Cash and pooled investments	548,166
Sibley County Library System	
Cash and pooled investments	259,474
Petty cash and change funds	<u>20</u>
 Total Cash and Investments	 <u>\$ 26,676,064</u>
 Deposits	 \$ 1,730,631
Petty cash and change funds	6,495
Investments	<u>24,938,938</u>
 Total	 <u>\$ 26,676,064</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's 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, 2018, Sibley County's deposits were not exposed to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurements

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2018, the County had the following recurring fair value measurements.

	December 31, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	\$ 4,708,043	\$ -	\$ 4,708,043	\$ -
Municipal bonds	99,942	-	99,942	-
Negotiable certificates of deposit	13,441,621	-	13,441,621	-
	\$ 18,249,606	\$ -	\$ 18,249,606	\$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 4,951,000			
Money Market Mutual Fund	1,738,332			
	\$ 6,689,332			

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurements (Continued)

Debt securities classified in Level 2 are valued using a market approach quoted in active markets for those securities. Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Agencies: a market approach by utilizing quoted prices for identical securities in markets that are not active;
- Municipal Bonds: a market approach using quoted prices for similar securities in active markets; and
- Negotiable Certificates of Deposit: a market approach using quoted prices for similar securities in markets that are not active.

The money market mutual fund value is published at NAV per share. The County invests in this money market account for short-term holdings. Shares are available to be redeemed upon proper notice without restriction or limitation.

MAGIC is a local government investment pool which is quoted at NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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.

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's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2018, the County's investments were not subject to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's investments at December 31, 2018, 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		11/17/2022	\$ 249,507
Wells Fargo Securities					
Federal Home Loan Bank	Aaa	Moody's		04/29/2019	248,968
Federal Home Loan Bank	Aaa	Moody's		05/28/2020	250,180
Federal Home Loan Bank	Aaa	Moody's		09/25/2020	250,475
Federal Home Loan Bank	Aaa	Moody's		01/19/2021	246,626
Federal Home Loan Bank	Aaa	Moody's		11/15/2021	251,003
Total Federal Home Loan Bank			6.00		\$ 1,496,759
Federal Home Loan Mortgage Corporation					
Wells Fargo Advisors					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		07/19/2022	\$ 247,232
Wells Fargo Securities					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/27/2019	246,755
Federal Home Loan Mortgage Corporation	Aaa	Moody's		05/15/2020	246,835
Federal Home Loan Mortgage Corporation	Aaa	Moody's		09/29/2020	247,162
Federal Home Loan Mortgage Corporation	Aaa	Moody's		01/27/2021	246,741
Federal Home Loan Mortgage Corporation	Aaa	Moody's		02/16/2021	246,168
Federal Home Loan Mortgage Corporation	Aaa	Moody's		05/27/2021	251,107
Federal Home Loan Mortgage Corporation	Aaa	Moody's		02/28/2022	250,050
Federal Home Loan Mortgage Corporation	Aaa	Moody's		05/16/2023	250,061
Total Federal Home Loan Mortgage Corporation			8.95		\$ 2,232,111

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment – Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Farm Credit Bank					
Wells Fargo Securities					
Federal Farm Credit Bank	Aaa	Moody's		04/20/2021	\$ 244,742
Federal Farm Credit Bank	Aaa	Moody's		12/06/2021	245,869
Total Federal Farm Credit Bank			1.97		\$ 490,611
Federal National Mortgage Association					
Wells Fargo Securities					
Federal National Mortgage Association	Aaa	Moody's		02/16/2021	\$ 245,564
Federal National Mortgage Association	Aaa	Moody's		07/26/2021	242,998
Total Federal National Mortgage Association			1.96		\$ 488,562
Municipal Bonds					
Northland Securities					
City of Mountain Lake – G.O. Bond	A+	S&P	0.40	02/01/2019	\$ 99,942
Negotiable certificates of deposit					
Northland Securities					
Wells Fargo Bank, N.A.	N/R	N/A	0.98	05/13/2019	\$ 244,679
Bank of Hope	N/R	N/A	0.98	05/17/2019	244,664
Merrick Bank	N/R	N/A	0.98	09/06/2019	244,586
Triumph Bank	N/R	N/A	0.98	09/13/2019	244,566
Heritage Bank of the Ozarks	N/R	N/A	0.58	11/12/2019	145,728
Umpqua Bank	N/R	N/A	0.98	11/12/2019	244,439
UBS Bank USA	N/R	N/A	0.98	12/02/2019	244,348
Farmers State Bank	N/R	N/A	0.98	01/27/2020	244,351
State Bank of India (California)	N/R	N/A	0.98	03/20/2020	244,118
NBT Bank, N.A.	N/R	N/A	0.98	04/20/2020	244,753
BMO Harris Bank	N/R	N/A	0.97	03/21/2022	241,563
Synchrony Bank	N/R	N/A	0.96	04/07/2022	238,407
Allegiance Bank	N/R	N/A	0.95	02/07/2023	236,917
Citibank, N.A.	N/R	N/A	0.96	04/11/2023	239,321
Bank of New England	N/R	N/A	0.97	07/31/2023	242,129
Wells Fargo Advisors					
ZB, N.A.	N/R	N/A	0.88	01/10/2019	219,967
MB Financial Bank, N.A.	N/R	N/A	0.98	02/25/2019	244,819
Southwest National Bank	N/R	N/A	0.98	03/12/2019	244,655
BNY Mellon, N.A.	N/R	N/A	0.45	03/29/2019	111,880
Sandy Spring Bank	N/R	N/A	0.98	04/22/2019	244,775
The Bryn Mawr Trust Company	N/R	N/A	0.98	06/13/2019	244,645
Morgan Stanley Bank, N.A.	N/R	N/A	0.98	06/14/2019	244,174
Barclays Bank Delaware	N/R	N/A	0.98	07/16/2019	244,241
Live Oak Banking Company	N/R	N/A	0.98	08/09/2019	244,140
World's Foremost Bank	N/R	N/A	0.80	08/13/2019	198,926
American Express Bank, FSB	N/R	N/A	0.98	09/25/2019	243,895
HSBC Bank USA, N.A.	N/R	N/A	0.97	10/24/2019	243,138

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment – Issuer	Credit Risk		Concentration Risk (%)	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency		Rate Risk Maturity Date	
Negotiable certificates of deposit					
Wells Fargo Advisors (Continued)					
The Napoleon State Bank	N/R	N/A	0.98	12/20/2019	244,968
Preferred Bank	N/R	N/A	0.98	03/27/2020	244,388
United Bankers' Bank	N/R	N/A	0.98	03/30/2020	244,373
Capital One, N.A.	N/R	N/A	0.97	07/29/2020	242,484
Marlin Business Bank	N/R	N/A	0.97	08/07/2020	242,023
Comenity Capital Bank	N/R	N/A	0.98	08/31/2020	244,407
Discover Bank	N/R	N/A	0.97	10/05/2020	240,688
WEX Bank	N/R	N/A	0.98	10/13/2020	245,044
Flushing Bank	N/R	N/A	0.40	03/29/2021	99,141
Comenity Bank	N/R	N/A	0.78	06/21/2021	195,218
Capital One Bank (USA), N.A.	N/R	N/A	0.95	08/02/2022	236,352
JPMorgan Chase Bank, N.A.	N/R	N/A	0.98	03/29/2023	243,251
Wells Fargo Securities					
Sterling Bank	N/R	N/A	0.98	01/08/2019	244,963
Cathay Bank	N/R	N/A	0.98	01/16/2019	244,943
Flagstar Bank, FSB	N/R	N/A	0.98	01/25/2019	244,927
Brookline Bank	N/R	N/A	0.98	02/04/2019	244,817
Chemical Bank	N/R	N/A	0.98	03/07/2019	244,964
Sallie Mae Bank	N/R	N/A	0.98	03/29/2019	244,457
TCF National Bank	N/R	N/A	0.98	04/11/2019	244,652
Banner Bank	N/R	N/A	0.28	04/25/2019	69,884
Ameris Bank	N/R	N/A	0.98	07/12/2019	244,788
Ally Bank	N/R	N/A	0.98	07/22/2019	243,751
Bank of India	N/R	N/A	0.98	08/28/2019	245,000
EVB	N/R	N/A	0.98	09/25/2019	243,966
Lakeside Bank	N/R	N/A	0.97	10/15/2019	243,112
Axiom Bank, N.A.	N/R	N/A	0.98	12/20/2019	243,795
EnerBank USA	N/R	N/A	0.97	02/28/2020	241,840
Goldman Sachs Bank USA	N/R	N/A	0.97	05/18/2020	241,852
BMW Bank of North America	N/R	N/A	0.95	10/16/2020	236,910
Belmont Savings Bank	N/R	N/A	0.96	11/23/2020	239,923
Continental Bank	N/R	N/A	0.95	08/23/2021	236,916
Total negotiable certificates of deposit					\$ 13,441,621
Mutual funds/investment pools					
MAGIC	N/R	N/A	N/A	N/A	\$ 4,951,000
Wells Fargo Government Money Market Fund	Aaa-mf	Moody's	N/A	N/A	1,738,332
Total mutual funds/investment pools					\$ 6,689,332
Total Investments					\$ 24,938,938

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, 2018, for the County are as follows:

	<u>Receivable</u>	<u>Less: Allowance for Uncollectible Accounts</u>	<u>Net Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities				
Taxes – delinquent	\$ 177,080	\$ -	\$ 177,080	\$ -
Special assessments – delinquent	75,993	-	75,993	-
Special assessments – noncurrent	4,095,428	-	4,095,428	2,632,107
Accounts receivable	484,113	(38,457)	445,656	-
Accrued interest receivable	182,769	-	182,769	-
Due from other governments	2,996,471	-	2,996,471	-
Loans receivable	109,521	-	109,521	102,109
Total Governmental Activities	<u>\$ 8,121,375</u>	<u>\$ (38,457)</u>	<u>\$ 8,082,918</u>	<u>\$ 2,734,216</u>

