

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SIBLEY COUNTY
GAYLORD, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Year Ended December 31, 2014



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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2014**

Office	Name	Term	
		From	To
Commissioners			
1st District**	Jim Nytes	January 2011	January 2015
2nd District	William "Bill" Pinske	January 2003	January 2017
3rd District	Jim Swanson	January 2009	January 2017
4th District	Joy Cohrs*	January 2011	January 2019
5th District***	Harold Pettis	January 1999	January 2015
Officers			
Elected			
Attorney	David E. Schauer	February 1988	January 2019
Auditor****	Lisa Pfarr	January 1999	January 2015
Recorder	Kathy Dietz	February 2005	January 2019
Registrar of Titles	Kathy Dietz	February 2005	January 2019
Sheriff	Bruce Ponath	January 2003	January 2019
Treasurer	Mary Fisher	January 1999	January 2019
Appointed			
Administrator	Matthew Jaunich	Indefinite*****	
Assessor	Calvin Roberts	November 1978	December 2016
Court Administrator	Karen Messner (State)	Indefinite	
Court Services Director	Joely Patten Eskens (State)	March 2013	July 2014
	Gary Wilfahrt (State)	April 2014	Indefinite
Emergency Management Director	Bryan Gorman	Indefinite	
Environmental Services Director	Jeffrey Majeski	Indefinite	
Examiner of Titles	Ross Arneson	Indefinite	
Extension Educator	Julie Sievert	Indefinite	
Human Resources Director	Kimberlai Moore-Skyes	Indefinite	
Information Service Director	Beth Wilson	Indefinite	
Medical Examiner	A. Quinn Strobl, MD	January 2010	December 2018
Public Health and Human Services Director	Vicki Stock	Indefinite	
Public Works Director	Timothy Becker	June 2013	April 2017
Surveyor	Avery Grochow	January 2011	December 2018
Veterans Services Officer	Lisa Klenk	August 2008	August 2016

*Chair

**Bobbie Harder was elected to represent District 1 and took office in January 2015; her term will expire in January 2019.

***Gary Kruggel was elected to represent District 5 and took office in January 2015; his term will expire in January 2019.

****Marilee Peterson was elected as County Auditor and took office in January 2015; her term will expire in January 2019.

*****Matthew Jaunich resigned in January 2015 and was replaced by Roxy Traxler in April 2015.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sibley County
Gaylord, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sibley Estates of Sibley County, which represent the amounts shown as the business-type activities and the major proprietary fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sibley Estates, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the library funds of the Cities of Arlington, Gaylord, Gibbon, Henderson, and Winthrop, which represent 14 percent, 1 percent, and 48 percent of the assets, net position, and revenues, respectively, of the discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the city-related amounts included for the Sibley County Library System, is based solely on the reports of the other auditors. We also did not audit the financial

statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2014, in which Sibley County has an equity interest. The SCHA is a joint venture discussed in Note 5.C. to the financial statements. The County's investment in the SCHA, \$1,677,423, represents 2 percent and 2 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 of material misstatement. The financial statements of the City of Gaylord, the City of Winthrop, and the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2014, 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.

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

The Tax Capacity, Tax Rates, Tax Levies, and Percentage of Collections exhibit has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2015, on our consideration of Sibley County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sibley County's internal control over financial reporting and compliance. It does not include Sibley Estates; the Cities of Arlington, Gaylord, Gibbon, Henderson, and Winthrop; or the South Country Health Alliance; which were audited by other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 18, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. 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 \$78,284,092, of which \$55,914,110 is the net investment in capital assets, and \$4,902,676 is restricted to specific purposes.
- Business-type activities' total net position is \$642,489, of which \$457,085 is the net investment in capital assets.
- Governmental activities' total net position increased by \$2,638,713 in 2014. This increase can be attributed to additional construction in progress added to capital assets in the current year and budgeted savings from operations. The net position of the County's business-type activities increased by \$15,573.
- At the close of 2014, the unassigned fund balance for the General Fund was \$5,707,312, or 73.7 percent, of the total General Fund expenditures. This amount will be available for 2015 budgeting purposes.
- The net cost of governmental activities in 2014 increased by \$216,002 from the previous year to \$10,343,839. The net cost was funded by general revenues totaling \$12,982,552.

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, and a schedule of funding progress for other postemployment benefits are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The Statement of Net 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 (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 (SEDCO) and Water Projects Special Revenue Funds, along with the Federal Lands Permanent Fund, are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements within the Supplementary Information section of this report.

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

- Proprietary funds--When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund (a type of proprietary fund) presents the same information as the business-type activities in the government-wide statements but provides more detail and additional information, such as cash flows.

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

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

Government-Wide Financial Analysis

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

Table I
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 28,429,242	\$ 28,065,213	\$ 205,764	\$ 167,163	\$ 28,635,006	\$ 28,232,376
Capital assets	57,620,623	54,741,445	457,085	478,150	58,077,708	55,219,595
Total Assets	\$ 86,049,865	\$ 82,806,658	\$ 662,849	\$ 645,313	\$ 86,712,714	\$ 83,451,971
Liabilities						
Long-term liabilities	\$ 4,480,234	\$ 4,606,247	\$ -	\$ -	\$ 4,480,234	\$ 4,606,247
Other liabilities	3,017,668	2,555,032	20,360	18,397	3,038,028	2,573,429
Total Liabilities	\$ 7,497,902	\$ 7,161,279	\$ 20,360	\$ 18,397	\$ 7,518,262	\$ 7,179,676
Deferred Inflows of Resources	\$ 267,871	\$ -	\$ -	\$ -	\$ 267,871	\$ -
Net Position						
Net investment in capital assets	\$ 55,914,110	\$ 52,771,142	\$ 457,085	\$ 478,150	\$ 56,371,195	\$ 53,249,292
Restricted	4,902,676	5,337,177	-	-	4,902,676	5,337,177
Unrestricted	17,467,306	17,537,060	185,404	148,766	17,652,710	17,685,826
Total Net Position	\$ 78,284,092	\$ 75,645,379	\$ 642,489	\$ 626,916	\$ 78,926,581	\$ 76,272,295

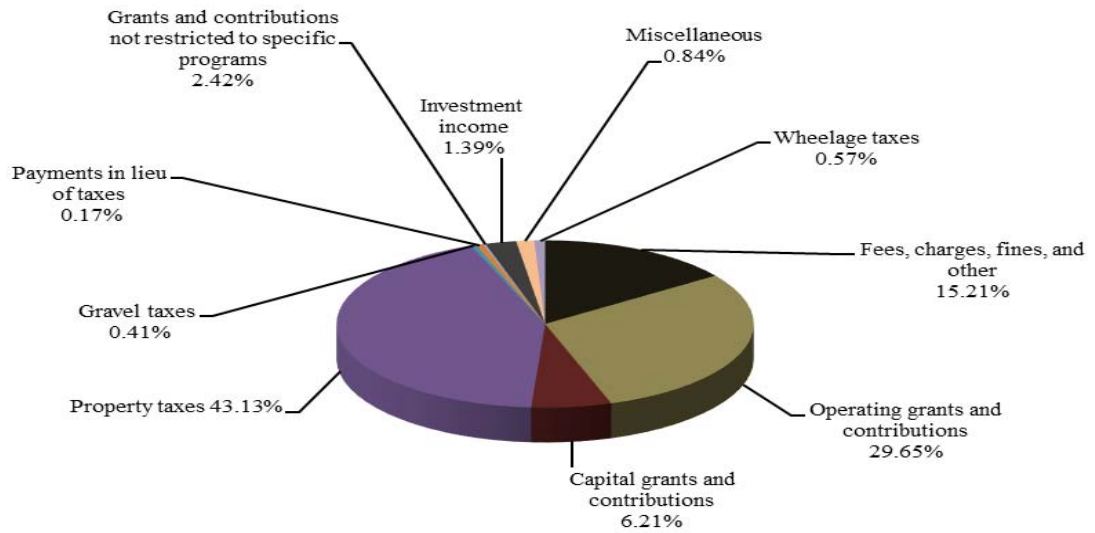
The net position of the County's governmental activities increased by 3.5 percent (\$2,638,713). Unrestricted net position--the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$17,537,060 at December 31, 2013, to \$17,467,306 at the end of this year. Net position of the business-type activities increased by 2.5 percent (\$15,573).

Table II
Change in Net Position

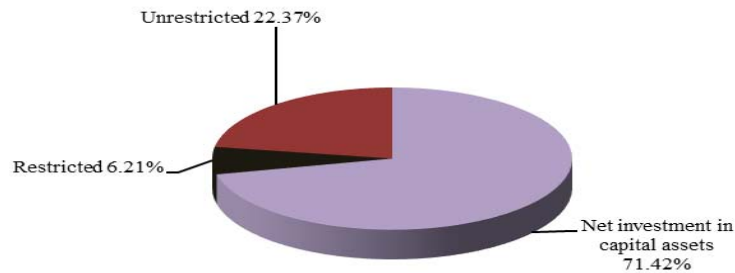
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 3,846,368	\$ 3,920,505	\$ 189,628	\$ 182,023	\$ 4,035,996	\$ 4,102,528
Operating grants and contributions	7,744,210	7,056,237	123,643	129,213	7,867,853	7,185,450
Capital grants and contributions	1,646,254	205,165	-	-	1,646,254	205,165
General revenues						
Property taxes	11,443,746	11,091,986	-	-	11,443,746	11,091,986
Gravel taxes	109,865	90,205	-	-	109,865	90,205
Wheelage taxes	151,287	10,000	-	-	151,287	10,000
Payments in lieu of tax	46,363	44,933	-	-	46,363	44,933
Grants and contributions not restricted to specific programs	640,908	641,913	-	-	640,908	641,913
Investment income	368,517	(67,642)	32	19	368,549	(67,623)
Miscellaneous and other	221,866	293,612	-	-	221,866	293,612
Total Revenues	\$ 26,219,384	\$ 23,286,914	\$ 313,303	\$ 311,255	\$ 26,532,687	\$ 23,598,169
Expenses						
General government	\$ 4,167,835	\$ 3,736,329	\$ -	\$ -	\$ 4,167,835	\$ 3,736,329
Public safety	2,714,185	2,488,910	-	-	2,714,185	2,488,910
Highways and streets	6,883,083	6,574,887	-	-	6,883,083	6,574,887
Sanitation	462,802	450,255	-	-	462,802	450,255
Human services	4,749,754	4,223,195	-	-	4,749,754	4,223,195
Health	1,315,543	1,394,743	-	-	1,315,543	1,394,743
Culture and recreation	363,033	368,930	-	-	363,033	368,930
Conservation of natural resources	2,721,498	1,713,474	-	-	2,721,498	1,713,474
Economic development	136,338	166,443	-	-	136,338	166,443
Interest	66,600	192,578	-	-	66,600	192,578
Sibley Estates	-	-	297,730	280,204	297,730	280,204
Total Expenses	\$ 23,580,671	\$ 21,309,744	\$ 297,730	\$ 280,204	\$ 23,878,401	\$ 21,589,948
Changes in Net Position	\$ 2,638,713	\$ 1,977,170	\$ 15,573	\$ 31,051	\$ 2,654,286	\$ 2,008,221

The County's expenses for governmental activities increased \$2,270,927, or 10.7 percent, from 2013. This primary reason for the increase is a result of expenses to the County and joint drainage systems which have not been assessed to the benefited land owners yet. The following pie charts represent the 2014 revenues by revenue source and net position.

2014 Total Revenues by Source



2014 Total Net Position



GOVERNMENTAL ACTIVITIES

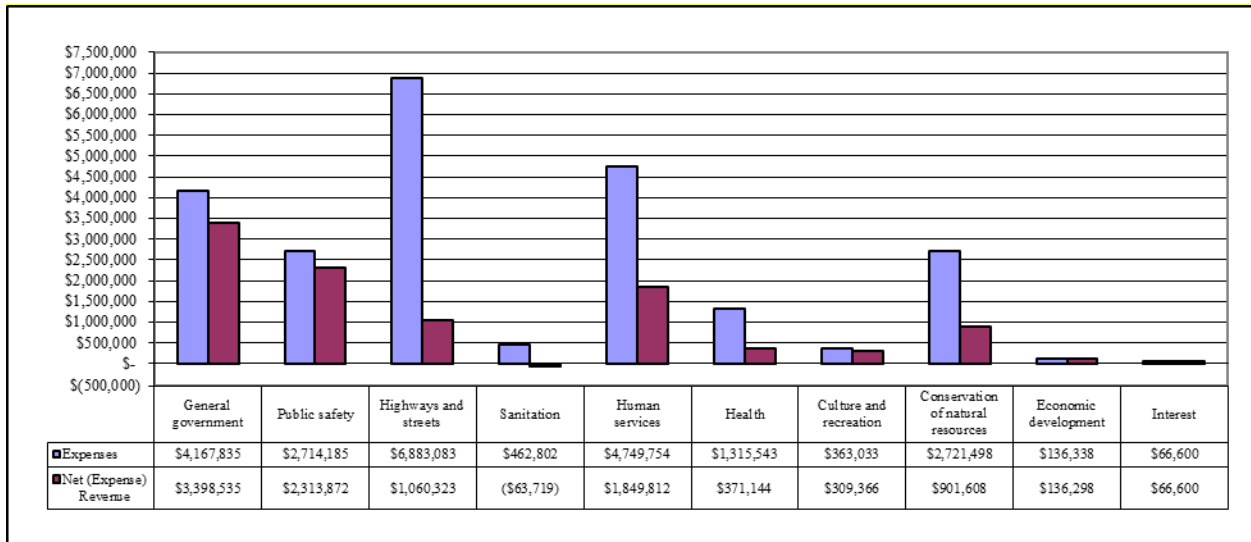
As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$10,343,839 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating or capital grants and contributions.

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

**Table III
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Expenses				
General government	\$ 4,167,835	\$ 3,736,329	\$ 3,398,535	\$ 3,034,482
Public safety	2,714,185	2,488,910	2,313,872	1,954,798
Highways and streets	6,883,083	6,574,887	1,060,323	2,628,800
Sanitation	462,802	450,255	(63,719)	21,179
Human services	4,749,754	4,223,195	1,849,812	1,735,962
Health	1,315,543	1,394,743	371,144	348,646
Culture and recreation	363,033	368,930	309,366	334,459
Conservation of natural resources	2,721,498	1,713,474	901,608	(289,248)
Economic development	136,338	166,443	136,298	166,181
Interest	66,600	192,578	66,600	192,578
Total Expenses	\$ 23,580,671	\$ 21,309,744	\$ 10,343,839	\$ 10,127,837

2014 Program Cost and Program Revenues



THE COUNTY'S FUNDS

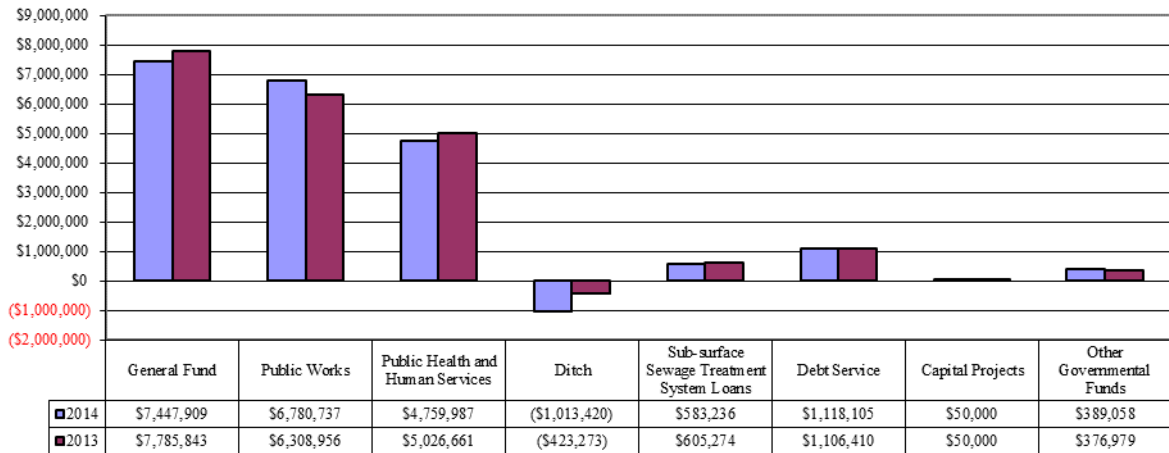
The focus of Sibley County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Sibley County's financing requirements. In particular, unrestricted balances may serve as a useful measure of a government's 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 \$20,115,612. This is a decrease of \$721,238 in comparison to the prior fiscal year. Of the \$20,115,612 total fund balances, \$4,003,149 constitutes unassigned fund balances, which are available for spending at the government's discretion or represents a deficit balance in the Ditch Special Revenue Fund.

The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unassigned fund balance of the General Fund was \$5,707,312 (or 76.6 percent of the total General Fund’s fund balance). As a measure of the General Fund’s liquidity, it may be useful to compare the assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represents 73.7 percent of total General Fund expenditures, while total fund balance represents 96.1 percent of that same amount. In 2014, the fund balance amount in the General Fund decreased \$337,934.

The Public Works Special Revenue Fund had a total fund balance of \$6,780,737 at the end of 2014. This is an increase of \$471,781. This increase is attributed to an increase in revenue to cover highway projects. The Public Health and Human Services Special Revenue Fund had a total fund balance of \$4,759,987 at the end of the current fiscal year. This is a decrease of \$266,674 attributed to more social service expenditures than anticipated. The Ditch Special Revenue Fund had a negative fund balance of \$1,013,420 which is an increase of \$590,147 from the prior year. The fund had an increase in expenditures due to ditch redeterminations and flooding of ditches. The Sub-Surface Sewage Treatment System Loans Special Revenue Fund had a decrease of fund balance of \$22,038 with an ending balance of \$583,236. The Debt Service Fund had a total fund balance of \$1,118,105 at the end of 2014. This is an increase of \$11,695. The Capital Projects Fund did not have a change in fund balance in 2014.

Governmental Funds - Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

No budget amendments were made for 2014. The actual revenues exceeded budgeted revenues by \$370,201, and actual expenditures were less than expected by \$39,278. Actual revenues exceeding budgeted revenues was due to the increases in investment earnings and intergovernmental revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

	<u>2014</u>	<u>2013</u>
Governmental Activities		
Land	\$ 1,724,931	\$ 1,724,931
Construction in progress	1,778,214	-
Infrastructure	46,621,197	45,476,879
Buildings	5,134,890	5,372,467
Machinery, furniture, and equipment	2,343,558	2,146,788
Improvements other than buildings	17,833	20,380
	<u>57,620,623</u>	<u>54,741,445</u>
Total	<u>\$ 57,620,623</u>	<u>\$ 54,741,445</u>
Business-Type Activities		
Land	\$ 23,500	\$ 23,500
Improvements other than buildings	14,025	9,230
Buildings and improvements	387,778	419,220
Machinery, furniture, and equipment	31,782	26,200
	<u>457,085</u>	<u>478,150</u>
Total	<u>\$ 457,085</u>	<u>\$ 478,150</u>

The County's investment in capital assets for its governmental activities as of December 31, 2014, was \$57,620,623 (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 5.3 percent, or \$2,879,178.

The County's investment in capital assets for its business-type activities slightly decreased by \$21,065 in the current year.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$2,147,310 versus \$2,447,640 last year--a decrease of \$300,330 or 12.3 percent--as shown in Table V. The decrease is due to scheduled debt payments.

Table V
Outstanding Debt at Year-End

	2014	2013
General obligation bonds	\$ 1,580,000	\$ 1,800,000
General obligation special assessment bonds	505,000	575,000
General obligations revenue notes	62,310	72,640
Total	\$ 2,147,310	\$ 2,447,640

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 2014, the taxable market value was \$3,096,665,400 and, in 2013, the amount was \$2,589,403,400. The County’s outstanding net debt of \$2,147,310 is significantly below the state-imposed limit of \$92,899,962.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$114,845 outstanding at year-end compared with \$16,948 last year.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The County’s elected and appointed officials considered many factors when setting the fiscal year 2015 budget and the tax rates and fees that will be charged for government services.

- State aid from the State of Minnesota has been reduced dramatically over the past several years. The potential for more 2015 state-aid cuts with little mandate relief will put significant pressure on Sibley County’s 2015 budget and beyond. Total county program aid for 2015 is down 31.67 percent compared to 2014.
- For fiscal year 2015, Sibley County’s total taxable market value is \$3,555,558,400. This is an increase of \$458,893,000, or 14.8 percent, over the 2014 total taxable market value of \$3,096,665,400. 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 April 2015 is 4.3 percent. Sibley County’s unemployment rate is higher than the state unemployment rate of 3.7 percent.
- On December 23, 2014, the Sibley County Board of Commissioners approved the 2015 budget for \$24,673,833. The 2015 total levy is \$12,523,480, and the total net tax levy was \$12,273,594, which was an increase from the 2014 total net tax levy of \$11,689,138. The 2015 budget includes a 5 percent overall property tax levy increase.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	<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	\$ 19,607,676	\$ 179,334	\$ 19,787,010	\$ 144,562
Cash and pooled investments - restricted	-	16,433	16,433	-
Petty cash and change funds	6,150	125	6,275	20
Departmental cash	2,379	-	2,379	-
Cash with fiscal agent	732,474	-	732,474	-
Investments	25,000	-	25,000	-
Taxes receivable - delinquent	124,672	-	124,672	-
Special assessments receivable - delinquent	44,377	-	44,377	-
Special assessments - noncurrent	3,210,903	-	3,210,903	-
Accounts receivable	98,990	424	99,414	1,321
Accrued interest receivable	52,314	-	52,314	-
Due from other governments	1,704,536	-	1,704,536	22,278
Loans receivable	107,134	-	107,134	-
Inventories	803,025	-	803,025	-
Prepaid items	41,819	9,448	51,267	390
Advance to other governments	190,370	-	190,370	-
Investment in joint venture	1,677,423	-	1,677,423	-
Capital assets				
Non-depreciable	3,503,145	23,500	3,526,645	-
Depreciable - net of accumulated depreciation	54,117,478	433,585	54,551,063	-
Total Assets	\$ 86,049,865	\$ 662,849	\$ 86,712,714	\$ 168,571