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, 2018, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 1,726,309	\$ 10,500	\$ -	\$ 1,736,809
Construction in progress	1,820,379	8,442,714	2,996,417	7,266,676
Total capital assets not depreciated	<u>\$ 3,546,688</u>	<u>\$ 8,453,214</u>	<u>\$ 2,996,417</u>	<u>\$ 9,003,485</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Infrastructure	\$ 76,259,649	\$ 2,818,032	\$ -	\$ 79,077,681
Buildings	8,936,780	15,979	127,500	8,825,259
Machinery, furniture, and equipment	7,831,572	993,659	502,362	8,322,869
Improvements other than buildings	34,865	-	-	34,865
Total capital assets depreciated	<u>\$ 93,062,866</u>	<u>\$ 3,827,670</u>	<u>\$ 629,862</u>	<u>\$ 96,260,674</u>
Less: accumulated depreciation for				
Infrastructure	\$ 24,041,326	\$ 2,486,419	\$ -	\$ 26,527,745
Buildings	4,367,775	225,655	106,250	4,487,180
Machinery, furniture, and equipment	5,346,389	464,789	475,669	5,335,509
Improvements other than buildings	22,890	1,315	-	24,205
Total accumulated depreciation	<u>\$ 33,778,380</u>	<u>\$ 3,178,178</u>	<u>\$ 581,919</u>	<u>\$ 36,374,639</u>
Total capital assets depreciated, net	<u>\$ 59,284,486</u>	<u>\$ 649,492</u>	<u>\$ 47,943</u>	<u>\$ 59,886,035</u>
Total Capital Assets, Net	<u><u>\$ 62,831,174</u></u>	<u><u>\$ 9,102,706</u></u>	<u><u>\$ 3,044,360</u></u>	<u><u>\$ 68,889,520</u></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	1,666,893	69,642	-	1,736,535
Machinery, furniture, and equipment	161,707	-	-	161,707
Total capital assets depreciated	<u>\$ 1,887,136</u>	<u>\$ 69,642</u>	<u>\$ -</u>	<u>\$ 1,956,778</u>
Less: accumulated depreciation	<u>1,404,157</u>	<u>2,801</u>	<u>-</u>	<u>1,406,958</u>
Total capital assets depreciated, net	<u>\$ 482,979</u>	<u>\$ 66,841</u>	<u>\$ -</u>	<u>\$ 549,820</u>
Total Capital Assets, Net	<u><u>\$ 506,479</u></u>	<u><u>\$ 66,841</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 573,320</u></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	\$	209,873
Public safety		134,083
Highways and streets, including depreciation of infrastructure assets		2,820,726
Human services		6,398
Culture and recreation		7,098
Total Depreciation Expense – Governmental Activities	\$	3,178,178
Business-Type Activities		
Housing and redevelopment	\$	2,801

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund Public Health and Human Services Special Revenue Fund	\$ 1,686,500 2,643 <u>1,689,143</u>
Total due to General Fund		\$ 1,689,143
Public Works Special Revenue Fund	General Fund	\$ 229
Public Health and Human Services Special Revenue Fund	General Fund Public Works Special Revenue Fund	\$ 177 42 <u>219</u>
Total due to Public Health and Human Services Special Revenue Fund		\$ 219
Water Projects Special Revenue Fund	General Fund	\$ 6,000
Total Due To/From Other Funds		\$ 1,695,591

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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

2. Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 40,792	Capital outlay
Public Works Special Revenue Fund	Capital Projects Fund	1,936,659	Capital outlay
Public Health and Human Services Special Revenue Fund	Capital Projects Fund	<u>317,886</u>	Capital outlay
Total		<u>\$ 2,295,337</u>	

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, 2018. The commitments include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public Works Special Revenue Fund Highway projects	\$ 4,608,198	\$ 242,537
Capital Projects Fund Facilities improvement project	3,880,692	1,605,909

**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
2019	\$ 24,934
2020	10,389
Total	\$ 35,323

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2012 G.O. Refunding Bonds	2021	\$225,000 – \$235,000 \$15,000 –	1.00 – 1.30 2.00 –	\$ 1,800,000	\$ 690,000
2017 G.O. Capital Improvement Bonds	2038	\$360,000	3.25	5,085,000	5,085,000
Total General Obligation Bonds				\$ 6,885,000	\$ 5,775,000
General obligation special assessment bonds					
2012 G.O. Special Assessment Refunding Bonds	2023	\$50,000 \$35,000 –	1.65 – 2.35 2.00 –	\$ 645,000	\$ 250,000
2017 G.O. Bonds County Ditch 29	2038	\$70,000 \$5,000 –	3.25 2.00 –	1,090,000	1,090,000
2017 G.O. Bonds County Ditch 39	2037	\$10,000 \$5,000 –	3.25 2.00 –	130,000	130,000
2017 G.O. Bonds Joint Ditch 32 SM	2032	\$10,000	3.00	85,000	85,000
2017 G.O. Bonds Joint Ditch 18 SM Redetermination	2023	\$50,000 – \$60,000 \$10,000 –	2.00 2.00 –	275,000	275,000
2017 G.O. Bonds Joint Ditch 18 SM Repair	2038	\$20,000	3.25	330,000	330,000
Total General Obligation Special Assessment Bonds				\$ 2,555,000	\$ 2,160,000
General obligation revenue notes					
2001 G.O. Revenue Note – County-Wide	2021	\$5,330 – \$10,330	-	\$ 103,300	\$ 20,990

**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, 2018
Minnesota Pollution Control Agency (MnPCA) loans					
High Island II	2021	\$20,390	2.00	\$ 367,955	\$ 118,171
Rush River II	2021	\$32,009	2.00	577,616	185,506
Buffalo Creek I	2019	\$2,582	2.00	46,589	5,087
Buffalo Creek II	2022	\$1,279	2.00	23,089	9,791
Middle Minnesota I	2021	\$1,362	2.00	24,587	6,613
Middle Minnesota II	2023	\$2,419	2.00	43,657	22,914
Bevens Silver Creek	2023	\$7,332	2.00	132,304	69,441
Total MnPCA Loans				<u>\$ 1,215,797</u>	<u>\$ 417,523</u>
Minnesota Department of Agriculture loans					
Ag Best Management Loan Program (AgBMP)	2030	\$611 – \$82,313	-	<u>\$ 1,671,555</u>	<u>\$ 1,143,540</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 240,000	\$ 143,025	\$ 155,000	\$ 51,862
2020	290,000	139,828	175,000	48,650
2021	295,000	135,777	175,000	45,150
2022	235,000	131,300	175,000	41,563
2023	245,000	126,500	185,000	37,787
2024 – 2028	1,300,000	551,963	380,000	159,219
2029 – 2033	1,470,000	373,113	445,000	106,319
2034 – 2038	1,700,000	137,612	470,000	37,288
Total	<u>\$ 5,775,000</u>	<u>\$ 1,739,118</u>	<u>\$ 2,160,000</u>	<u>\$ 527,838</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
2019	\$ 10,330	\$ -	\$ 127,029	\$ 7,718	\$ 133,977	\$ -
2020	5,330	-	124,393	5,191	150,660	-
2021	5,330	-	125,531	2,691	154,865	-
2022	-	-	21,356	705	159,595	-
2023	-	-	19,214	289	130,294	-
2024 – 2028	-	-	-	-	395,235	-
2029 – 2030	-	-	-	-	18,914	-
Total	<u>\$ 20,990</u>	<u>\$ -</u>	<u>\$ 417,523</u>	<u>\$ 16,594</u>	<u>\$ 1,143,540</u>	<u>\$ -</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities long-term liabilities					
Bonds payable					
General obligation bonds	\$ 6,000,000	\$ -	\$ 225,000	\$ 5,775,000	\$ 240,000
Add: unamortized premium	116,056	-	7,727	108,329	-
General obligation special assessment bonds	2,210,000	-	50,000	2,160,000	155,000
Add: unamortized premium	44,451	-	2,959	41,492	-
Total bonds payable	<u>\$ 8,370,507</u>	<u>\$ -</u>	<u>\$ 285,686</u>	<u>\$ 8,084,821</u>	<u>\$ 395,000</u>
General obligation revenue notes	31,320	-	10,330	20,990	10,330
MnPCA loans	556,605	-	139,082	417,523	127,029
AgBMP loans	981,989	273,390	111,839	1,143,540	133,977
Compensated absences	1,146,024	398,718	410,845	1,133,897	306,152
Governmental Activities Long-Term Liabilities	<u>\$ 11,086,445</u>	<u>\$ 672,108</u>	<u>\$ 957,782</u>	<u>\$ 10,800,771</u>	<u>\$ 972,488</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Pension Plans

1. Defined Benefit Pension Plans

a. 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 Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), 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.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Sibley County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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 Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

b. 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. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase, while Correctional Plan benefit recipients receive 2.50 percent. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 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 1.00 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 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan 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 Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

c. 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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20
Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	\$ 513,409
Police and Fire Plan	129,212
Correctional Plan	47,621

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

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of \$5,597,518 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.1009 percent. It was 0.1038 percent measured as of June 30, 2017. The County recognized pension expense of \$918,134 for its proportionate share of the General Employees Plan's pension expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County also recognized \$42,813 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	\$	5,597,518
State of Minnesota's proportionate share of the net pension liability associated with the County		183,591
Total	\$	5,781,109

The County reported its proportionate share of the General Employees Plan'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	\$ 152,224	\$ 159,210
Changes in actuarial assumptions	521,457	641,314
Difference between projected and actual investment earnings	-	613,285
Changes in proportion	219,227	138,851
Contributions paid to PERA subsequent to the measurement date	256,120	-
Total	\$ 1,149,028	\$ 1,552,660

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The \$256,120 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, 2019. 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>
2019	\$ 224,172
2020	(258,762)
2021	(508,333)
2022	(116,829)

Police and Fire Plan

At December 31, 2018, the County reported a liability of \$840,993 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.0789 percent. It was 0.0810 percent measured as of June 30, 2017. The County recognized pension expense of \$100,650 for its proportionate share of the Police and Fire Plan's pension expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County also recognized \$7,101 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 Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Police and Fire Plan'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	\$ 34,419	\$ 201,016
Changes in actuarial assumptions	1,033,636	1,270,254
Difference between projected and actual investment earnings	-	187,409
Changes in proportion	117,388	23,627
Contributions paid to PERA subsequent to the measurement date	67,210	-
Total	\$ 1,252,653	\$ 1,682,306

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$67,210 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, 2019. 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
2019	\$ (5,536)
2020	(42,160)
2021	(112,563)
2022	(329,104)
2023	(7,500)

Correctional Plan

At December 31, 2018, the County reported a liability of \$39,720 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.2415 percent. It was 0.2300 percent measured as of June 30, 2017. The County recognized pension expense of (\$43,551) for its proportionate share of the Correctional Plan's pension expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The County reported its proportionate share of the Correctional Plan'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	\$ 2,033	\$ 4,044
Changes in actuarial assumptions	155,166	455,449
Difference between projected and actual investment earnings	-	48,892
Changes in proportion	79,378	1,546
Contributions paid to PERA subsequent to the measurement date	25,049	-
Total	\$ 261,626	\$ 509,931

The \$25,049 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, 2019. 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
2019	\$ 20,361
2020	(141,182)
2021	(144,215)
2022	(8,318)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$975,233.

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. 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, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were 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**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions

Correctional Plan

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 9,096,684	6.50%	\$ 1,803,141	6.50%	\$ 339,931
Current	7.50	5,597,518	7.50	840,993	7.50	39,720
1% Increase	8.50	2,709,057	8.50	45,336	8.50	(200,440)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. 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.

2. Defined Contribution Plan

Five board members 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

2. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Sibley County during the year ended December 31, 2018, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,782	\$ 7,782
Percentage of covered payroll	5.00%	5.00%

E. Other Postemployment Benefits (OPEB)

Plan Description

Sibley County administers an OPEB plan, a single-employer defined benefit health care plan to eligible retirees and their dependents.