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	<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	\$ 700,784	\$ 3,411	\$ 704,195	\$ 6,124
Salaries payable	594,629	-	594,629	18,136
Contracts payable	238,021	-	238,021	-
Retainage payable	128,402	-	128,402	-
Due to other governments	321,528	-	321,528	7,337
Accrued interest payable	9,072	516	9,588	-
Unearned revenue	100,794	-	100,794	4,791
Claims payable	114,845	-	114,845	-
Security deposits payable	-	16,433	16,433	-
Compensated absences payable - current	279,801	-	279,801	7,734
General obligation bonds payable - current	220,000	-	220,000	-
General obligation special assessment bonds payable - current	65,000	-	65,000	-
General obligation revenue notes payable - current	10,330	-	10,330	-
MnPCA loans payable - current	172,322	-	172,322	-
AgBMP loans payable - current	62,140	-	62,140	-
Noncurrent liabilities				
Compensated absences payable	756,500	-	756,500	20,911
General obligation bonds payable	1,360,000	-	1,360,000	-
General obligation special assessment bonds payable	440,000	-	440,000	-
General obligation revenue notes payable	51,980	-	51,980	-
MnPCA loans payable	911,710	-	911,710	-
AgBMP loans payable	670,998	-	670,998	-
Net OPEB obligation	289,046	-	289,046	-
Total Liabilities	\$ 7,497,902	\$ 20,360	\$ 7,518,262	\$ 65,033
<u>Deferred Inflows of Resources</u>				
Advance allotments	\$ 267,871	\$ -	\$ 267,871	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	<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	\$ 55,914,110	\$ 457,085	\$ 56,371,195	\$ -
Restricted for				
General government	306,250	-	306,250	-
Public safety	776,698	-	776,698	-
Highways and streets	686,452	-	686,452	-
Sanitation	559,038	-	559,038	-
Culture and recreation	36,785	-	36,785	-
Conservation of natural resources	1,154,896	-	1,154,896	-
Economic development	264,452	-	264,452	-
Debt service	1,118,105	-	1,118,105	-
Unrestricted	<u>17,467,306</u>	<u>185,404</u>	<u>17,652,710</u>	<u>103,538</u>
Total Net Position	<u>\$ 78,284,092</u>	<u>\$ 642,489</u>	<u>\$ 78,926,581</u>	<u>\$ 103,538</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Governmental activities			
General government	\$ 4,167,835	\$ 664,957	\$ 104,343
Public safety	2,714,185	159,381	240,932
Highways and streets	6,883,083	131,061	4,045,445
Sanitation	462,802	462,718	63,803
Human services	4,749,754	469,704	2,430,238
Health	1,315,543	386,474	557,925
Culture and recreation	363,033	-	53,667
Conservation of natural resources	2,721,498	1,572,033	247,857
Economic development	136,338	40	-
Interest	66,600	-	-
	\$ 23,580,671	\$ 3,846,368	\$ 7,744,210
Business-type activities			
Sibley Estates	297,730	189,628	123,643
	\$ 23,878,401	\$ 4,035,996	\$ 7,867,853
Component Unit			
Sibley County Library System	\$ 420,449	\$ 133,196	\$ 304,349

General Revenues

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

Total general revenues

Change in net position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Sibley County Library System Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (3,398,535)	\$ -	\$ (3,398,535)	
-	(2,313,872)	-	(2,313,872)	
1,646,254	(1,060,323)	-	(1,060,323)	
-	63,719	-	63,719	
-	(1,849,812)	-	(1,849,812)	
-	(371,144)	-	(371,144)	
-	(309,366)	-	(309,366)	
-	(901,608)	-	(901,608)	
-	(136,298)	-	(136,298)	
-	(66,600)	-	(66,600)	
\$ 1,646,254	\$ (10,343,839)	\$ -	\$ (10,343,839)	
-	-	15,541	15,541	
\$ 1,646,254	\$ (10,343,839)	\$ 15,541	\$ (10,328,298)	
\$ -				\$ 17,096
	\$ 11,443,746	\$ -	\$ 11,443,746	\$ -
	109,865	-	109,865	-
	151,287	-	151,287	-
	46,363	-	46,363	-
	640,908	-	640,908	-
	368,517	32	368,549	-
	221,866	-	221,866	-
	\$ 12,982,552	\$ 32	\$ 12,982,584	\$ -
	\$ 2,638,713	\$ 15,573	\$ 2,654,286	\$ 17,096
	75,645,379	626,916	76,272,295	86,442
	\$ 78,284,092	\$ 642,489	\$ 78,926,581	\$ 103,538

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Public Works	Public Health and Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 5,228,331	\$ 6,735,336	\$ 4,748,452
Petty cash and change funds	5,900	-	250
Departmental cash	2,379	-	-
Cash with fiscal agent	732,474	-	-
Investments	-	-	-
Taxes receivable			
Delinquent	56,740	41,543	22,894
Special assessments receivable			
Delinquent	5,698	-	-
Noncurrent	-	-	-
Accounts receivable	15,167	25,276	58,547
Accrued interest receivable	52,314	-	-
Due from other funds	1,871,151	9,251	3,282
Due from other governments	27,758	770,606	446,680
Loans receivable	-	-	-
Inventories	-	803,025	-
Prepaid items	38,616	1,992	1,211
Advances to other governments	190,370	-	-
	\$ 8,226,898	\$ 8,387,029	\$ 5,281,316
Total Assets	\$ 8,226,898	\$ 8,387,029	\$ 5,281,316

EXHIBIT 3

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 892,064	\$ 590,728	\$ 1,118,105	\$ 50,000	\$ 244,660	\$ 19,607,676
-	-	-	-	-	6,150
-	-	-	-	-	2,379
-	-	-	-	-	732,474
-	25,000	-	-	-	25,000
-	-	3,495	-	-	124,672
22,943	15,736	-	-	-	44,377
1,834,619	1,376,284	-	-	-	3,210,903
-	-	-	-	-	98,990
-	-	-	-	-	52,314
-	-	-	-	-	1,883,684
414,382	-	-	-	45,110	1,704,536
-	-	-	-	107,134	107,134
-	-	-	-	-	803,025
-	-	-	-	-	41,819
-	-	-	-	-	190,370
\$ 3,164,008	\$ 2,007,748	\$ 1,121,600	\$ 50,000	\$ 396,904	\$ 28,635,503

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Public Works	Public Health and Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 146,044	\$ 192,246	\$ 157,186
Salaries payable	259,082	100,509	232,742
Contracts payable	-	48,111	-
Retainage payable	-	128,402	-
Due to other funds	12,519	72	-
Due to other governments	52,132	69,292	108,507
Unearned revenue	100,794	-	-
Claims payable	114,845	-	-
	\$ 685,416	\$ 538,632	\$ 498,435
Deferred Inflows of Resources			
Advance allotments	\$ -	\$ 267,871	\$ -
Unavailable revenue	93,573	799,789	22,894
	\$ 93,573	\$ 1,067,660	\$ 22,894
Fund Balances (Note 3.E.)			
Nonspendable	\$ 228,986	\$ 805,017	\$ 1,211
Restricted	1,120,535	517,108	-
Committed	391,076	-	-
Assigned	-	5,458,612	4,758,776
Unassigned	5,707,312	-	-
	\$ 7,447,909	\$ 6,780,737	\$ 4,759,987
	\$ 8,226,898	\$ 8,387,029	\$ 5,281,316

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>
\$ 167,614	\$ 32,492	\$ -	\$ -	\$ 5,202	\$ 700,784
-	-	-	-	2,296	594,629
189,910	-	-	-	-	238,021
-	-	-	-	-	128,402
1,871,093	-	-	-	-	1,883,684
91,249	-	-	-	348	321,528
-	-	-	-	-	100,794
-	-	-	-	-	114,845
\$ 2,319,866	\$ 32,492	\$ -	\$ -	\$ 7,846	\$ 4,082,687
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,871
1,857,562	1,392,020	3,495	-	-	4,169,333
\$ 1,857,562	\$ 1,392,020	\$ 3,495	\$ -	\$ -	\$ 4,437,204
\$ -	\$ 25,000	\$ -	\$ -	\$ 80,731	\$ 1,140,945
690,743	558,236	1,118,105	-	308,327	4,313,054
-	-	-	50,000	-	441,076
-	-	-	-	-	10,217,388
(1,704,163)	-	-	-	-	4,003,149
\$ (1,013,420)	\$ 583,236	\$ 1,118,105	\$ 50,000	\$ 389,058	\$ 20,115,612
\$ 3,164,008	\$ 2,007,748	\$ 1,121,600	\$ 50,000	\$ 396,904	\$ 28,635,503

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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, 2014**

Fund balance - total governmental funds (Exhibit 3)		\$ 20,115,612
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.		57,620,623
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		1,677,423
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
Unavailable revenue		4,169,333
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	\$ (2,085,000)	
Revenue notes payable	(62,310)	
MnPCA loans payable	(1,084,032)	
AgBMP loans payable	(733,138)	
Compensated absences	(1,036,301)	
Net OPEB obligation	(289,046)	
Accrued interest payable	(9,072)	
	(5,298,899)	(5,298,899)
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 78,284,092</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Revenues			
Taxes	\$ 5,069,866	\$ 4,295,225	\$ 2,105,481
Special assessments	135,854	-	-
Licenses and permits	30,447	-	-
Intergovernmental	912,450	5,607,709	3,107,036
Charges for services	777,664	92,912	651,209
Fines and forfeits	15,978	-	-
Gifts and contributions	1,387	-	526
Investment earnings	364,772	-	-
Miscellaneous	314,626	89,618	208,489
Total Revenues	\$ 7,623,044	\$ 10,085,464	\$ 6,072,741
Expenditures			
Current			
General government	\$ 3,831,693	\$ -	\$ -
Public safety	2,543,825	-	-
Highways and streets	-	8,894,219	-
Sanitation	184,399	-	-
Human services	-	-	5,032,645
Health	-	-	1,306,770
Culture and recreation	349,515	-	-
Conservation of natural resources	423,337	-	-
Economic development	136,338	-	-
Capital outlay	277,182	431,777	-
Intergovernmental	-	296,564	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 7,746,289	\$ 9,622,560	\$ 6,339,415

EXHIBIT 5

Ditch	Sub-Surface Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 242,755	\$ -	\$ -	\$ 11,713,327
1,661,028	281,451	-	-	-	2,078,333
-	-	-	-	-	30,447
-	-	3,893	-	117,585	9,748,673
-	-	-	-	40	1,521,825
-	-	-	-	-	15,978
-	-	-	-	18,000	19,913
-	-	-	-	3,080	367,852
2,147	-	-	-	518	615,398
\$ 1,663,175	\$ 281,451	\$ 246,648	\$ -	\$ 139,223	\$ 26,111,746
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,831,693
-	-	-	-	-	2,543,825
-	-	-	-	-	8,894,219
-	278,403	-	-	-	462,802
-	-	-	-	-	5,032,645
-	-	-	-	-	1,306,770
-	-	-	-	-	349,515
2,160,819	-	-	-	127,144	2,711,300
-	-	-	-	-	136,338
-	-	-	-	-	708,959
-	-	-	-	-	296,564
70,000	238,953	220,000	-	-	528,953
22,008	24,219	14,023	-	-	60,250
495	-	930	-	-	1,425
\$ 2,253,322	\$ 541,575	\$ 234,953	\$ -	\$ 127,144	\$ 26,865,258

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Excess of Revenues Over (Under) Expenditures	\$ (123,245)	\$ 462,904	\$ (266,674)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 214,689	\$ -
Transfers out	(214,689)	-	-
Loans issued	-	-	-
Total Other Financing Sources (Uses)	\$ (214,689)	\$ 214,689	\$ -
Net Change in Fund Balance	\$ (337,934)	\$ 677,593	\$ (266,674)
Fund Balance - January 1	7,785,843	6,308,956	5,026,661
Increase (decrease) in inventories	-	(205,812)	-
Fund Balance - December 31	\$ 7,447,909	\$ 6,780,737	\$ 4,759,987

EXHIBIT 5
(Continued)

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ (590,147)</u>	<u>\$ (260,124)</u>	<u>\$ 11,695</u>	<u>\$ -</u>	<u>\$ 12,079</u>	<u>\$ (753,512)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,689
-	-	-	-	-	(214,689)
<u>-</u>	<u>238,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,086</u>
<u>\$ -</u>	<u>\$ 238,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,086</u>
\$ (590,147)	\$ (22,038)	\$ 11,695	\$ -	\$ 12,079	\$ (515,426)
(423,273)	605,274	1,106,410	50,000	376,979	20,836,850
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(205,812)</u>
<u><u>\$ (1,013,420)</u></u>	<u><u>\$ 583,236</u></u>	<u><u>\$ 1,118,105</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 389,058</u></u>	<u><u>\$ 20,115,612</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (515,426)

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. 273,051

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

Unavailable revenue - December 31	\$ 4,169,333	
Unavailable revenue - January 1	<u>(4,061,695)</u>	107,638

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

Expenditures for general capital assets	\$ 5,450,921	
Net book value of assets sold	65,211	
Current year depreciation	<u>(2,636,954)</u>	2,879,178

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

Proceeds of new debt		
AgBMP loans payable		(238,086)
Repayment of debt principal		528,953
Amortization of premium/discount on bonds		(24,187)

**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, 2014**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accrued interest	\$ 19,262	
Change in compensated absences	(117,033)	
Change in net OPEB obligation	(68,825)	
Change in inventories	<u>(205,812)</u>	<u>(372,408)</u>
Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ 2,638,713</u></u>

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PROPRIETARY FUND

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
SIBLEY ESTATES ENTERPRISE FUND
DECEMBER 31, 2014**

Assets

Current assets

Cash and pooled investments	\$ 179,334
Cash and pooled investments - restricted	16,433
Petty cash and change funds	125
Accounts receivable	424
Prepaid items	9,448

Total current assets **\$ 205,764**

Noncurrent assets

Capital assets	
Nondepreciable	\$ 23,500
Depreciable - net	433,585

Total noncurrent assets **\$ 457,085**

Total Assets **\$ 662,849**

Liabilities

Current liabilities

Accounts payable	\$ 3,411
Accrued interest payable	516
Security deposits payable	16,433

Total Liabilities **\$ 20,360**

Net Position

Net investment in capital assets	\$ 457,085
Unrestricted	185,404

Total Net Position **\$ 642,489**

**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, 2014**

Operating Revenues	
Rents	\$ 182,702
Intergovernmental - federal	123,643
Miscellaneous	6,926
	<hr/>
Total Operating Revenues	\$ 313,271
	<hr/>
Operating Expenses	
Personal services	\$ 77,563
Professional services	22,883
Supplies	3,556
Telephone	4,419
Utilities	62,920
Taxes and licenses	370
Marketing costs	1,797
Insurance	19,447
Repairs and maintenance	23,202
Independent public accountant costs	13,700
Miscellaneous	16,743
Depreciation and amortization	51,018
	<hr/>
Total Operating Expenses	\$ 297,618
	<hr/>
Operating Income (Loss)	\$ 15,653
	<hr/>
Nonoperating Revenues (Expenses)	
Interest income	\$ 32
Interest expense	(112)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (80)
	<hr/>
Change in Net Position	\$ 15,573
	<hr/>
Net Position - January 1	626,916
	<hr/>
Net Position - December 31	\$ 642,489
	<hr/> <hr/>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Cash Flows from Operating Activities	
Receipts from customers	\$ 189,636
Receipts from government agencies	123,643
Payments to suppliers and vendors	(167,475)
Payments to and on behalf of employees	<u>(77,563)</u>
Net cash provided by (used in) operating activities	<u>\$ 68,241</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	<u>\$ (29,953)</u>
Cash Flows from Investing Activities	
Interest paid	\$ (258)
Interest received on investments	<u>32</u>
Net cash provided by (used in) investing activities	<u>\$ (226)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 38,062
Cash and Cash Equivalents, January 1	<u>157,830</u>
Cash and Cash Equivalents, December 31	<u>\$ 195,892</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ 15,653</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 51,018
(Increase) decrease in accounts receivable	(424)
(Increase) decrease in prepaid items	(115)
Increase (decrease) in accounts payable	1,726
Increase (decrease) in accrued liabilities	(49)
Increase (decrease) in security deposits payable	<u>432</u>
Total adjustments	<u>\$ 52,588</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 68,241</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, 2014**

	<u>Private-Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 25,531	\$ 359,437
Investments	36,837	-
Accrued interest	488	-
Total Assets	<u>\$ 62,856</u>	<u>\$ 359,437</u>
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 86,144
Due to other governments	-	273,293
Total Liabilities	<u>\$ -</u>	<u>\$ 359,437</u>
<u>Net Position</u>		
Net position, held in trust	<u>\$ 62,856</u>	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 195
Change in Net Position	\$ 195
Net Position - Beginning of the Year	<u>62,661</u>
Net Position - End of the Year	<u><u>\$ 62,856</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. 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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, both the governmental activities and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

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

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

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

The Permanent Fund is used to report resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support County programs.

Private-Purpose Trust Funds are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Sibley County considers property taxes and special assessments to be available if collected within 30 days of the end of the current period. Sibley County considers licenses, interest, and all other revenues susceptible to accrual as available if collected within 90 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Total pooled investment earnings in the General Fund were \$364,772.

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

Sibley County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool which would closely approximate fair value.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balance outstanding between the governmental activities and business-type activities is reported in the government-wide financial statements as “internal balances.”

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

Property taxes are levied as of January 1 on property values assessed as of the same date by the County Assessor. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2009 through 2014 and noncurrent special assessments payable in 2015 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

3. Inventories and Prepaid Items

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

The County's capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. For business-type activities, interest incurred during the construction phase is reflected in the capitalized value of the asset constructed.

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation pay and other employees who are expected to become eligible in the future to receive such payments upon termination

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

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

Under the County's personnel policies and union contracts, County employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual for full-time (part-time employees' accruals are prorated) employees varies from 12 to 21 days based on years of service. Sick leave accrual is 12 days per year (13 days per year for Law Enforcement Labor Services union members).

6. Long-Term Obligations

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category, unavailable revenue and advance allotments. The County reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County reports advance allotments for state aid received by the County not yet appropriated by the State of Minnesota. Advance allotments are reported in the governmental funds balance sheet and on the government-wide statement of net position. This amount is deferred and recognized when the timing requirements have been met.

8. 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)

9. Classification of Net Position

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

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

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

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

10. Classification of Fund Balances

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. 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.

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Use of Estimates

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

E. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principle characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

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. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Ditch Special Revenue Fund Equity

On the full accrual basis of accounting, 21 of the 88 drainage systems have incurred expenses in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund equity as of December 31, 2014, using the full accrual basis of accounting.

Account balances	\$ 1,111,021
Account balance deficits	<u>(771,879)</u>
 Fund Equity - Full Accrual Basis	 <u>\$ 339,142</u>

Using the modified accrual basis of accounting, noncurrent receivables and bonds payable do not affect fund balance. Noncurrent receivables are deferred inflows of resources, and bonds payable are not reported. Using this basis of accounting, 41 ditches had fund deficits.

Account balances	\$ 690,743
Account balance deficits	<u>(1,704,163)</u>
 Fund Balance - Modified Accrual Basis	 <u>\$ (1,013,420)</u>

B. Deficit Fund Balance

The Ditch Special Revenue Fund has a deficit fund balance of \$1,013,420 at December 31, 2014, which will be eliminated by special assessments.

C. 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, 2014:

Fund	Expenditures	Final Budget	Excess
Water Projects Special Revenue Fund	\$ 121,082	\$ 21,830	\$ 99,252

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities		
Cash and pooled investments	\$	19,607,676
Petty cash and change funds		6,150
Departmental cash		2,379
Cash with fiscal agent		732,474
Investments		25,000
Business-type activities		
Cash and pooled investments		179,334
Cash and pooled investments - restricted		16,433
Petty cash and change funds		125
Fiduciary funds		
Private-purpose trust funds		
Cash and pooled investments		25,531
Investments		36,837
Agency funds		
Cash and pooled investments		359,437
Sibley County Library System cash held by the County Treasurer		144,215
		144,215
Total Cash and Investments	\$	21,135,591
Deposits	\$	6,630,199
Petty cash and change funds		6,275
Departmental cash		2,379
Cash with fiscal agent		732,474
Investments		13,764,264
		13,764,264
Total	\$	21,135,591

a. Deposits

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, County deposits may not be returned to it. The County’s policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County’s deposits and to comply with state law. As of December 31, 2014, Sibley County’s deposits were not exposed to custodial credit risk.

b. Investments

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Investments of the County are reported at fair value.

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. While the County does not have a policy on credit risk, it invests only in securities that meet the ratings requirements set by state statute.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has a custodial credit risk policy that permits the County's brokers to hold the County's investments to the extent that the brokers have Securities Investor Protection Corporation insurance. At December 31, 2014, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2014, and information relating to potential investment risks:

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Home Loan Bank					
Wells Fargo Advisors					
Federal Home Loan Bank	Aaa	Moody's		12/20/2022	\$ 245,155
Federal Home Loan Bank	Aaa	Moody's		12/27/2022	245,880
Federal Home Loan Bank	Aaa	Moody's		01/14/2023	249,295
Federal Home Loan Bank	Aaa	Moody's		01/17/2023	338,681
Federal Home Loan Bank	Aaa	Moody's		03/27/2023	199,000
Federal Home Loan Bank	Aaa	Moody's		05/08/2023	296,814
Federal Home Loan Bank	Aaa	Moody's		05/16/2023	249,858
Wells Fargo Securities					
Federal Home Loan Bank	Aaa	Moody's		12/30/2016	249,597
Federal Home Loan Bank	Aaa	Moody's		06/30/2017	249,617
Federal Home Loan Bank	Aaa	Moody's		06/26/2018	249,878
Federal Home Loan Bank	Aaa	Moody's		06/10/2019	250,036
Federal Home Loan Bank	Aaa	Moody's		07/17/2019	245,438