The plan offers medical, dental, and life insurance coverage to qualifying retirees and their spouses. Medical coverage is administered by Medica. Dental coverage is administered through Health Partners. Sun 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, 2018, there was one retiree receiving health benefits from the County’s health plan and two retirees receiving dental coverage through Health Partners. 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.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

As of the December 31, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active plan participants	<u>161</u>
Total	<u><u>164</u></u>

Total OPEB Liability

The County's total OPEB liability of \$579,905 was measured as of January 1, 2018, and was determined by an actuarial valuation dated January 1, 2017. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend	6.25 percent in 2018 grading to 5.00 percent over five years

The current year discount rate is 3.30 percent, which is a change from the prior year rate of 3.50 percent. For the current valuation, the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay the benefits as they become due.

Mortality rates are based on SOA RPH-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and File personnel).

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of January 1, 2017.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2017	\$ 529,949
Changes for the year	
Service cost	\$ 47,312
Interest	18,785
Benefit payments	(16,141)
Net change	\$ 49,956
Balance at December 31, 2018	\$ 579,905

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	\$ 627,628
Current	3.30	579,905
1% Increase	4.30	535,485

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 512,270
Current	6.25% Decreasing to 5.00%	579,905
1% Increase	7.25% Decreasing to 6.00%	660,156

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of \$24,279.

The \$25,677 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

F. Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2018, for the County's governmental funds are as follows:

	<u>Deferred Inflows of Resources</u>
Unavailable revenue	
Delinquent property taxes	\$ 177,080
Special assessments receivable, delinquent and noncurrent	4,171,421
Highway allotments that do not provide current financial resources	1,139,686
Grants	192,504
Charges for services	356,487
Accrued interest	47,298
Total Governmental Funds	\$ 6,084,476

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

G. Fund Balance

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

	General	Public Works	Public Health and Human Services	Ditch	Sub-Surface Sewage Treatment System Loans
Nonspendable					
Inventories	\$ -	\$ 941,840	\$ -	\$ -	\$ -
Advance to other governments	69,729	-	-	-	-
Prepaid items	114,457	7,924	3,355	-	-
Federal lands	-	-	-	-	-
Loan security	-	-	-	-	25,000
Total nonspendable	\$ 184,186	\$ 949,764	\$ 3,355	\$ -	\$ 25,000
Restricted					
Highway maintenance and construction – wheelage tax	\$ -	\$ 180,470	\$ -	\$ -	\$ -
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Sub-surface sewage treatment systems	-	-	-	-	633,030
Economic development loans	-	-	-	-	-
Conservation projects	-	-	-	-	-
Juvenile fines	22,603	-	-	-	-
Law library	19,064	-	-	-	-
Ditch maintenance and construction	-	-	-	953,826	-
Land restoration – gravel tax	-	248,556	-	-	-
Attorney's forfeited property	8,487	-	-	-	-
Recorder's equipment purchases	182,758	-	-	-	-
Land records technology	226,809	-	-	-	-
Shoreland grant	7,618	-	-	-	-
E-911	1,036,006	-	-	-	-
Riparian protection	214,213	-	-	-	-
Park improvements	36,785	-	-	-	-
Aquatic invasive species program	31,089	-	-	-	-
Total restricted	\$ 1,785,432	\$ 429,026	\$ -	\$ 953,826	\$ 633,030
Committed					
Tobacco ordinance	\$ 16,410	\$ -	\$ -	\$ -	\$ -
County parks	137,611	-	-	-	-
Alcohol enforcement and education	8,612	-	-	-	-
Solid waste	375,258	-	-	-	-
Projects, technology, and equipment purchases	-	-	-	-	-
Total committed	\$ 537,891	\$ -	\$ -	\$ -	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

G. Fund Balance (Continued)

	General	Public Works	Public Health and Human Services	Ditch	Sub-Surface Sewage Treatment System Loans
Assigned					
Public works	\$ -	\$ 7,306,752	\$ -	\$ -	\$ -
Public health and human services	-	-	4,413,490	-	-
Total assigned	\$ -	\$ 7,306,752	\$ 4,413,490	\$ -	\$ -
Unassigned	\$ 2,704,676	\$ -	\$ -	\$ (1,731,798)	\$ -
Total Fund Balance	\$ 5,212,185	\$ 8,685,542	\$ 4,416,845	\$ (777,972)	\$ 658,030
		Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable					
Inventories		\$ -	\$ -	\$ -	\$ 941,840
Advance to other governments		-	-	-	69,729
Prepaid items		-	-	-	125,736
Federal lands		-	-	130,417	130,417
Loan security		-	-	-	25,000
Total nonspendable		\$ -	\$ -	\$ 130,417	\$ 1,292,722
Restricted					
Highway maintenance and construction – wheelage tax		\$ -	\$ -	\$ -	\$ 180,470
Capital projects		-	689,979	-	689,979
Debt service		746,796	-	-	746,796
Sub-surface sewage treatment systems		-	-	-	633,030
Economic development loans		-	-	277,423	277,423
Conservation projects		-	-	7,647	7,647
Juvenile fines		-	-	-	22,603
Law library		-	-	-	19,064
Ditch maintenance and construction		-	-	-	953,826
Land restoration – gravel tax		-	-	-	248,556
Attorney’s forfeited property		-	-	-	8,487
Recorder’s equipment purchases		-	-	-	182,758
Land records technology		-	-	-	226,809
Shoreland grant		-	-	-	7,618
E-911		-	-	-	1,036,006
Riparian protection		-	-	-	214,213
Park improvements		-	-	-	36,785
Aquatic invasive species program		-	-	-	31,089
Total restricted		\$ 746,796	\$ 689,979	\$ 285,070	\$ 5,523,159

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

G. Fund Balance (Continued)

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed				
Tobacco ordinance	\$ -	\$ -	\$ -	\$ 16,410
County parks	-	-	-	137,611
Alcohol enforcement and education	-	-	-	8,612
Solid waste	-	-	-	375,258
Projects, technology, and equipment purchases	-	6,098,330	-	6,098,330
Total committed	<u>\$ -</u>	<u>\$ 6,098,330</u>	<u>\$ -</u>	<u>\$ 6,636,221</u>
Assigned				
Public works	\$ -	\$ -	\$ -	\$ 7,306,752
Public health and human services	-	-	-	4,413,490
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,720,242</u>
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 972,878</u>
Total Fund Balance	<u>\$ 746,796</u>	<u>\$ 6,788,309</u>	<u>\$ 415,487</u>	<u>\$ 26,145,222</u>

4. 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. To manage these risks, 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2018 and 2019. 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 2016, the County entered into an agreement with McLeod County and Trailblazer Transit 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 the Sibley County Treasurer, who provides bookkeeping services to the entity, including the payment of claims. For 2018, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

B. Contingent Liabilities

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

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

In 1993, the South Central Minnesota Multi-County Housing and Redevelopment Authority issued \$20,315,000 of revenue bonds to construct housing units in Sibley County and four surrounding counties. The Authority has since defaulted on these bonds.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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 2018 is \$138,761. The proportionate shares of the counties may change for the years 2019 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. During 2018, Sibley County did not make any contributions to the Joint Powers Board. Current financial statements are not available.

Meeker-McLeod-Sibley Community Health Services Board

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Meeker-McLeod-Sibley Community Health Services Board (Continued)

The joint venture is financed primarily from state and federal grants.

Current financial statements are available from the Meeker-McLeod-Sibley Community Health Services Board, 114 North Holcombe Avenue, Suite 250, Litchfield, Minnesota 55355.

McLeod, Sibley, Trailblazer Joint Self-Insurance Pool

The McLeod, Sibley, Trailblazer Joint Self-Insurance Pool was established in 2016 under the authority of Minn. Stat. § 471.59. The purpose of this Pool is to provide for the reciprocal assumption of risk among the members with respect to the provision of health benefits to each member's eligible current and former employees and their qualified dependents.

The governing board is composed of one Board member from each of the participating entities. The Pool is financed primarily by premiums from participants. Sibley County is the fiscal agent. Current financial statements are available from the Sibley County Auditor-Treasurer's Office.

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 2018, Sibley County contributed \$2,500 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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rush River Clean Water Partnership (Continued)

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. Sibley County did not make any contributions to the Partnership for the current year. Current financial statements are not available.

High Island Watershed Evaluation Project

Sibley County entered into a joint powers agreement with Renville County, McLeod County, and the 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Sibley County Children's Collaborative (Continued)

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, PO Box 207, Gaylord, Minnesota 55334.

South Central Emergency Communications Board

The South Central Emergency Communications Board (formerly 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 Board. During 2018, Sibley County contributed \$2,768 to the Board.

**SIBLEY COUNTY
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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Emergency Communications Board (Continued)

Financial information can be obtained at the Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota 56002.

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 Service 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 did not make any payments to this organization in 2018.

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

South Country Health Alliance

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

**SIBLEY COUNTY
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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

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. Sibley County's equity interest in the SCHA at the end of 2018 was \$820,171. The equity interest is reported as an investment in joint venture on the County's government-wide statement of net position. Changes in equity are included in the County's government-wide statement of activities as human services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from the South Country Health Alliance, 110 West Fremont Street, Owatonna, Minnesota 55060, or from its fiscal agent at 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

Three Counties for Kids Children's Mental Health Collaborative

The Three Counties for Kids Children's Mental Health 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; Sioux Trails Mental Health Center; and Greater Minnesota Family Services. 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 Human Services acts as a fiscal agent for the Collaborative. During 2018, Sibley County did not provide funding to the Collaborative.

**SIBLEY COUNTY
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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Children’s Mental Health Collaborative (Continued)

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

As the administrative county, Brown County Human Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Children’s Mental Health 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; the River Bend Education District; Greater Minnesota Family Services; and Sioux Trails Mental Health Center—share the liability.

Financial information can be obtained by contacting the Brown County Human Services Department, New Ulm, Minnesota 56073.

Trailblazer Transit Board

Sibley County entered into a joint powers agreement with McLeod County creating and operating the Trailblazer Transit Board, pursuant to Minn. Stat. § 471.59 and a joint powers agreement, effective June 8, 1999. Management of the Trailblazer Transit Board is vested in the Joint Powers Board consisting of three members appointed by McLeod County and two members appointed by Sibley County from each Board of County 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 2018, Sibley County did not contribute to the Board.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 \$68,903 in 2018. Nicollet County is the fiscal agent. Current financial statements are not available.

D. Jointly-Governed Organizations

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

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five – Southwest Minnesota Homeland 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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, Sibley 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, the County budgets for a percentage of this program.

South Central Community Based Initiative

The South Central Community Based Initiative Joint Powers Board was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost-effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Sibley County did not contribute to the Joint Powers Board in 2018.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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 2018.

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 2018.

E. Property Assessed Clean Energy (MinnPACE) Loan Program

The County has entered into an agreement with the Saint Paul Port Authority to facilitate the implementation and administration of the MinnPACE loan program. Through this program, qualifying commercial building owners within the County can receive loans from the Port Authority for the purpose of financing energy efficiency and conservation building improvement projects. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. By participating, the County has agreed to: (1) levy assessments against the related properties in accordance with the loan agreements between the Port Authority and property owners, (2) collect scheduled assessment payments, and (3) transfer all collections to the Port Authority. The County has met those responsibilities for 2018.