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency		Rate Risk Maturity Date	
Northland Securities Federal Home Loan Bank	Aaa	Moody's		11/09/2021	194,168
Total Federal Home Loan Bank			23.71		\$ 3,263,417
Federal Home Loan Mortgage Corporation Wells Fargo Securities Federal Home Loan Mortgage Corporation	Aaa	Moody's		04/10/2017	\$ 248,858
Federal Home Loan Mortgage Corporation	Aaa	Moody's		01/23/2019	250,233
Northland Securities Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/23/2021	229,470
Total Federal Home Loan Mortgage Corporation			5.29		\$ 728,561
Federal Farm Credit Bank Bond Wells Fargo Securities Federal Farm Credit Bank Bond	Aaa	Moody's		05/03/2021	\$ 241,797
Northland Securities Federal Farm Credit Bank Bond	Aaa	Moody's		11/03/2023	197,084
Total Federal Farm Credit Bank Bond			3.19		\$ 438,881
Federal National Mortgage Association Wells Fargo Securities Federal National Mortgage Association	Aaa	Moody's	1.82	09/24/2018	\$ 249,897
Municipal Bonds Northland Securities Scott County Community Dev. - G.O. Bond	Aa1	Moody's	0.91	02/01/2015	\$ 125,160
City of North Mankato - G.O. Bond	AA	S&P	0.41	02/01/2016	55,848
City of Glencoe - G.O. Bond	A1	Moody's	0.72	02/01/2018	99,526
City of Mountain Lake - G.O. Bond	A	S&P	0.74	02/01/2019	101,758
Total Municipal Bonds					\$ 382,292
Negotiable certificates of deposit Northland Securities First National Bank	N/A	N/A	1.74	05/18/2150	\$ 240,060
Stockman Bank	N/A	N/A	1.58	04/27/2020	216,997
Wells Fargo Securities Ally Bank	N/A	N/A	1.80	10/19/2015	247,644
American Express Centurion Bank	N/A	N/A	1.61	05/23/2018	221,565
Banc Calif	N/A	N/A	1.78	03/17/2015	244,930
Bank Baroda New York	N/A	N/A	1.76	03/04/2018	242,558
Bank of China NY	N/A	N/A	1.74	02/05/2015	239,970
Bank of India NY	N/A	N/A	1.78	08/19/2015	244,906
Bank United Miami	N/A	N/A	1.74	09/17/2015	239,855
BMW Bank	N/A	N/A	1.03	11/12/2015	141,953
BMW Bank	N/A	N/A	0.73	07/19/2016	100,320
CIT Bank	N/A	N/A	1.78	09/08/2016	244,715

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Negotiable certificates of deposit (Continued)					
Comenity Cap Bank	N/A	N/A	1.75	11/04/2015	240,448
Customers Bank	N/A	N/A	1.74	01/22/2015	239,989
Discover Bank	N/A	N/A	1.78	07/30/2015	244,930
Everbank	N/A	N/A	1.78	12/16/2015	244,804
First Niagara Bank	N/A	N/A	1.77	05/02/2016	244,076
GE Capital Financial	N/A	N/A	1.77	08/26/2016	243,339
GE Money Bank	N/A	N/A	1.64	07/22/2015	226,220
Goldman Sachs Bank	N/A	N/A	0.76	05/08/2015	105,055
Goldman Sachs Bank	N/A	N/A	1.02	10/17/2016	140,127
Homestreet Bank	N/A	N/A	1.78	06/15/2015	244,856
Marlin Business Bank	N/A	N/A	1.74	08/05/2015	239,983
Mizuho Bank	N/A	N/A	1.78	01/22/2015	245,018
Pacific Western Bank	N/A	N/A	1.78	09/05/2015	244,873
Private Bank & Trust	N/A	N/A	1.74	02/23/2015	240,025
Safra Bank	N/A	N/A	0.92	01/30/2015	127,046
Sallie Mae Bank	N/A	N/A	1.02	10/17/2016	139,858
Santander Bank	N/A	N/A	1.78	01/08/2015	244,998
Synovus Bank	N/A	N/A	1.78	12/10/2015	244,708
UBS Bank	N/A	N/A	1.80	10/29/2015	247,810
Wells Fargo Advisors					
American Express	N/A	N/A	1.76	09/25/2019	241,805
Barclays Bank	N/A	N/A	1.77	07/16/2019	243,555
Webster Five Cents Bank	N/A	N/A	1.75	12/17/2019	241,293
Worlds Foremost Bank	N/A	N/A	1.44	08/13/2019	197,802
Total negotiable certificates of deposit					\$ 7,698,091
Mutual funds/investment pools					
Federated - prime cash obligations	Aaa	Moody's	N/A	N/A	\$ 2,125
MAGIC	N/R	N/A	N/A	N/A	1,001,000
Total mutual funds/investment pools					\$ 1,003,125
Total investments					\$ 13,764,264
Deposits					6,630,199
Petty cash and change funds					6,275
Departmental cash					2,379
Cash with fiscal agent					732,474
Total Cash and Investments					\$ 21,135,591

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, 2014, for the County are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes - delinquent	\$ 124,672	\$ -
Special assessments - delinquent	44,377	-
Special assessments - noncurrent	3,210,903	1,686,583
Accounts receivable	98,990	-
Accrued interest receivable	52,314	-
Due from other governments	1,704,536	-
Loans receivable	107,134	91,585
Advance to other governments	<u>190,370</u>	<u>190,370</u>
Total Governmental Activities	<u>\$ 5,533,296</u>	<u>\$ 1,968,538</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.

The advance to other governments is accounting for an advance made to the Minnesota Rail Authority. The Authority loaned the funds to the Minnesota Valley Railroad. The Minnesota Rail Authority will hold the fund until they repay the County.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,724,931	\$ -	\$ -	\$ 1,724,931
Construction in progress	-	1,778,214	-	1,778,214
Total capital assets not depreciated	<u>\$ 1,724,931</u>	<u>\$ 1,778,214</u>	<u>\$ -</u>	<u>\$ 3,503,145</u>
Capital assets depreciated				
Infrastructure	\$ 61,172,323	\$ 2,974,183	\$ -	\$ 64,146,506
Buildings	8,617,049	-	-	8,617,049
Machinery, furniture, and equipment	7,266,671	698,524	705,518	7,259,677
Improvements other than buildings	39,333	-	-	39,333
Total capital assets depreciated	<u>\$ 77,095,376</u>	<u>\$ 3,672,707</u>	<u>\$ 705,518</u>	<u>\$ 80,062,565</u>
Less: accumulated depreciation for				
Infrastructure	\$ 15,695,444	\$ 1,829,865	\$ -	\$ 17,525,309
Buildings	3,244,582	237,577	-	3,482,159
Machinery, furniture, and equipment	5,119,883	566,965	770,729	4,916,119
Improvements other than buildings	18,953	2,547	-	21,500
Total accumulated depreciation	<u>\$ 24,078,862</u>	<u>\$ 2,636,954</u>	<u>\$ 770,729</u>	<u>\$ 25,945,087</u>
Total capital assets depreciated, net	<u>\$ 53,016,514</u>	<u>\$ 1,035,753</u>	<u>\$ (65,211)</u>	<u>\$ 54,117,478</u>
Total Capital Assets, Net	<u><u>\$ 54,741,445</u></u>	<u><u>\$ 2,813,967</u></u>	<u><u>\$ (65,211)</u></u>	<u><u>\$ 57,620,623</u></u>

In 2014, the County made adjustments to capital assets and accumulated depreciation, included in the decrease column, to tie to capital asset reports.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 23,500	\$ -	\$ -	\$ 23,500
Capital assets depreciated				
Improvements other than buildings	\$ 51,747	\$ 6,789	\$ -	\$ 58,536
Buildings and improvements	1,488,571	7,620	18,672	1,477,519
Machinery, furniture, and equipment	205,831	15,544	81,992	139,383
Total capital assets depreciated	\$ 1,746,149	\$ 29,953	\$ 100,664	\$ 1,675,438
Less: accumulated depreciation for				
Improvements other than buildings	\$ 42,517	\$ 1,994	\$ -	\$ 44,511
Buildings and improvements	1,069,351	39,062	18,672	1,089,741
Machinery, furniture, and equipment	179,631	9,962	81,992	107,601
Total accumulated depreciation	\$ 1,291,499	\$ 51,018	\$ 100,664	\$ 1,241,853
Total capital assets depreciated, net	\$ 454,650	\$ (21,065)	\$ -	\$ 433,585
Total Capital Assets, Net	\$ 478,150	\$ (21,065)	\$ -	\$ 457,085

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

Governmental Activities	
General government	\$ 303,758
Public safety	127,255
Highways and streets, including depreciation of infrastructure assets	2,195,204
Human services	4,146
Culture and recreation	5,018
Conservation of natural resources	1,573
Total Depreciation Expense - Governmental Activities	<u>\$ 2,636,954</u>
Business-Type Activities	
Housing and redevelopment	<u>\$ 51,018</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Works Fund Ditch Fund	\$ 58 1,871,093
Total due to General Fund		<u>\$ 1,871,151</u>
Public Works Fund	General Fund	<u>\$ 9,251</u>
Public Health and Human Services Fund	General Fund Public Works Fund	\$ 3,268 14
Total due to Public Health and Human Services Fund		<u>\$ 3,282</u>
Total Due To/From Other Funds		<u>\$ 1,883,684</u>

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

2. Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Public Works Fund	<u>\$ 214,689</u>	Trail Project/GIS

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction and Other Contract Commitments

The County has active construction projects and other contract commitments as of December 31, 2014. The projects and commitments include the following:

	Spent-to-Date	Remaining Commitment
Public Works Special Revenue Fund		
Surface rehabilitation	\$ 1,062,512	\$ 139,829
Bridge construction	1,867,249	142,048
Trail construction	1,200,940	739,544
FEMA repairs	18,800	133,340
Ditch Special Revenue Fund		
Ditch projects and repairs	669,866	201,714

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
2015	\$ 15,068
2016	9,833
2017	6,716
2018	3,312
Total	\$ 34,929

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
General obligation bonds 2012 G.O. Refunding Bonds	2021	\$220,000 - \$235,000	0.45 - 1.30	\$ 1,800,000	\$ 1,580,000
General obligation special assessment bonds 2012 G.O. Special Assessment Refunding Bonds	2023	\$50,000 - \$70,000	1.20 - 2.35	\$ 645,000	\$ 505,000
General obligation revenue notes 2001 G.O. Revenue Note - County-Wide	2021	\$2,665 - \$5,165	-	\$ 103,300	\$ 62,310
Minnesota Pollution Control Agency (MnPCA) loans					
High Island I	2017	\$14,495	2.00	\$ 261,561	\$ 84,002
High Island II	2021	\$20,390	2.00	367,955	265,151
Rush River I	2018	\$14,704	2.00	265,347	98,933
Rush River II	2021	\$32,009	2.00	577,616	416,233
Buffalo Creek I	2019	\$2,582	2.00	46,589	24,452
Buffalo Creek II	2022	\$1,279	2.00	23,089	18,831
Middle Minnesota I	2021	\$1,362	2.00	24,587	16,532
Middle Minnesota II	2023	\$2,419	2.00	43,657	39,672
Bevens Silver Creek	2023	\$7,332	2.00	132,303	120,226
Total MnPCA Loans				\$ 1,742,704	\$ 1,084,032
Minnesota Department of Agriculture loans Ag Best Management Loan Program (AgBMP)	2024	\$3,314 - \$55,846	-	\$ 869,342	\$ 733,138

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 220,000	\$ 13,143	\$ 65,000	\$ 8,103
2016	220,000	12,042	70,000	7,260
2017	225,000	10,650	70,000	6,420
2018	225,000	8,906	50,000	5,587
2019	225,000	6,825	50,000	4,763
2020 - 2023	465,000	5,905	200,000	9,050
Total	\$ 1,580,000	\$ 57,471	\$ 505,000	\$ 41,183

Year Ending December 31	General Obligation Revenue Notes		MnPCA Loans		AgBMP Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 10,330	\$ -	\$ 172,322	\$ 20,823	\$ 62,140	\$ -
2016	10,330	-	175,785	17,360	84,944	-
2017	10,330	-	179,319	13,826	80,285	-
2018	10,330	-	139,085	10,367	82,717	-
2019	10,330	-	127,029	7,718	85,217	-
2020 - 2024	10,660	-	290,492	8,876	337,835	-
Total	\$ 62,310	\$ -	\$ 1,084,032	\$ 78,970	\$ 733,138	\$ -

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities long-term liabilities					
Bonds payable					
General obligation bonds	\$ 1,800,000	\$ -	\$ 220,000	\$ 1,580,000	\$ 220,000
General obligation special assessment bonds	575,000	-	70,000	505,000	65,000
Less: discounts	(25,893)	-	(25,893)	-	-
Plus: premium	1,706	-	1,706	-	-
Total bonds payable	\$ 2,350,813	\$ -	\$ 265,813	\$ 2,085,000	\$ 285,000

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Changes in Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation revenue notes	72,640	-	10,330	62,310	10,330
MnPCA loans	1,255,358	-	171,326	1,084,032	172,322
AgBMP loans	552,349	238,086	57,297	733,138	62,140
Compensated absences	919,268	131,019	13,986	1,036,301	279,801
Governmental Activities					
Long-Term Liabilities	<u>\$ 5,150,428</u>	<u>\$ 369,105</u>	<u>\$ 518,752</u>	<u>\$ 5,000,781</u>	<u>\$ 809,593</u>

Compensated absence liabilities are generally liquidated by the General Fund and Public Works, Public Health and Human Services, and Water Projects Special Revenue Funds.

7. Other Postemployment Benefits (OPEB)

Plan Description

The County provides a defined benefit health care plan to qualifying retirees and their spouses. The plan offers medical, dental, and life insurance coverage. Medical coverage is administered by Medica. Dental coverage is administered through Humana. Minnesota Life is the life insurance provider. The County is self-insured for medical coverage through the McLeod/Sibley Joint Health Insurance Program. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minn. Stat. ch. 471.61, subd. 2b. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate “subsidy.” As of January 1, 2014, there were two retirees receiving health benefits from the County’s health plan and two retirees receiving dental coverage through Humana. It is the County’s policy to periodically review its medical, dental, and life insurance coverage in order to provide the most favorable benefits and premiums for County employees and retirees.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

Retirees and their spouses contribute to the County health care plan at the same rate as current County employees. If retirees are over age 65 and Medicare eligible, their health coverage, if elected, is considered supplemental coverage, and their premiums would be discounted. Contribution requirements for health insurance are established by the McLeod/Sibley Joint Health Insurance Committee, based on contract terms with Medica. Contribution requirements for dental and life insurance are established by the County Board along with contract requirements with Humana and Minnesota Life. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2014, the County contributed \$21,436 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$ 94,523
Interest on net OPEB obligation	8,809
Adjustment to ARC	<u>(13,071)</u>
Annual OPEB cost	\$ 90,261
Contributions made (pay-as-you-go)	<u>(21,436)</u>
Increase in net OPEB obligation	\$ 68,825
Net OPEB Obligation - Beginning of Year	<u>220,221</u>
Net OPEB Obligation - End of Year	<u><u>\$ 289,046</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2012, 2013, and 2014, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 79,151	\$ 36,050	45.5%	\$ 181,385
December 31, 2013	78,353	39,517	50.4	220,221
December 31, 2014	90,261	21,436	23.7	289,046

Funded Status and Funding Progress

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For January 1, 2014, the actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent discount rate, which is based on the investment yield expected to finance benefits. The County does not plan to pre-fund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 7.5 percent initially and grading to 5.0 percent over ten years.

D. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue and deferred inflows of resources as of December 31, 2014, for the County's governmental funds are as follows:

	Unearned Revenue	Deferred Inflows of Resources
Advanced allotments		
Highway allotments that were received in advance	\$ -	\$ 267,871
Unavailable revenue		
Delinquent property taxes	-	124,672
Special assessments receivable, delinquent and noncurrent	-	3,255,280
Highway allotments that do not provide current financial resources	-	298,059
Grants	100,794	460,187
Unavailable revenue from accrued interest	-	31,135
	\$ 100,794	\$ 4,437,204
Total Governmental Funds		

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Fund Balance

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

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>	<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>
Nonspendable					
Inventories	\$ -	\$ 803,025	\$ -	\$ -	\$ -
Advances to other governments	190,370	-	-	-	-
Prepaid items	38,616	1,992	1,211	-	-
Federal lands	-	-	-	-	-
Loan security	-	-	-	-	25,000
Total nonspendable	\$ 228,986	\$ 805,017	\$ 1,211	\$ -	\$ 25,000
Restricted					
Highway maintenance and construction - gravel tax	\$ -	\$ 330,546	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
Subsurface sewage treatment systems	-	-	-	-	558,236
Economic development loans	-	-	-	-	-
Conservation projects	-	-	-	-	-
Juvenile fines	17,891	-	-	-	-
Ditch maintenance and construction	-	-	-	690,743	-
Land restoration - gravel tax	-	186,562	-	-	-
Attorney's forfeited property	37,238	-	-	-	-
Recorder's equipment purchases	166,143	-	-	-	-
Land records technology	102,869	-	-	-	-
Shoreland grant	802	-	-	-	-
E-911	758,807	-	-	-	-
Park improvements	36,785	-	-	-	-
Total restricted	\$ 1,120,535	\$ 517,108	\$ -	\$ 690,743	\$ 558,236
Committed					
Capital improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Tobacco ordinance	8,993	-	-	-	-
County parks	76,919	-	-	-	-
Alcohol enforcement and education	37,370	-	-	-	-
Solid waste	267,794	-	-	-	-
Total committed	\$ 391,076	\$ -	\$ -	\$ -	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

	General	Public Works	Public Health and Human Services	Ditch	Sub-Surface Sewage Treatment System Loans
Assigned					
Public works	\$ -	\$ 5,458,612	\$ -	\$ -	\$ -
Public health and human services	-	-	4,758,776	-	-
Total assigned	\$ -	\$ 5,458,612	\$ 4,758,776	\$ -	\$ -
Unassigned	\$ 5,707,312	\$ -	\$ -	\$ (1,704,163)	\$ -
Total Fund Balance	\$ 7,447,909	\$ 6,780,737	\$ 4,759,987	\$ (1,013,420)	\$ 583,236
		Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable					
Inventories		\$ -	\$ -	\$ -	\$ 803,025
Advances to other governments		-	-	-	190,370
Prepaid items		-	-	-	41,819
Federal lands		-	-	80,731	80,731
Loan security		-	-	-	25,000
Total nonspendable		\$ -	\$ -	\$ 80,731	\$ 1,140,945
Restricted					
Highway maintenance and construction - gravel tax	\$ -	\$ -	\$ -	\$ -	\$ 330,546
Debt service		1,118,105	-	-	1,118,105
Subsurface sewage treatment systems		-	-	-	558,236
Economic development loans		-	-	264,452	264,452
Conservation projects		-	-	43,875	43,875
Juvenile fines		-	-	-	17,891
Ditch maintenance and construction		-	-	-	690,743
Land restoration - gravel tax		-	-	-	186,562
Attorney's forfeited property		-	-	-	37,238
Recorder's equipment purchases		-	-	-	166,143
Land records technology		-	-	-	102,869
Shoreland grant		-	-	-	802
E-911		-	-	-	758,807
Park improvements		-	-	-	36,785
Total restricted	\$ 1,118,105	\$ -	\$ -	\$ 308,327	\$ 4,313,054

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

	Debt Service	Capital Projects	Other Governmental Funds	Total
Committed				
Capital improvements	\$ -	\$ 50,000	\$ -	\$ 50,000
Tobacco ordinance	-	-	-	8,993
County parks	-	-	-	76,919
Alcohol enforcement and education	-	-	-	37,370
Solid waste	-	-	-	267,794
Total committed	\$ -	\$ 50,000	\$ -	\$ 441,076
Assigned				
Public works	\$ -	\$ -	\$ -	\$ 5,458,612
Public health and human services	-	-	-	4,758,776
Total assigned	\$ -	\$ -	\$ -	\$ 10,217,388
Unassigned	\$ -	\$ -	\$ -	\$ 4,003,149
Total Fund Balance	\$ 1,118,105	\$ 50,000	\$ 389,058	\$ 20,115,612

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Sibley County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

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

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

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 419,497	\$ 414,148	\$ 404,312
Public Employees Police and Fire Fund	101,885	91,008	93,366
Public Employees Correctional Fund	34,516	30,645	32,312

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,382	\$ 4,382
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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 \$480,000 per claim in 2014 and \$490,000 in 2015. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

In 2000, the County entered into an agreement with McLeod County to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to MCIT, which provides bookkeeping services to the counties, including the payment of claims. For 2014, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

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

	Year Ended December 31	
	2014	2013
Unpaid claims, beginning of fiscal year	\$ 16,948	\$ 45,877
Incurred claims (including IBNRs)	1,096,057	915,304
Claims payments	(997,801)	(943,849)
Less: recoveries	(359)	(384)
Unpaid Claims, End of Fiscal Year	\$ 114,845	\$ 16,948

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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

In 1993, the South Central Minnesota Multi-County Housing and Redevelopment Authority issued \$20,315,000 of revenue bonds to construct housing units in Sibley County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of the housing units constructed. Sibley County's proportionate share of the operating deficit for 2014 is \$128,194. The proportionate shares of the counties may change for the years 2015 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Joint Ventures

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Meeker, Pope, Renville, Stearns, and Wright Counties, creating the Crow River Joint Powers Agreement. The agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Prairie County Resource Conservation and Development Council is the fiscal agent for this Joint Powers Agreement.

The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Joint Powers Board. The purpose of this Agreement is the joint exercise of powers by the member counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Meeker-McLeod-Sibley Community Health Services Board

The Meeker-McLeod-Sibley Community Health Services Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.14, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Community Health Services Board consists of 15 members, 5 members each from Meeker, McLeod, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services.

The joint venture is financed primarily from state and federal grants. McLeod County is the fiscal agent.

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

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During 2014, the County paid \$1,000 to the Board.

Rush River Clean Water Partnership

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Sibley County Children's Collaborative

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

The Joint Powers Board consists of two representatives from the Sibley County Board of Commissioners, one representative from the Independent School District 2310 Board of Education, one representative from the Independent School District 2365 Board of Education, and one consumer/parent representative from each of the participating school districts.

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

South Central Minnesota Regional Emergency Communications Board

The South Central Minnesota Regional Emergency Communications Board (formally known as the South Central Minnesota Regional Radio Board) was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It is comprised of Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties, and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Minnesota Regional Emergency Communications Board (Continued)

Blue Earth County acts as the fiscal agent for the Radio Board. During 2014, the County contributed \$2,690 to the Joint Powers Board. The Chair of the Board is Kip Bruender, and the address is P. O. Box 8608, Mankato, Minnesota 56002-8608.

South Central Workforce Service Area Joint Powers Board

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

Sibley County made no contributions to this organization in 2014.

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, Freeborn, and Crow Wing Counties withdrew from the Joint Powers. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at the end of 2014 was \$1,677,423. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues.

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

Three Counties for Kids Collaborative

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

The Collaborative is financed by Local Collaborative Time Study (LCTS) funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2014, the County provided \$12,021 in funding to the Collaborative.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Collaborative (Continued)

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

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

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

Trailblazer Transit Board

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

Financing is primarily provided from state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2014, Sibley County made contributions of \$101,000.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. 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 \$68,964 in 2014. Sibley County is the fiscal agent.