F. Subsequent Event

On January 3, 2019, the South County Health Alliance Board voted to make an additional capital call from each member. In May 2019, Sibley County made a capital contribution to South County Health Alliance in the amount of \$774,243.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. 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

1. Assets

Deposits

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

Cash held by the County Treasurer	\$ 255,754
Cash with the Henderson Branch	<u>3,720</u>
Total Cash and Pooled Investments	<u>\$ 259,474</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

1. Assets

Deposits (Continued)

The Sibley County Library System is authorized by Minn. Stat. § 118A.02 to designate depositories for public funds. 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, 2018, the Sibley County Library System’s deposits were not exposed to custodial credit risk.

2. Liabilities

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Compensated absences	\$ 34,380	\$ 22,371	\$ 20,498	\$ 36,253	\$ 9,788

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes (Continued)

3. Defined Benefit Pension Plan

a. 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 Plan (the General Employees Plan), 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 plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Member employees of the Sibley County Library System must participate in the Coordinated Plan, in which benefits vest after five years of credited service. No Sibley County Library System employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

b. 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 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 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 1.00 percent.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

b. Benefits Provided (Continued)

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 60 consecutive months of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

For General Employees Plan 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.

c. 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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2018.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

c. Contributions (Continued)

In 2018, the Sibley County Library System was required to contribute 7.50 percent of annual covered salary. The employee and employer contribution rates did not change from the previous year.

The Sibley County Library System's contributions for the General Employees Plan for the year ended December 31, 2018, were \$17,016. The contributions are equal to the contractually required contributions as set by state statute.

d. Pension Costs

At December 31, 2018, the Sibley County Library System reported a liability of \$188,618 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Sibley County Library System's proportion of the net pension liability was based on the Sibley County Library System's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Sibley County Library System's proportion was 0.0034 percent. It was 0.0032 percent measured as of June 30, 2017. The Sibley County Library System recognized pension expense of \$48,552 for its proportionate share of the General Employees Plan's pension expense.

The Sibley County Library System also recognized \$1,438 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

d. Pension Costs (Continued)

The Sibley County Library System's proportionate share of the net pension liability	\$	188,618
State of Minnesota's proportionate share of the net pension liability associated with the Sibley County Library System		6,167
Total		\$ 194,785

The Sibley County Library System reported its proportionate share of the General Employees Plan'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	\$ 4,712	\$ 4,853
Changes in actuarial assumptions	15,898	20,340
Difference between projected and actual investment earnings	-	20,607
Changes in proportion	18,991	-
Contributions paid to PERA subsequent to the measurement date	10,288	-
Total	\$ 49,889	\$ 45,800

The \$10,288 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

d. Pension Costs (Continued)

Year Ended December 31	Pension Expense Amount
2019	\$ 12,602
2020	(3,295)
2021	(11,571)
2022	(3,935)

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. 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, the fiduciary net position of the General Employees Plan 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**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan (Continued)

g. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

h. Pension Liability Sensitivity

The following presents the Sibley County Library System’s proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the Sibley County Library System’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 306,528
Current	7.50	188,618
1% Increase	8.50	91,286

i. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

C. 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. To manage these risks, 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.

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 \$500,000 per claim in 2018 and 2019. 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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,194,665	\$ 6,194,665	\$ 6,078,001	\$ (116,664)
Special assessments	134,000	134,000	134,415	415
Licenses and permits	32,795	32,795	65,264	32,469
Intergovernmental	1,120,715	1,120,715	1,428,601	307,886
Charges for services	763,725	763,725	719,154	(44,571)
Fines and forfeits	10,250	10,250	8,507	(1,743)
Gifts and contributions	2,000	2,000	2,588	588
Investment earnings	210,250	210,250	350,907	140,657
Miscellaneous	265,840	265,840	443,810	177,970
Total Revenues	\$ 8,734,240	\$ 8,734,240	\$ 9,231,247	\$ 497,007
Expenditures				
Current				
General government				
Commissioners	\$ 292,814	\$ 292,814	\$ 269,065	\$ 23,749
Courts	101,300	101,300	155,456	(54,156)
Law library	15,000	15,000	12,237	2,763
County auditor	303,921	303,921	276,240	27,681
County treasurer	371,255	371,255	403,699	(32,444)
Audit services	87,550	87,550	77,357	10,193
Information services	656,290	656,290	685,677	(29,387)
Elections/voter registration	112,790	112,790	115,018	(2,228)
County administrator/human resources	515,915	515,915	564,215	(48,300)
County attorney	482,951	482,951	475,980	6,971
County recorder	318,426	318,426	305,370	13,056
County surveyor	32,500	32,500	85,000	(52,500)
County assessor	414,047	414,047	434,500	(20,453)
Planning and zoning	130,431	130,431	117,145	13,286
Courthouse building	99,705	99,705	115,227	(15,522)
Building custodians	156,571	156,571	176,590	(20,019)
Sibley County food shelf	93	93	18	75
Jail building	63,190	63,190	80,662	(17,472)
Sibley County service center	81,560	81,560	104,090	(22,530)
Sheriff shed	2,100	2,100	1,079	1,021
Sibley East and West	4,500	4,500	-	4,500
Veterans service officer	136,456	136,456	123,386	13,070
Public transit	50,000	50,000	114,603	(64,603)
County fleet car	35,000	35,000	47,947	(12,947)
Shoreland ordinance	2,500	2,500	29	2,471
Other general government activities	98,152	98,152	116,196	(18,044)
Total general government	\$ 4,565,017	\$ 4,565,017	\$ 4,856,786	\$ (291,769)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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	\$ 2,308,468	\$ 2,308,468	\$ 2,510,898	\$ (202,430)
Enhanced 911 system	49,500	49,500	31,226	18,274
Probation officer	205,200	205,200	346,864	(141,664)
Sentence to Serve	65,798	65,798	65,797	1
Emergency management	101,821	101,821	103,810	(1,989)
South Central Minnesota Regional Emergency Communications Board	4,000	4,000	10,086	(6,086)
Total public safety	\$ 2,734,787	\$ 2,734,787	\$ 3,068,681	\$ (333,894)
Sanitation				
SCORE solid waste	\$ 181,317	\$ 181,317	\$ 154,935	\$ 26,382
County landfill	1,625	1,625	284	1,341
Total sanitation	\$ 182,942	\$ 182,942	\$ 155,219	\$ 27,723
Culture and recreation				
Historical society	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Sibley County Library System	330,538	330,538	330,538	-
Parks	24,935	24,935	24,039	896
County seat trail	-	-	35,929	(35,929)
Tourism	-	-	395	(395)
Total culture and recreation	\$ 370,473	\$ 370,473	\$ 405,901	\$ (35,428)
Conservation of natural resources				
Soil and water conservation	\$ 175,755	\$ 175,755	\$ 175,755	\$ -
County extension	159,244	159,244	158,351	893
Agriculture ditch inspector	208,187	208,187	171,079	37,108
County fair	23,040	23,040	23,040	-
Aquatic invasive species	62,000	62,000	197,651	(135,651)
Total conservation of natural resources	\$ 628,226	\$ 628,226	\$ 725,876	\$ (97,650)
Economic development				
Housing and Redevelopment Authority	\$ 139,411	\$ 139,411	\$ 139,221	\$ 190
Minnesota Valley Action Council	7,034	7,034	7,034	-
Total economic development	\$ 146,445	\$ 146,445	\$ 146,255	\$ 190

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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	\$ 35,600	\$ 35,600	\$ 16,967	\$ 18,633
Public safety	105,750	105,750	56,913	48,837
Total capital outlay	<u>\$ 141,350</u>	<u>\$ 141,350</u>	<u>\$ 73,880</u>	<u>\$ 67,470</u>
Total Expenditures	<u>\$ 8,769,240</u>	<u>\$ 8,769,240</u>	<u>\$ 9,432,598</u>	<u>\$ (663,358)</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (35,000)	\$ (35,000)	\$ (201,351)	\$ (166,351)
Other Financing Sources (Uses)				
Transfers out	-	-	(40,792)	(40,792)
Net Change in Fund Balance	\$ (35,000)	\$ (35,000)	\$ (242,143)	\$ (207,143)
Fund Balance – January 1	<u>5,454,328</u>	<u>5,454,328</u>	<u>5,454,328</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 5,419,328</u>	<u>\$ 5,419,328</u>	<u>\$ 5,212,185</u>	<u>\$ (207,143)</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,016,571	\$ 4,016,571	\$ 3,900,607	\$ (115,964)
Intergovernmental	5,596,779	5,596,779	6,794,815	1,198,036
Charges for services	83,500	83,500	69,375	(14,125)
Miscellaneous	32,450	32,450	32,367	(83)
Total Revenues	\$ 9,729,300	\$ 9,729,300	\$ 10,797,164	\$ 1,067,864
Expenditures				
Current				
Highways and streets				
Geographical information systems (GIS)	\$ -	\$ -	\$ 21	\$ (21)
Maintenance	2,996,517	2,996,517	2,591,701	404,816
Engineering/construction	5,821,638	5,821,638	5,698,755	122,883
Equipment, shop maintenance, and repairs	798,736	798,736	772,667	26,069
Administration	350,051	350,051	330,288	19,763
Township allotments	45,000	45,000	31,982	13,018
Total highways and streets	\$ 10,011,942	\$ 10,011,942	\$ 9,425,414	\$ 586,528
Capital outlay				
Highways and streets	31,000	31,000	36,091	(5,091)
Intergovernmental				
Highways and streets	330,000	330,000	377,381	(47,381)
Total Expenditures	\$ 10,372,942	\$ 10,372,942	\$ 9,838,886	\$ 534,056
Excess of Revenues Over (Under) Expenditures				
	\$ (643,642)	\$ (643,642)	\$ 958,278	\$ 1,601,920
Other Financing Sources (Uses)				
Transfers in	\$ 160,000	\$ 160,000	\$ -	\$ (160,000)
Transfers out	(222,000)	(222,000)	(1,936,659)	(1,714,659)
Total Other Financing Sources (Uses)	\$ (62,000)	\$ (62,000)	\$ (1,936,659)	\$ (1,874,659)
Net Change in Fund Balance	\$ (705,642)	\$ (705,642)	\$ (978,381)	\$ (272,739)
Fund Balance – January 1	9,798,603	9,798,603	9,798,603	-
Increase (decrease) in inventories	-	-	(134,680)	(134,680)
Fund Balance – December 31	\$ 9,092,961	\$ 9,092,961	\$ 8,685,542	\$ (407,419)