Current audited financial statements are not available.

D. Jointly-Governed Organizations

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

Region Five - Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five - Southwest Minnesota Security Emergency Management Organization (SWRHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the SWRHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Sibley County's responsibility does not extend beyond making this appointment.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. 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, the County made no payments to the joint powers.

Minnesota River Board

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

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

Control is vested in an executive committee of one Executive Director and four officers elected from the membership of the Minnesota River Powers Board, consisting of one representative from one of the member County Board of Commissioners included in this agreement. During 2014, Sibley County contributed \$719 to the Joint Powers Board.

The County passed a resolution of termination at its February 11, 2014, Board meeting. Effective April 1, 2014, the County is no longer a member of the Minnesota River Board.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Sentence to Serve

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

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 2014.

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 2014.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2014.

E. Subsequent Event

In July of 2015, the South Country Health Alliance lost its bid to continue providing comprehensive health maintenance services to 11 of its 12 participating counties, including Sibley County. The decision by the Minnesota Department of Human Services is being appealed by the 11 counties. The ultimate impact on the South Country Health Alliance and therefore Sibley County's investment in the joint venture is unknown.

6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Sibley County Library System is an organization formed by the County to provide library services to Sibley County. It has branch libraries in five cities: Arlington, Gaylord, Gibbon, Henderson, and Winthrop. The Library Board consists of seven members, one member from each of the five cities, one Sibley County Commissioner, and one at-large representative from Sibley County. Sibley County is required by Minnesota statutes to provide financial support to the Sibley County Library System, which it does by means of an appropriation each year.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Basis of Accounting

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

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

B. Detailed Notes on the General Fund

1. Assets

Deposits

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

Cash held by the County Treasurer	\$ 144,215
Cash with the Henderson Branch	<u>347</u>
Total Cash and Pooled Investments	<u>\$ 144,562</u>

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

B. Detailed Notes on the General Fund

1. Assets (Continued)

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, 2014, the Sibley County Library System's deposits were not exposed to custodial credit risk.

2. Liabilities

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Compensated absences	\$ 27,345	\$ 1,300	\$ -	\$ 28,645	\$ 7,734

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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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,190,320	\$ 5,190,320	\$ 5,069,866	\$ (120,454)
Special assessments	134,000	134,000	135,854	1,854
Licenses and permits	23,380	23,380	30,447	7,067
Intergovernmental	661,075	661,075	912,450	251,375
Charges for services	819,840	819,840	777,664	(42,176)
Fines and forfeits	9,120	9,120	15,978	6,858
Gifts and contributions	200	200	1,387	1,187
Investment earnings	200,250	200,250	364,772	164,522
Miscellaneous	214,658	214,658	314,626	99,968
Total Revenues	\$ 7,252,843	\$ 7,252,843	\$ 7,623,044	\$ 370,201
Expenditures				
Current				
General government				
Commissioners	\$ 302,680	\$ 302,680	\$ 240,357	\$ 62,323
Courts	56,770	56,770	84,140	(27,370)
Law library	27,000	27,000	33,884	(6,884)
County administrator	159,413	159,413	160,804	(1,391)
County auditor	292,382	292,382	278,257	14,125
County treasurer	285,254	285,254	279,369	5,885
Audit services	67,500	67,500	81,825	(14,325)
Information services	377,997	377,997	377,361	636
Elections/voter registration	105,572	105,572	114,766	(9,194)
Human resources	145,963	145,963	171,378	(25,415)
County attorney	458,202	458,202	408,153	50,049
County recorder	320,681	320,681	286,009	34,672
County surveyor	32,500	32,500	-	32,500
County assessor	318,379	318,379	308,256	10,123
Planning and zoning	50,342	50,342	52,186	(1,844)
Courthouse building	111,637	111,637	148,344	(36,707)
Building custodians	165,799	165,799	167,202	(1,403)
Sibley County food shelf	93	93	117	(24)
Jail building	87,636	87,636	92,798	(5,162)
Sibley County service center	73,073	73,073	86,833	(13,760)
Sheriff shed	4,279	4,279	3,034	1,245
Sibley East and West	13,315	13,315	13,827	(512)
Veterans service officer	126,360	126,360	111,319	15,041
Public transit	130,200	130,200	101,000	29,200
County fleet car	12,406	12,406	11,183	1,223
Shoreland ordinance	2,700	2,700	4,367	(1,667)
MPCA feedlot program	60,428	60,428	60,299	129
Other general government activities	71,923	71,923	154,625	(82,702)
Total general government	\$ 3,860,484	\$ 3,860,484	\$ 3,831,693	\$ 28,791

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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	\$ 2,073,490	\$ 2,073,490	\$ 2,221,592	\$ (148,102)
Enhanced 911 system	49,500	49,500	5,876	43,624
Probation officer	190,851	190,851	122,645	68,206
Sentence to Serve	58,156	58,156	58,156	-
Emergency management	86,321	86,321	110,020	(23,699)
South Central Minnesota Regional Emergency Communications Board	1,900	1,900	25,536	(23,636)
Total public safety	\$ 2,460,218	\$ 2,460,218	\$ 2,543,825	\$ (83,607)
Sanitation				
SCORE solid waste	\$ 219,179	\$ 219,179	\$ 183,425	\$ 35,754
County landfill	835	835	974	(139)
Total sanitation	\$ 220,014	\$ 220,014	\$ 184,399	\$ 35,615
Culture and recreation				
Historical society	\$ 10,000	\$ 10,000	\$ 17,450	\$ (7,450)
Sibley County Library System	273,884	273,884	273,241	643
Parks	42,620	42,620	20,573	22,047
County seat trail	-	-	35,297	(35,297)
Tourism	2,725	2,725	2,954	(229)
Total culture and recreation	\$ 329,229	\$ 329,229	\$ 349,515	\$ (20,286)
Conservation of natural resources				
Soil and water conservation	\$ 142,818	\$ 142,818	\$ 142,818	\$ -
County extension	144,613	144,613	141,878	2,735
Agriculture ditch inspector	113,250	113,250	115,601	(2,351)
County fair	23,040	23,040	23,040	-
Total conservation of natural resources	\$ 423,721	\$ 423,721	\$ 423,337	\$ 384
Economic development				
Housing and Redevelopment Authority	\$ 129,179	\$ 129,179	\$ 128,965	\$ 214
Minnesota Valley Action Council	8,179	8,179	7,373	806
Total economic development	\$ 137,358	\$ 137,358	\$ 136,338	\$ 1,020

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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	\$ 142,100	\$ 142,100	\$ 48,181	\$ 93,919
Public safety	162,750	162,750	220,501	(57,751)
Culture and recreation	49,693	49,693	8,500	41,193
Total capital outlay	<u>\$ 354,543</u>	<u>\$ 354,543</u>	<u>\$ 277,182</u>	<u>\$ 77,361</u>
Total Expenditures	<u>\$ 7,785,567</u>	<u>\$ 7,785,567</u>	<u>\$ 7,746,289</u>	<u>\$ 39,278</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (532,724)</u>	<u>\$ (532,724)</u>	<u>\$ (123,245)</u>	<u>\$ 409,479</u>
Other Financing Sources (Uses)				
Transfers out	(136,801)	(136,801)	(214,689)	(77,888)
Net Change in Fund Balance	<u>\$ (669,525)</u>	<u>\$ (669,525)</u>	<u>\$ (337,934)</u>	<u>\$ 331,591</u>
Fund Balance - January 1	<u>7,785,843</u>	<u>7,785,843</u>	<u>7,785,843</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 7,116,318</u>	<u>\$ 7,116,318</u>	<u>\$ 7,447,909</u>	<u>\$ 331,591</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,209,000	\$ 4,209,000	\$ 4,295,225	\$ 86,225
Intergovernmental	4,827,298	4,827,298	5,607,709	780,411
Charges for services	88,611	88,611	92,912	4,301
Miscellaneous	110,206	110,206	89,618	(20,588)
Total Revenues	\$ 9,235,115	\$ 9,235,115	\$ 10,085,464	\$ 850,349
Expenditures				
Current				
Highways and streets				
Geographical information systems (GIS)	\$ 32,700	\$ 32,700	\$ 32,158	\$ 542
Maintenance	2,725,906	2,725,906	2,761,620	(35,714)
Engineering/construction	5,627,449	5,627,449	4,881,414	746,035
Equipment, shop maintenance, and repairs	860,030	860,030	862,690	(2,660)
Administration	339,312	339,312	309,644	29,668
Township allotments	40,000	40,000	46,693	(6,693)
Total highways and streets	\$ 9,625,397	\$ 9,625,397	\$ 8,894,219	\$ 731,178
Capital outlay				
Highways and streets	538,300	538,300	431,777	106,523
Intergovernmental				
Highways and streets	285,219	285,219	296,564	(11,345)
Total Expenditures	\$ 10,448,916	\$ 10,448,916	\$ 9,622,560	\$ 826,356
Excess of Revenues Over (Under) Expenditures	\$ (1,213,801)	\$ (1,213,801)	\$ 462,904	\$ 1,676,705
Other Financing Sources (Uses)				
Transfers in	35,801	35,801	214,689	178,888
Net Change in Fund Balance	\$ (1,178,000)	\$ (1,178,000)	\$ 677,593	\$ 1,855,593
Fund Balance - January 1	6,308,956	6,308,956	6,308,956	-
Increase (decrease) in inventories	-	-	(205,812)	(205,812)
Fund Balance - December 31	\$ 5,130,956	\$ 5,130,956	\$ 6,780,737	\$ 1,649,781

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,148,548	\$ 2,148,548	\$ 2,105,481	\$ (43,067)
Intergovernmental	2,958,647	2,958,647	3,107,036	148,389
Charges for services	716,400	716,400	651,209	(65,191)
Gifts and contributions	-	-	526	526
Miscellaneous	195,702	195,702	208,489	12,787
Total Revenues	\$ 6,019,297	\$ 6,019,297	\$ 6,072,741	\$ 53,444
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,252,986	\$ 1,252,986	\$ 1,204,776	\$ 48,210
Social services	3,419,003	3,419,003	3,793,390	(374,387)
Miscellaneous social service programs	30,846	30,846	34,479	(3,633)
Total human services	\$ 4,702,835	\$ 4,702,835	\$ 5,032,645	\$ (329,810)
Health				
Public health nurse	1,559,844	1,559,844	1,306,770	253,074
Total Expenditures	\$ 6,262,679	\$ 6,262,679	\$ 6,339,415	\$ (76,736)
Net Change in Fund Balance	\$ (243,382)	\$ (243,382)	\$ (266,674)	\$ (23,292)
Fund Balance - January 1	5,026,661	5,026,661	5,026,661	-
Fund Balance - December 31	\$ 4,783,279	\$ 4,783,279	\$ 4,759,987	\$ (23,292)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 439,762	\$ 439,762	0.0%	\$ 5,555,369	7.92%
January 1, 2011	-	627,928	627,928	0.0	5,392,445	11.64
January 1, 2014	-	636,254	636,254	0.0	6,138,389	10.37

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014:

Fund	Expenditures	Final Budget	Excess
Public Health and Human Services Special Revenue Fund	\$ 6,339,415	\$ 6,262,679	\$ 76,736

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

3. Other Postemployment Benefits

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

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

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SUPPLEMENTARY INFORMATION

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 248,840	\$ 248,840	\$ 242,755	\$ (6,085)
Intergovernmental	-	-	3,893	3,893
Total Revenues	\$ 248,840	\$ 248,840	\$ 246,648	\$ (2,192)
Expenditures				
Debt service				
Principal	\$ 220,000	\$ 220,000	\$ 220,000	\$ -
Interest	14,023	14,023	14,023	-
Administrative charges	14,817	14,817	930	13,887
Total Expenditures	\$ 248,840	\$ 248,840	\$ 234,953	\$ 13,887
Net Change in Fund Balance	\$ -	\$ -	\$ 11,695	\$ 11,695
Fund Balance - January 1	1,106,410	1,106,410	1,106,410	-
Fund Balance - December 31	\$ 1,106,410	\$ 1,106,410	\$ 1,118,105	\$ 11,695

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NONMAJOR FUNDS

Nonmajor Special Revenue Funds

Revolving Loan (SEDCO) - To account for housing rehabilitation, working capital, expansion, renovation, or start-up financing for businesses as a result of the Economic Recovery Fund Grant and the Small Cities Development Program Grant.