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,518,601	\$ 3,518,601	\$ 3,423,186	\$ (95,415)
Intergovernmental	3,152,916	3,152,916	3,433,658	280,742
Charges for services	430,900	430,900	451,627	20,727
Miscellaneous	110,001	110,001	138,087	28,086
Total Revenues	\$ 7,212,418	\$ 7,212,418	\$ 7,446,558	\$ 234,140
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,458,029	\$ 1,458,029	\$ 1,446,264	\$ 11,765
Social services	4,767,391	4,767,391	4,424,001	343,390
Miscellaneous social service programs	25,346	25,346	21,684	3,662
Total human services	\$ 6,250,766	\$ 6,250,766	\$ 5,891,949	\$ 358,817
Health				
Public health nurse	961,652	961,652	945,044	16,608
Total Expenditures	\$ 7,212,418	\$ 7,212,418	\$ 6,836,993	\$ 375,425
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 609,565	\$ 609,565
Other Financing Sources (Uses)				
Transfers out	-	-	(317,886)	(317,886)
Net Change in Fund Balance	\$ -	\$ -	\$ 291,679	\$ 291,679
Fund Balance – January 1	4,125,166	4,125,166	4,125,166	-
Fund Balance – December 31	\$ 4,125,166	\$ 4,125,166	\$ 4,416,845	\$ 291,679

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018**

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 47,312
Interest	18,785
Benefit payments	<u>(16,141)</u>
Net change in total OPEB liability	\$ 49,956
Total OPEB Liability – Beginning	<u>529,949</u>
Total OPEB Liability – Ending	<u><u>\$ 579,905</u></u>
Covered-employee payroll	\$ 7,995,844
Total OPEB liability (asset) as a percentage of covered-employee payroll	7.25%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Sibley County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.1009 %	\$ 5,597,518	\$ 183,591	\$ 5,781,109	\$ 6,745,832	82.98 %	79.53 %
2017	0.1038	6,626,523	83,359	6,709,882	6,689,908	99.05	75.90
2016	0.0984	7,989,592	104,363	8,093,955	6,109,384	130.78	68.91
2015	0.0984	5,099,599	N/A	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.

N/A – Not Applicable

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

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)
2018	\$ 513,409	\$ 513,409	\$ -	\$ 6,846,445	7.50 %
2017	491,539	491,539	-	6,553,854	7.50
2016	479,622	479,622	-	6,394,957	7.50
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 PLAN
DECEMBER 31, 2018**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the Sibley County Library System (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0034 %	\$ 188,618	\$ 6,167	\$ 194,785	\$ 217,306	86.80 %	79.53 %
2017	0.0032	204,286	2,600	206,886	208,953	97.77	75.90
2016	0.0030	243,585	3,140	246,725	184,309	132.16	68.91
2015	0.0029	150,293	N/A	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.
N/A – Not Applicable

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-8

**SIBLEY COUNTY LIBRARY SYSTEM
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

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)
2018	\$ 17,016	\$ 17,016	-	\$ 226,875	7.50 %
2017	16,066	16,066	-	214,215	7.50
2016	14,355	14,355	-	191,393	7.50
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 PLAN
DECEMBER 31, 2018**

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
2018	0.0789 %	\$ 840,993	\$ 776,552	108.30 %	88.84 %
2017	0.0810	1,093,596	829,012	131.92	85.43
2016	0.0780	3,130,276	691,357	452.77	63.88
2015	0.0740	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 PLAN
DECEMBER 31, 2018**

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)
2018	\$ 129,212	\$ 129,212	\$ -	\$ 797,606	16.20 %
2017	128,446	128,446	-	792,876	16.20
2016	124,191	124,191	-	766,611	16.20
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 LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018**

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
2018	0.2415 %	\$ 39,720	\$ 480,324	8.27 %	97.64 %
2017	0.2300	655,502	467,262	140.29	67.89
2016	0.2000	730,628	385,659	189.45	58.16
2015	0.2400	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 LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018**

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)
2018	\$ 47,621	\$ 47,621	\$ -	\$ 544,235	8.75 %
2017	38,771	38,771	-	443,093	8.75
2016	37,078	37,078	-	423,745	8.75
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, 2018

1. Budgetary Information

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

2. Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2018:

Fund	Expenditures	Final Budget	Excess
General Fund	\$ 9,432,598	\$ 8,769,240	\$ 663,358

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

3. Other Postemployment Benefits Funded Status

In 2018, Sibley County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.E. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

4. Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

The following changes in actuarial assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.30 percent.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employer Contributions to Other Postemployment Benefits (Continued)

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members.) The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 241,000	\$ 241,000	\$ 234,657	\$ (6,343)
Intergovernmental	-	-	5,895	5,895
Total Revenues	\$ 241,000	\$ 241,000	\$ 240,552	\$ (448)
Expenditures				
Debt service				
Principal	\$ 438,000	\$ 438,000	\$ 225,000	\$ 213,000
Interest	14,000	14,000	127,076	(113,076)
Administrative charges	14,000	14,000	1,029	12,971
Total Expenditures	\$ 466,000	\$ 466,000	\$ 353,105	\$ 112,895
Net Change in Fund Balance	\$ (225,000)	\$ (225,000)	\$ (112,553)	\$ 112,447
Fund Balance – January 1	859,349	859,349	859,349	-
Fund Balance – December 31	\$ 634,349	\$ 634,349	\$ 746,796	\$ 112,447

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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 Creek, Rush River, and Bevens Silver Creek Watershed Districts, which make up the Lower Minnesota River Watershed.

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, 2018**

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds (Exhibit 3)
	Revolving Loan (SEDCO)	Water Projects	Total	Federal Lands	
<u>Assets</u>					
Cash and pooled investments	\$ 167,902	\$ 4,119	\$ 172,021	\$ 130,417	\$ 302,438
Due from other funds	-	6,000	6,000	-	6,000
Loans receivable	109,521	-	109,521	-	109,521
Total Assets	\$ 277,423	\$ 10,119	\$ 287,542	\$ 130,417	\$ 417,959
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 2,472	\$ 2,472	\$ -	\$ 2,472
Fund Balances					
Nonspendable for					
Federal lands	\$ -	\$ -	\$ -	\$ 130,417	\$ 130,417
Restricted for					
Economic development loans	277,423	-	277,423	-	277,423
Conservation projects	-	7,647	7,647	-	7,647
Total Fund Balances	\$ 277,423	\$ 7,647	\$ 285,070	\$ 130,417	\$ 415,487
Total Liabilities and Fund Balances	\$ 277,423	\$ 10,119	\$ 287,542	\$ 130,417	\$ 417,959

**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, 2018**

	<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	\$ -	\$ 204,248	\$ 204,248	\$ 6,198	\$ 210,446
Investment earnings	3,548	-	3,548	913	4,461
Miscellaneous	-	96	96	-	96
Total Revenues	\$ 3,548	\$ 204,344	\$ 207,892	\$ 7,111	\$ 215,003
Expenditures					
Current					
Conservation of natural resources	-	156,451	156,451	14,729	171,180
Net Change in Fund Balance	\$ 3,548	\$ 47,893	\$ 51,441	\$ (7,618)	\$ 43,823
Fund Balance – January 1	273,875	(40,246)	233,629	138,035	371,664
Fund Balance – December 31	\$ 277,423	\$ 7,647	\$ 285,070	\$ 130,417	\$ 415,487

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 153,792	\$ 153,792	\$ 204,248	\$ 50,456
Miscellaneous	-	-	96	96
Total Revenues	\$ 153,792	\$ 153,792	\$ 204,344	\$ 50,552
Expenditures				
Current				
Conservation of natural resources				
High Island TMDL Implementation	\$ 150,214	\$ 150,214	-	\$ 150,214
SWAG	5,689	5,689	-	5,689
Water Projects Administration	-	-	816	(816)
HIC/RR TMDL Implementation Project	-	-	104,300	(104,300)
Lower MN Wraps North Project	-	-	51,335	(51,335)
Total Expenditures	\$ 155,903	\$ 155,903	\$ 156,451	\$ (548)
Net Change in Fund Balance	\$ (2,111)	\$ (2,111)	\$ 47,893	\$ 50,004
Fund Balance – January 1	(40,246)	(40,246)	(40,246)	-
Fund Balance – December 31	\$ (42,357)	\$ (42,357)	\$ 7,647	\$ 50,004

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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.

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 CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Nurse Development	Missing Heirs	Total
<u>Additions</u>			
Interest	\$ -	\$ 8	\$ 8
<u>Deductions</u>			
Payments in accordance with trust agreements	-	29,428	29,428
Change in Net Position	\$ -	\$ (29,420)	\$ (29,420)
Net Position – Beginning of the Year	5,317	29,420	34,737
Net Position – End of the Year	\$ 5,317	\$ -	\$ 5,317

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-2

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 205,337	\$ 1,053,309	\$ 1,096,897	\$ 161,749
<u>Liabilities</u>				
Accounts payable	\$ 5,846	\$ 725,705	\$ 727,939	\$ 3,612
Due to other governments	199,491	327,604	368,958	158,137
Total Liabilities	\$ 205,337	\$ 1,053,309	\$ 1,096,897	\$ 161,749
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 277,927	\$ 29,968,693	\$ 30,042,198	\$ 204,422
<u>Liabilities</u>				
Due to other governments	\$ 277,927	\$ 29,968,693	\$ 30,042,198	\$ 204,422
<u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 22,344	\$ 22,344	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 22,344	\$ 22,344	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*EXHIBIT D-2
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 35,381	\$ 79,474	\$ 114,209	\$ 646
<u>Liabilities</u>				
Accounts payable	\$ 35,381	\$ 79,474	\$ 114,209	\$ 646
<u>ECONOMIC DEVELOPMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 170,913	\$ 145,773	\$ 135,337	\$ 181,349
<u>Liabilities</u>				
Due to other governments	\$ 170,913	\$ 145,773	\$ 135,337	\$ 181,349
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 689,558	\$ 31,269,593	\$ 31,410,985	\$ 548,166
<u>Liabilities</u>				
Accounts payable	\$ 41,227	\$ 805,179	\$ 842,148	\$ 4,258
Due to other governments	648,331	30,464,414	30,568,837	543,908
Total Liabilities	\$ 689,558	\$ 31,269,593	\$ 31,410,985	\$ 548,166

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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, 2018**

	General Fund	Adjustments	Governmental Activities
<u>Assets and Deferred Outflows of Resources</u>			
Current assets			
Cash and pooled investments	\$ 259,474	\$ -	\$ 259,474
Petty cash and change funds	20	-	20
Accounts receivable	335	-	335
Due from other governments	20,503	-	20,503
Prepaid items	243	-	243
	\$ 280,575	\$ -	\$ 280,575
Deferred outflows of resources			
Deferred pension outflows	\$ -	\$ 49,889	\$ 49,889
	\$ 280,575	\$ 49,889	\$ 330,464
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 14,175	\$ -	\$ 14,175
Salaries payable	12,404	-	12,404
Due to other governments	5,849	-	5,849
Compensated absences payable – current	-	9,788	9,788
Noncurrent liabilities			
Compensated absences payable	-	26,465	26,465
Net pension liability	-	188,618	188,618
	\$ 32,428	\$ 224,871	\$ 257,299
Deferred Inflows of Resources			
Deferred pension inflows	\$ -	\$ 45,800	\$ 45,800
Fund Balance			
Nonspendable – prepaid items	\$ 243	\$ (243)	
Unassigned	247,904	(247,904)	
	\$ 248,147	\$ (248,147)	
Net Position			
Unrestricted		\$ 27,365	\$ 27,365
	\$ 280,575	\$ 49,889	\$ 330,464

**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, 2018**

Reconciliation of the General Fund Balance to Net Position

Fund Balance – General Fund		\$ 248,147
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.		49,889
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	\$ (36,253)	
Net pension liability	<u>(188,618)</u>	(224,871)
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>(45,800)</u>
Net Position – Governmental Activities		<u><u>\$ 27,365</u></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, 2018**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 336,215	\$ (19,812)	\$ 316,403
Charges for services	9,637	-	9,637
Gifts and contributions	19,942	-	19,942
Miscellaneous	250,414	-	250,414
	\$ 616,208	\$ (19,812)	\$ 596,396
Expenditures/Expenses			
Current			
Culture and recreation			
County library	538,450	31,721	570,171
	\$ 77,758	\$ (51,533)	\$ 26,225
Net Change in Fund Balance/Net Position			
Fund Balance/Net Position – January 1	170,389	(169,249)	1,140
Fund Balance/Net Position – December 31	\$ 248,147	\$ (220,782)	\$ 27,365

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

Net Change in Fund Balance	\$ 77,758
In the governmental fund, receivables not available for expenditure are deferred. In the governmental activities, those revenues are recognized when earned.	(19,812)
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	(1,873)
Change in net pension liability	15,668
Change in deferred pension outflows	(33,605)
Change in deferred pension inflows	(11,911)
Change in Net Position of Governmental Activities	\$ 26,225

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SCHEDULES

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET – BY DITCH – ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2018**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
County Ditches						
C.D. #1	\$ 62,861	\$ 51,477	\$ -	\$ 21,480	\$ -	\$ 135,818
C.D. #2	5,061	10	-	-	-	5,071
C.D. #4A	922	-	-	29,104	-	30,026
C.D. #9A	2,372	20	-	10,857	-	13,249
C.D. #10	2,381	-	-	5,755	-	8,136
C.D. #11	15,943	3	-	25,272	-	41,218
C.D. #12A	3,085	-	-	12,394	-	15,479
C.D. #13A	2,039	-	-	16,125	-	18,164
C.D. #18	53,251	-	-	34,521	-	87,772
C.D. #21A	1,779	-	-	5,090	-	6,869
C.D. #22	2,925	2	-	30,852	-	33,779
C.D. #23A	1,878	778	15,632	-	-	18,288
C.D. #24A	1,760	-	368	7,501	-	9,629
C.D. #25A	742	-	-	5,028	-	5,770
C.D. #26	2,743	-	-	6,530	-	9,273
C.D. #29	352,706	225	694,427	-	-	1,047,358
C.D. #29 Impr. SCHWARTZ	2,911	7	32,434	-	-	35,352
C.D. #30A	1,149	-	-	4,320	-	5,469
C.D. #31A	(5,701)	-	-	11,142	-	5,441
C.D. #32A	2,392	-	-	17,186	-	19,578
C.D. #37A	1,757	-	1,813	-	-	3,570
C.D. #38	440	-	-	-	-	440
C.D. #39	2,254	-	121,516	13,907	-	137,677
C.D. #40A	7,783	-	-	-	-	7,783
C.D. #42	18,973	474	83,578	48,013	-	151,038
C.D. #43	1,569	15	17,359	-	-	18,943
C.D. #44	2,448	-	41,436	-	-	43,884
C.D. #45	1,516	-	-	7,203	-	8,719
C.D. #46	355	-	619	-	-	974
C.D. #47	2,250	-	17,487	11,449	-	31,186
C.D. #48	578	-	-	-	-	578
C.D. #49	57,626	1	-	-	-	57,627
C.D. #50	13,805	-	126,625	-	-	140,430
C.D. #54	3,070	530	95,627	-	-	99,227
C.D. #55	16,347	177	-	29,666	-	46,190
C.D. #56	2,177	-	-	23,423	-	25,600
C.D. #57A	1,818	-	-	12,378	-	14,196
C.D. #58	5,542	12	-	7,087	-	12,641
C.D. #59	2,715	198	-	36,601	-	39,514
C.D. #60	2,009	-	-	11,508	-	13,517
C.D. #61	13,315	128	-	24,879	-	38,322
C.D. #64	18,258	-	-	-	-	18,258
C.D. #65	132	-	9,821	4,762	-	14,715
C.D. #66	19,361	-	-	-	-	19,361
C.D. #67	1,581	3	-	32,044	-	33,628
C.D. #70	6,694	-	138,055	5,354	-	150,103
Total County Ditches	\$ 717,572	\$ 54,060	\$ 1,396,797	\$ 511,431	\$ -	\$ 2,679,860

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				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,818	\$ 135,818
-	-	-	-	-	-	5,071	5,071
-	53,000	-	-	53,000	-	(22,974)	30,026
-	13,000	-	-	13,000	-	249	13,249
-	20,000	-	-	20,000	-	(11,864)	8,136
13,353	-	-	-	13,353	-	27,865	41,218
-	13,000	-	-	13,000	-	2,479	15,479
-	18,000	-	-	18,000	-	164	18,164
-	-	-	-	-	-	87,772	87,772
-	3,000	-	-	3,000	-	3,869	6,869
3,088	107,000	-	-	110,088	-	(76,309)	33,779
-	15,000	-	-	15,000	-	3,288	18,288
-	71,000	-	-	71,000	-	(61,371)	9,629
-	-	-	-	-	-	5,770	5,770
-	15,000	-	-	15,000	-	(5,727)	9,273
100	-	-	1,090,000	1,090,100	-	(42,742)	1,047,358
-	29,000	-	-	29,000	-	6,352	35,352
-	3,000	-	-	3,000	-	2,469	5,469
641	8,000	-	-	8,641	-	(3,200)	5,441
-	14,000	-	-	14,000	-	5,578	19,578
-	-	-	-	-	-	3,570	3,570
-	500	-	-	500	-	(60)	440
654	15,000	-	130,000	145,654	-	(7,977)	137,677
-	-	-	-	-	-	7,783	7,783
61,861	144,000	-	-	205,861	-	(54,823)	151,038
-	13,000	-	-	13,000	-	5,943	18,943
-	23,000	-	-	23,000	-	20,884	43,884
984	8,000	-	-	8,984	-	(265)	8,719
-	500	-	-	500	-	474	974
629	27,000	-	-	27,629	-	3,557	31,186
-	-	-	-	-	-	578	578
-	-	-	-	-	-	57,627	57,627
523	95,000	-	-	95,523	-	44,907	140,430
9,018	57,000	-	-	66,018	-	33,209	99,227
-	-	-	-	-	-	46,190	46,190
-	34,000	-	-	34,000	-	(8,400)	25,600
-	3,000	-	-	3,000	-	11,196	14,196
-	-	-	-	-	-	12,641	12,641
-	49,000	-	-	49,000	-	(9,486)	39,514
-	3,000	-	-	3,000	-	10,517	13,517
-	-	-	-	-	-	38,322	38,322
-	-	-	-	-	-	18,258	18,258
17,971	-	-	-	17,971	-	(3,256)	14,715
-	-	-	-	-	-	19,361	19,361
-	36,000	-	-	36,000	-	(2,372)	33,628
-	134,000	-	-	134,000	-	16,103	150,103
\$ 108,822	\$ 1,024,000	\$ -	\$ 1,220,000	\$ 2,352,822	\$ -	\$ 327,038	\$ 2,679,860

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET – BY DITCH – ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2018**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
High Island Project						
H.I. Proj. #2	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 20
H.I. Proj. #5	15	-	-	-	-	15
H.I. Proj. #8	10	-	-	-	-	10
H.I. Proj. #9	10	-	-	-	-	10
H.I. Proj. #10	36,610	-	-	-	-	36,610
H.I. Proj. #11	131,034	-	116,700	-	-	247,734
Total High Island Project	\$ 167,699	\$ -	\$ 116,700	\$ -	\$ -	\$ 284,399
Judicial Ditches						
JD #1A S&N	\$ 2,713	\$ -	\$ -	\$ 28,802	\$ 1,613	\$ 33,128
JD #2 SC	313	-	-	17,614	650	18,577
JD #3 SCM	11,213	-	-	27,344	3,787	42,344
JD #5 M&S	228	-	-	-	3	231
JD #5 S&N	1,614	-	-	4,821	8,404	14,839
JD #6A S&N	2,887	360	-	37,464	22,270	62,981
JD #8 S&R	8,224	-	-	-	58	8,282
JD #8 M&S	2,450	-	-	-	190	2,640
JD #11 RSM	3,497	80	-	93,427	6,912	103,916
JD #12 Sibley	2,130	-	-	14,087	-	16,217
JD #13 SRN	11,189	-	-	14,440	615	26,244
JD #13 N&S	1,121	-	-	1,079	180	2,380
JD #14 S&N	1,891	-	-	3,493	8	5,392
JD #15 S&M	4,371	-	-	-	50	4,421
JD #15 R&S	738	-	-	1,022	130	1,890
JD #15 N&S	1,485	-	-	8,407	80	9,972
JD #16 N&S	524	-	-	-	-	524
JD #17 S&M	2,283	-	-	4,455	127	6,865
JD #18 S&M	112,973	20	500,786	-	35,230	649,009
JD #19 S&M	12,333	-	-	-	394	12,727
JD #20 S&N	7,508	53	-	34,563	3,898	46,022
JD #21 S&C	1,206	-	-	1,248	497	2,951
JD #22 S&C	1,274	-	-	-	205	1,479
JD #24 RSM	2,481	3,393	-	23,174	298	29,346
JD #30 R&S	113	-	-	-	7	120
JD #31 RSN	9,682	-	-	4,956	140	14,778
JD #32 SM	16,989	-	48,827	-	7	65,823
JD #6 NS	250	-	-	-	10	260
JT #1A N&S	79,006	6	-	-	3,969	82,981
JT #1 RS	842	-	-	-	19	861
JT #7 SNR	7,523	5	-	31,153	309	38,990
JT #24 CS	2,804	-	-	-	643	3,447
JT #7 Lat 17 IMP Berger	2,644	-	51,484	-	-	54,128
JT #5 YAHNKE S&N Impr	32,587	-	31,442	-	-	64,029
Total Judicial Ditches	\$ 349,086	\$ 3,917	\$ 632,539	\$ 351,549	\$ 90,703	\$ 1,427,794
Total All Ditches	\$ 1,234,357	\$ 57,977	\$ 2,146,036	\$ 862,980	\$ 90,703	\$ 4,392,053
Reconcile to Exhibit 3	-	-	-	-	-	-
Total Modified Accrual	\$ 1,234,357	\$ 57,977	\$ 2,146,036	\$ 862,980	\$ 90,703	\$ 4,392,053

EXHIBIT F-1
(Continued)

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				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 20
-	-	-	-	-	-	15	15
-	-	-	-	-	-	10	10
-	-	-	-	-	-	10	10
-	-	-	-	-	-	36,610	36,610
-	-	-	250,000	250,000	-	(2,266)	247,734
\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000	\$ -	\$ 34,399	\$ 284,399
\$ 402	\$ 113,000	\$ 914	\$ -	\$ 114,316	\$ -	\$ (81,188)	\$ 33,128
-	-	-	-	-	-	18,577	18,577
-	-	13,376	-	13,376	-	28,968	42,344
-	-	18	-	18	-	213	231
4,912	9,000	383	-	14,295	-	544	14,839
16,518	66,000	318	-	82,836	-	(19,855)	62,981
-	-	1,072	-	1,072	-	7,210	8,282
6	6,000	17,761	-	23,767	-	(21,127)	2,640
5,787	172,000	3,780	-	181,567	-	(77,651)	103,916
-	25,000	-	-	25,000	-	(8,783)	16,217
50	-	167	-	217	-	26,027	26,244
-	2,000	89	-	2,089	-	291	2,380
-	4,000	5,049	-	9,049	-	(3,657)	5,392
-	-	1,877	-	1,877	-	2,544	4,421
-	1,500	2,113	-	3,613	-	(1,723)	1,890
-	20,000	2,099	-	22,099	-	(12,127)	9,972
-	-	62	-	62	-	462	524
65,509	28,000	892	-	94,401	-	(87,536)	6,865
-	158,000	48,631	605,000	811,631	-	(162,622)	649,009
-	-	1,162	-	1,162	-	11,565	12,727
21,810	46,000	828	-	68,638	-	(22,616)	46,022
-	-	490	-	490	-	2,461	2,951
-	-	347	-	347	-	1,132	1,479
-	-	32,458	-	32,458	-	(3,112)	29,346
-	-	2	-	2	-	118	120
-	6,000	4,216	-	10,216	-	4,562	14,778
-	-	15	85,000	85,015	-	(19,192)	65,823
-	-	441	-	441	-	(181)	260
-	-	11,294	-	11,294	-	71,687	82,981
-	-	40,152	-	40,152	-	(39,291)	861
-	-	2,067	-	2,067	-	36,923	38,990
-	-	643	-	643	-	2,804	3,447
-	6,000	-	-	6,000	-	48,128	54,128
-	-	-	-	-	-	64,029	64,029
\$ 114,994	\$ 662,500	\$ 192,716	\$ 690,000	\$ 1,660,210	\$ -	\$ (232,416)	\$ 1,427,794
\$ 223,816	\$ 1,686,500	\$ 192,716	\$ 2,160,000	\$ 4,263,032	\$ -	\$ 129,021	\$ 4,392,053
-	-	-	(2,160,000)	(2,160,000)	3,066,993	(906,993)	-
\$ 223,816	\$ 1,686,500	\$ 192,716	\$ -	\$ 2,103,032	\$ 3,066,993	\$ (777,972)	\$ 4,392,053

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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	\$ 4,860,462	\$ -	\$ 4,860,462	\$ -
Market value credit	337,796	-	337,796	-
PERA aid	75,298	-	75,298	-
Disparity reduction aid	55,206	-	55,206	-
County program aid	557,273	-	557,273	-
Police aid	97,876	-	97,876	-
E-911	87,933	-	87,933	-
Petroleum tax relief	2,403	-	2,403	-
SCORE	67,729	-	67,729	-
Aquatic invasive species prevention aid	62,178	-	62,178	-
Riparian protection aid	134,014	-	134,014	-
Total appropriations and shared revenue	\$ 6,338,168	\$ -	\$ 6,338,168	\$ -
Reimbursement for Services				
State				
Minnesota Department of Human Services	\$ 463,242	\$ -	\$ 463,242	\$ -
Payments				
Local				
Local contributions	\$ 14,250	\$ -	\$ 14,250	\$ 336,215
Payments in lieu of taxes	37,470	-	37,470	-
Total payments	\$ 51,720	\$ -	\$ 51,720	\$ 336,215
Grants				
State				
Minnesota Department/Board of				
Corrections	\$ 36,795	\$ -	\$ 36,795	\$ -
Public Safety	10,008	-	10,008	-
Transportation	112,884	-	112,884	-
Health	94,627	-	94,627	-
Natural Resources	19,761	-	19,761	-
Secretary of State	46,450	-	46,450	-
Human Services	1,092,724	-	1,092,724	-
Veteran's Affairs	7,500	-	7,500	-
Water and Soil Resources	51,017	-	51,017	-
Historical Society	10,819	-	10,819	-
Peace Officer Standards and Training Board	10,527	-	10,527	-
Pollution Control Agency	114,824	-	114,824	-
Total state	\$ 1,607,936	\$ -	\$ 1,607,936	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Grants (Continued)				
Federal				
Department of				
Agriculture	\$ 271,312	\$ -	\$ 271,312	\$ -
Transportation	1,665,106	-	1,665,106	-
Housing and Urban Development	-	156,166	156,166	-
Education	2,746	-	2,746	-
Health and Human Services	1,375,298	-	1,375,298	-
Homeland Security	40,556	-	40,556	-
Environmental Protection Agency	104,007	-	104,007	-
Total federal	<u>\$ 3,459,025</u>	<u>\$ 156,166</u>	<u>\$ 3,615,191</u>	<u>\$ -</u>
Total state and federal grants	<u>\$ 5,066,961</u>	<u>\$ 156,166</u>	<u>\$ 5,223,127</u>	<u>\$ -</u>
Total Intergovernmental Revenue	<u>\$ 11,920,091</u>	<u>\$ 156,166</u>	<u>\$ 12,076,257</u>	<u>\$ 336,215</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	\$ 66,251
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	<u>143,903</u>
Total U.S. Department of Agriculture			<u>\$ 210,154</u>
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Housing Finance Agency Housing Voucher Cluster Section 8 Housing Choice Vouchers	14.871	MN46-8023-001	<u>\$ 156,166</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	00072	<u>\$ 1,727,442</u>
U.S. Environmental Protection Agency			
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	97593511	<u>\$ 68,414</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>\$ 2,746</u>
U.S. Department of Health and Human Services			
Passed Through Meeker-McLeod-Sibley Community Health Services Public Health Emergency Preparedness	93.069	9OTP000529	\$ 4,842
Immunization Cooperative Agreements TANF Cluster	93.268	H23IP000737	1,803
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$148,047)	93.558	1801MNTANF	17,753
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-15	9,411
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	19,779
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster	93.556	G-1701MNFPS	2,159
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$148,047)	93.558	1801MNTANF	130,294
Child Support Enforcement	93.563	1804MNCEST	254,015
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFPRPG	3,773

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, 2018**

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			
Passed Through Minnesota Department of Human Services (Continued)			
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	4,435
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	1,865
Foster Care – Title IV-E	93.658	1801MNFOST	151,906
Social Services Block Grant	93.667	G-1801MNSOSR	82,458
Chafee Foster Care Independence Program	93.674	G-1801MNCILP	1,330
Children's Health Insurance Program	93.767	1805MN5R21	146
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	<u>661,362</u>
Total U.S. Department of Health and Human Services			\$ 1,347,331
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	2017 EMPG SFY18	\$ 10,371
Emergency Management Performance Grants	97.042	2018 EMPG SFY19	19,436
(Total Emergency Management Performance Grants 97.042 \$29,807)			
Total U.S. Department of Homeland Security			\$ 29,807
Total Federal Awards			\$ 3,542,060
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 143,903
Total expenditures for Housing Voucher Cluster			156,166
Total expenditures for Highway Planning and Construction Cluster			1,727,442
Total expenditures for TANF Cluster			148,047
Total expenditures for CCDF Cluster			4,435
Total expenditures for Medicaid Cluster			661,362

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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 full accrual basis of accounting. Such expenditures are recognized following 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	\$ 3,615,191
Grants received more than 60 days after year-end, unavailable in 2018	
Highway Planning and Construction (CFDA No. 20.205)	131,928
Temporary Assistance for Needy Families (CFDA No. 93.558)	33,913
Emergency Management Performance Grants (CFDA No. 97.042)	19,436
Unavailable in 2017, recognized as revenue in 2018	
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)	(41,785)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	(19,373)
Highway Planning and Construction (CFDA No. 20.205)	(69,592)
Nonpoint Source Implementation Grants (CFDA No. 66.460)	(35,593)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(28,210)
Child Support Enforcement (CFDA No. 93.563)	(33,670)
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	(30,185)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 3,542,060</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, 2018**

	Taxes Levied for Collection					
	2017		2018		2019	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 25,099,121		\$ 24,103,731		\$ 24,747,193	
Personal property	1,820,719		1,874,762		1,933,081	
Total Tax Capacity	\$ 26,919,840		\$ 25,978,493		\$ 26,680,274	
Taxes Levied for County Purposes						
General government	\$ 6,156,021	22.183	\$ 6,527,946	23.877	\$ 6,902,645	24.647
Public works	3,873,353	14.342	3,796,587	14.559	3,620,799	13.508
Health and human services	3,198,812	11.969	3,661,703	13.651	3,865,440	14.056
Debt service	247,000	0.924	241,000	0.935	237,176	0.895
Total Levy for County Purposes	\$ 13,475,186		\$ 14,227,236		\$ 14,626,060	
Less: County program aid	267,685		557,272		559,667	
Net Levy for County Purposes	\$ 13,207,501	49.418	\$ 13,669,964	53.022	\$ 14,066,393	53.106
Tax Capacity – Light and Power						
Transmission lines	\$ 5,024		\$ 5,482		\$ 5,588	
Distribution lines	3,570		3,894		3,972	
Total Tax Capacity – Light and Power	\$ 8,594		\$ 9,376		\$ 9,560	
Tax Levies – Light and Power						
Transmission lines	\$ 4,730	94.149	\$ 7,774	99.877	\$ 5,576	99.782
Distribution lines	3,361	94.149	5,522	99.877	3,963	99.782
Total Tax Levies – Light and Power	\$ 8,091		\$ 13,296		\$ 9,539	
Special Assessments						
Ditch liens and all other assessments	\$ 1,796,815		\$ 1,394,034		\$ 1,557,092	
Percentage of Tax Collections for All Purposes		98.85%		99.11%		

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SIBLEY COUNTY

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

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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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 16, 2019. 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 Sibley County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*. This report does not include the results of our audit testing of the Sibley County Library System component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Section.

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 did identify 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Cost 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 2017-002. 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

Also included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2017-001.

Sibley County's Response to Findings

Sibley County's responses to the internal control, legal compliance, and the other matter identified in our audit are described in the Corrective Action Plan. 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 16, 2019

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JULIE BLAHA
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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 the 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 the County's major federal program for the year ended December 31, 2018. Sibley County's major federal program is 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 Sibley County's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 16, 2019

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 GAAP: **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? **None reported**

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)? **No**

The major federal program is:

Highway Planning and Construction Cluster

CFDA No. 20.205

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 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: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

- The Public Works Special Revenue Fund required adjustments of \$652,976, \$1,660,359, and \$1,007,383 to adjust the receivable, unavailable revenue, and highway allotment revenue, respectively, relating to highway allotment activity.
- The Public Works Special Revenue Fund required an adjustment increasing accounts payable \$552,276 to correct an entry that was recorded backwards.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

- The Sub-Surface Sewage Treatment System Loans Special Revenue Fund required an adjustment of \$265,250 to reduce special assessments receivable and unavailable revenue activity that was included in error.
- The Capital Projects Fund required an adjustment of \$347,785 to increase liabilities and expenditures for claims that were paid in 2019, but related to 2018 activity.

Cause: This activity was overlooked by staff when financial statement information was prepared.

Recommendation: We recommend County staff 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.

View of Responsible Official: Acknowledge

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-002

Individual Ditch System Cash Deficits

Criteria: Minnesota Statute, section 103E.655 requires that drainage system costs 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, the Board may, by unanimous resolution, loan the necessary funds from

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

other ditch systems with surplus funds or from the General Fund. Such loans must be paid back with interest computed for the time the money is actually needed at the same rate per year charged on drainage liens and assessments.

Condition: Several of the County's ditch systems maintained a deficit cash balance during the year. Deficit balances represent an implicit loan from ditch systems with a positive cash balance and/or the County General Fund. Deficits were eliminated at year-end with a one-month loan from the General Fund, which was paid back with interest; however, no interest was charged to the ditch systems for maintaining deficit cash balances for the remainder of the year.

Context: During the months of January to November, an average of 45 of the County's 87 ditches maintained deficit cash balances, with an average total deficit of approximately \$1,500,000. At the County's interest rate for drainage liens and assessments, this calculates to approximately \$55,000 in uncharged interest for the year.

Effect: The County is not in compliance with Minnesota statutes, and ditch systems maintaining deficit cash balances are effectively receiving an interest-free loan from ditch systems with surplus funds and/or the County General Fund.

Cause: The County indicated that procedures were developed to ensure compliance with Minn. Stat. § 103E.655; however, these procedures were not implemented until 2019 and not applied retroactively.

Recommendation: We recommend that loans to the drainage system be made in accordance with Minn. Stat. § 103E.655.

View of Responsible Official: Acknowledge

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

B. OTHER MATTER

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-001

Procurement, Suspension, and Debarment

Program: U.S. Department of Health and Human Services' State Administrative Matching Grants for Supplemental Nutrition (CFDA No. 10.561), Award No. 182MN101S2514, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) states that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319 and cost or price analysis provided in Title 2 U.S. *Code of Federal Regulations* § 200.323.

Condition: Two procurement transactions over \$3,500 tested for compliance with federal regulations did not have documentation of the history of procurement (basis for contractor selection), full and open competition conditions, or a rationale to limit competition. There was one instance where the County did not document a cost or price analysis for a purchase over the simplified acquisition threshold.

Questioned Costs: None.

Context: Three of six procurement transactions over \$3,500 were tested for compliance with federal regulations.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Effect: The County is not in compliance with federal regulations.

Cause: The County indicated that, at the time of testing, procedures had not been fully implemented to ensure compliance with these requirements. The purchasing department had not been trained on following the County's policy for procurements under federal awards.

Recommendation: We recommend the County document the history of procurement transactions, including contract selection and full and open competition, in accordance with federal regulations. The County should provide training and resources to staff making purchases, wholly or partially funded through federal grants, to ensure federal procurement requirements are followed.

View of Responsible Official: Acknowledge

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2016-001 Payroll Controls – Pension Contributions
2017-003 Contracting and Bidding Compliance



Sibley County Auditor-Treasurer

Marilee Peterson

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REPRESENTATION OF SIBLEY COUNTY GAYLORD, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2011-002

Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor-Treasurer

Corrective Action Planned:

The Sibley County Auditor-Treasurer and department staff will implement more extensive review of transaction and adjusting entries to ensure the financial statements are accurate, complete, and fairly presented in accordance with generally accepted accounting principles.

Anticipated Completion Date:

Ongoing

Finding Number: 2017-001

Finding Title: Procurement, Suspension, and Debarment

Program: State Administrative Matching Grants for Supplemental Nutrition (CFDA No. 10.561)

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor-Treasurer

• **Tara Ernst**
Assistant Treasurer

• **Charlene Pelletier**
Assistant Auditor

• **Kelly Nelson**
Finance & Accounting Manager

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• **Jennie Radloff**
Elections Coordinator

• **Aaron Goemann**
Drainage Inspector

• **Greg DeVries**
Ditch & Ag Technician

• **Rhonda Olson**
Engineering Tech 1 - Ditches

Corrective Action Planned:

Sibley County PHHS staff have been trained on the procurement requirements for Federal funding. However, this finding is related to Verizon and Voyant purchases; purchases made by the general fund but affect the PHHS fund. Sibley County will document the rationale for selecting Verizon and Voyant as contractors.

Anticipated Completion Date:

December 2019

Finding Number: 2017-002

Finding Title: Individual Ditch System Cash Deficits

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor/Treasurer

Corrective Action Planned:

Sibley County began charging interest, payable to a ditch department that has a positive balance, for each system that is carrying a negative balance on a quarterly basis. This started with the first quarter of 2019. At the conclusion of 2017's audit cycle, we did not charge the ditch interest retroactively.

Anticipated Completion Date:

First quarter, 2019



Sibley County Auditor-Treasurer

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REPRESENTATION OF SIBLEY COUNTY GAYLORD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2011-002

Finding Title: Audit Adjustments

Summary of Condition: During the 2017 audit, material adjustments were identified which resulted in significant changes to Sibley County's financial statements.

Summary of Corrective Action Previously Reported: The Sibley County Auditor-Treasurer and department staff will implement more extensive review of transaction and adjusting entries to ensure the financial statements are accurate, complete, and fairly presented in accordance with generally accepted accounting principles.

Status: Not Corrected. The Sibley County Auditor-Treasurer'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. According to OSA the audit adjustments have been improving each year for the last 3 years as our new staff becomes more familiar with financial practices, the financial statements, grant schedules, and alike.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2016-001

Finding Title: Payroll Controls - Pension Contributions

Summary of Condition: A systematic error in the payroll system occurred which caused pensionable wages to be understated for numerous employees for numerous years, thereby causing the related employee and employer pension contributions to not be calculated and contributed accurately. Also, two employees that should have been enrolled in the Public Employees Retirement Association (PERA) for 2017 were not.

• **Tara Ernst**
Assistant Treasurer

• **Charlene Pelletier**
Assistant Auditor

• **Kelly Nelson**
Finance & Accounting Manager

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• **Jennie Radloff**
Elections Coordinator

• **Aaron Goemann**
Drainage Inspector

• **Greg DeVries**
Ditch & Ag Technician

• **Rhonda Olson**
Engineering Tech 1 - Ditches

Summary of Corrective Action Previously Reported: The Sibley County Human Resource Department will establish internal controls to ensure new and reactivated employee information is accurately entered in the payroll system. These procedures will include having one employee update the information, while a second verifies the information was updated accurately.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2017-001

Finding Title: Procurement, Suspension, and Debarment

Program: SNAP Cluster (CFDA No. 10.561)

Summary of Condition: Two procurement transactions over \$3,500 tested for compliance with federal regulations did not have documentation of the history of procurement (basis for contractor selection), full and open competition conditions, or a rationale to limit competition. There was one instance where the County did not document a cost or price analysis for a purchase over the simplified acquisition threshold.

Summary of Corrective Action Previously Reported: Sibley County Public Health and Human Services will document the history of procurements including rationale for procurement method, contractor selection and contract price for all existing contracts exceeding the minimum threshold. All new acquisitions will be documented before purchase using a procurement checklist to be developed.

Status: Not Corrected. At the time of testing procedures had not been fully implemented to ensure compliance with these requirements. The purchasing department had not been trained on following the County's policy for procurements under federal awards. Staff has since been trained on requirements.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2017-002

Finding Title: Individual Ditch System Cash Deficits

Summary of Condition: Several of the County's ditch systems maintained a deficit cash balance during the year. Deficit balances represent an implicit loan from ditch systems with a positive cash balance and/or the County General Fund. Deficits were eliminated at year-end with a one-month loan from the General Fund, which was paid back with interest; however, no interest was charged to the ditch systems for maintaining deficit cash balances for the remainder of the year.

Summary of Corrective Action Previously Reported: Sibley County will begin charging interest, payable to a ditch department that has a positive balance, for each system that is carrying a negative balance on a quarterly basis. Funds will not be transferred but interest will be charged.

Status: Not Corrected. Procedures were developed to ensure compliance with Minn. Stat. §103E.655 however these procedures were not implemented until 2019 and not applied retroactively.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-003

Finding Title: Contracting and Bidding Compliance

Summary of Condition: The County was not in compliance with the following Minnesota contracting and bidding law requirements in relation to the purchase of network equipment:

- Obtaining quotes: Pursuant to Minn. Stat. § 471.345 subd. 4, for contracts estimated to exceed \$25,000 but not exceed \$100,000, the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase when possible. The purchase of the equipment was made based on a single quote of approximately \$45,000.
- Cooperative purchasing: Pursuant to Minn. Stat. § 471.345 subd. 15(a), for contracts estimated to exceed \$25,000, municipalities must consider the availability, price and quality of supplies, materials, or equipment available through the state's cooperative purchasing venture (CPV) before purchasing through another source. For this purchase there was no consideration of options available through the CPV.

Summary of Corrective Action Previously Reported: Although it is a statutory requirement and a past practice of Sibley County for years, we will emphasize to staff the importance of following policy. Via email we will notify department heads and ask them to forward it on to their purchasing staff the importance of obtaining quotes, the parameters that surround that requirement, and inform them of the state's cooperative purchasing venture.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

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SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 16, 2019.

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 six 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, 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 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 and 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 and did not 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 16, 2019

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**SIBLEY COUNTY LIBRARY SYSTEM
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

PREVIOUSLY REPORTED ITEM RESOLVED

2017-001 Audit Adjustments

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Sibley County Auditor-Treasurer

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REPRESENTATION OF SIBLEY COUNTY LIBRARY SYSTEM GAYLORD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2017-001

Finding Title: Audit Adjustments

Summary of Condition: During the 2017 audit, material audit adjustments were identified which resulted in significant changes to Sibley County Library System’s financial statements.

Summary of Corrective Action Previously Reported: As a method of training, in their first year of employment, the Finance and Accounting Manager prepares supporting documentation for the audit during their first audit cycle. During their second cycle they take more ownership of the library audit, completing journal entries. With a new hire in the Finance and Accounting Manager position, training will begin with the next audit cycle. Therefore, the County Auditor will be preparing the library trial balances.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

• **Tara Ernst**
Assistant Treasurer

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