Water Projects - To account for the administration of the water quality and flowage of the High Island and Rush River Watershed Districts.

Nonmajor Permanent Fund

Federal Lands - To account for all funds related to land purchased by the federal government.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
	<u>Revolving Loan (SEDCO)</u>	<u>Water Projects</u>	<u>Total</u>		
<u>Assets</u>					
Cash and pooled investments	\$ 157,318	\$ 6,611	\$ 163,929	\$ 80,731	\$ 244,660
Due from other governments	-	45,110	45,110	-	45,110
Loans receivable	107,134	-	107,134	-	107,134
Total Assets	\$ 264,452	\$ 51,721	\$ 316,173	\$ 80,731	\$ 396,904
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 5,202	\$ 5,202	\$ -	\$ 5,202
Salaries payable	-	2,296	2,296	-	2,296
Due to other governments	-	348	348	-	348
Total Liabilities	\$ -	\$ 7,846	\$ 7,846	\$ -	\$ 7,846
Fund Balances					
Nonspendable for Federal lands	\$ -	\$ -	\$ -	\$ 80,731	\$ 80,731
Restricted for Economic development loans	264,452	-	264,452	-	264,452
Conservation projects	-	43,875	43,875	-	43,875
Total Fund Balances	\$ 264,452	\$ 43,875	\$ 308,327	\$ 80,731	\$ 389,058
Total Liabilities and Fund Balances	\$ 264,452	\$ 51,721	\$ 316,173	\$ 80,731	\$ 396,904

**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, 2014**

	<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	\$ -	\$ 111,709	\$ 111,709	\$ 5,876	\$ 117,585
Charges for services	40	-	40	-	40
Gifts and contributions	-	18,000	18,000	-	18,000
Investment earnings	3,080	-	3,080	-	3,080
Miscellaneous	-	518	518	-	518
Total Revenues	\$ 3,120	\$ 130,227	\$ 133,347	\$ 5,876	\$ 139,223
Expenditures					
Current					
Conservation of natural resources	-	121,082	121,082	6,062	127,144
Net Change in Fund Balance	\$ 3,120	\$ 9,145	\$ 12,265	\$ (186)	\$ 12,079
Fund Balance - January 1	261,332	34,730	296,062	80,917	376,979
Fund Balance - December 31	\$ 264,452	\$ 43,875	\$ 308,327	\$ 80,731	\$ 389,058

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 21,830	\$ 21,830	\$ 111,709	\$ 89,879
Gifts and contributions	-	-	18,000	18,000
Miscellaneous	-	-	518	518
Total Revenues	\$ 21,830	\$ 21,830	\$ 130,227	\$ 108,397
Expenditures				
Current				
Conservation of natural resources				
High Island TMDL Implementation	-	-	52,115	(52,115)
Rush River TMDL Implementation	-	-	49,444	(49,444)
SWAG	21,830	21,830	19,523	2,307
Total Expenditures	\$ 21,830	\$ 21,830	\$ 121,082	\$ (99,252)
Net Change in Fund Balance	\$ -	\$ -	\$ 9,145	\$ 9,145
Fund Balance - January 1	34,730	34,730	34,730	-
Fund Balance - December 31	\$ 34,730	\$ 34,730	\$ 43,875	\$ 9,145

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

TRUST AND AGENCY FUNDS

Private-Purpose Trust Funds

Nurse Development - To account for a donation to be used to foster the personal and professional growth of the nursing staff.

Missing Heirs - To account for all unclaimed legacies held by the County.

Agency Funds

Other Agency - To account for collection and payment of fines and fees due to the state and other government and non-government entities.

Taxes and Penalties - To account for the collection of taxes and penalties and their payment to the various taxing districts.

Tri-County Solid Waste - To account for collections and disbursements for the Tri-County Solid Waste joint venture.

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

Sibley County Children's Collaborative - To account for all funds used in the implementation and administration of services for at-risk children and their families.

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2014**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,619	\$ 23,912	\$ 25,531
Investments	5,500	31,337	36,837
Accrued interest	8	480	488
Total Assets	<u>\$ 7,127</u>	<u>\$ 55,729</u>	<u>\$ 62,856</u>
<u>Net Position</u>			
Net position, held in trust	<u>\$ 7,127</u>	<u>\$ 55,729</u>	<u>\$ 62,856</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Additions</u>			
Interest	\$ 22	\$ 173	\$ 195
Change in Net Position	\$ 22	\$ 173	\$ 195
Net Position - Beginning of the Year	<u>7,105</u>	<u>55,556</u>	<u>62,661</u>
Net Position - End of the Year	<u><u>\$ 7,127</u></u>	<u><u>\$ 55,729</u></u>	<u><u>\$ 62,856</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 90,240	\$ 1,194,612	\$ 1,241,110	\$ 43,742
<u>Liabilities</u>				
Accounts payable	\$ 2,466	\$ 462,722	\$ 463,213	\$ 1,975
Due to other governments	87,774	731,890	777,897	41,767
Total Liabilities	\$ 90,240	\$ 1,194,612	\$ 1,241,110	\$ 43,742
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 122,143	\$ 25,318,112	\$ 25,363,015	\$ 77,240
<u>Liabilities</u>				
Due to other governments	\$ 122,143	\$ 25,318,112	\$ 25,363,015	\$ 77,240
 <u>TRI-COUNTY SOLID WASTE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 18,159	\$ 255,715	\$ 230,974	\$ 42,900
<u>Liabilities</u>				
Due to other governments	\$ 18,159	\$ 255,715	\$ 230,974	\$ 42,900

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 102</u>	<u>\$ 16,329</u>	<u>\$ 16,091</u>	<u>\$ 340</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 102</u>	<u>\$ 16,329</u>	<u>\$ 16,091</u>	<u>\$ 340</u>
 <u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 124,536</u>	<u>\$ 62,613</u>	<u>\$ 102,980</u>	<u>\$ 84,169</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 124,536</u>	<u>\$ 62,613</u>	<u>\$ 102,980</u>	<u>\$ 84,169</u>
 <u>ECONOMIC DEVELOPMENT</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 52,021</u>	<u>\$ 71,932</u>	<u>\$ 12,907</u>	<u>\$ 111,046</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 52,021</u>	<u>\$ 71,932</u>	<u>\$ 12,907</u>	<u>\$ 111,046</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 407,201	\$ 26,919,313	\$ 26,967,077	\$ 359,437
<u>Liabilities</u>				
Accounts payable	\$ 127,002	\$ 525,335	\$ 566,193	\$ 86,144
Due to other governments	280,199	26,393,978	26,400,884	273,293
Total Liabilities	\$ 407,201	\$ 26,919,313	\$ 26,967,077	\$ 359,437

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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, 2014**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 144,562	\$ -	\$ 144,562
Petty cash and change funds	20	-	20
Accounts receivable	1,321	-	1,321
Due from other governments	22,278	-	22,278
Prepaid items	390	-	390
Total Assets	\$ 168,571	\$ -	\$ 168,571
 <u>Liabilities and Fund Balance/Net Position</u>			
Current liabilities			
Accounts payable	\$ 6,124	\$ -	\$ 6,124
Salaries payable	18,136	-	18,136
Due to other governments	7,337	-	7,337
Unearned revenue	4,791	-	4,791
Compensated absences payable - current	-	7,734	7,734
Noncurrent liabilities			
Compensated absences payable	-	20,911	20,911
Total Liabilities	\$ 36,388	\$ 28,645	\$ 65,033
Fund Balance			
Nonspendable - prepaid items	\$ 390	\$ (390)	
Unassigned	131,793	(131,793)	
Total Fund Balance	\$ 132,183	\$ (132,183)	
Net Position			
Unrestricted		\$ 103,538	103,538
Total Liabilities and Fund Balance/Net Position	\$ 168,571	\$ -	\$ 168,571
 Reconciliation of the General Fund Balance to Net Position			
Fund Balance - General Fund			\$ 132,183
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental fund.			(28,645)
Net Position - Governmental Activities			\$ 103,538

**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, 2014**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 279,141	\$ -	\$ 279,141
Charges for services	86,741	(30,078)	56,663
Gifts and contributions	25,208	-	25,208
Miscellaneous	76,533	-	76,533
Total Revenues	\$ 467,623	\$ (30,078)	\$ 437,545
Expenditures/Expenses			
Current			
Culture and recreation			
County library	419,149	1,300	420,449
Net Change in Fund Balance/Net Position	\$ 48,474	\$ (31,378)	\$ 17,096
Fund Balance/Net Position - January 1	83,709	2,733	86,442
Fund Balance/Net Position - December 31	\$ 132,183	\$ (28,645)	\$ 103,538

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

Net Change in Fund Balance	\$ 48,474
In the funds, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned.	(30,078)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	(1,300)
Change in Net Position of Governmental Activities	\$ 17,096

SCHEDULES

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
County Ditches						
C.D. #1	\$ 5,065	\$ 17,885	\$ 2,384	\$ 90,357	\$ -	\$ 115,691
C.D. #2	22,530	3	7,041	-	-	29,574
C.D. #4A	9,227	-	-	7,644	-	16,871
C.D. #9A	2,605	11	-	724	-	3,340
C.D. #10	294	-	-	5,755	-	6,049
C.D. #11	4,212	2	23,220	5,158	-	32,592
C.D. #12A	5,394	-	-	12,395	-	17,789
C.D. #13A	6,783	-	-	57,500	-	64,283
C.D. #18	6,047	577	29,412	103,562	-	139,598
C.D. #21A	2,961	-	-	-	-	2,961
C.D. #22	4,929	-	28,800	25,710	-	59,439
C.D. #23A	4,711	-	-	57,098	-	61,809
C.D. #24A	8,410	-	-	4,391	-	12,801
C.D. #25A	5,188	-	-	2,715	-	7,903
C.D. #26	4,695	-	-	6,530	-	11,225
C.D. #29	(2,140)	299	40,317	33,727	-	72,203
C.D. #29 Impr. SCHWARTZ	4,999	253	42,797	-	-	48,049
C.D. #30A	4,928	-	-	6,480	-	11,408
C.D. #31A	4,872	-	-	11,142	-	16,014
C.D. #32A	937	45	-	3,759	-	4,741
C.D. #37A	4,449	-	-	2,704	-	7,153
C.D. #38	215	-	-	-	-	215
C.D. #39	15,163	-	3,169	29,003	-	47,335
C.D. #40A	566	-	-	2,119	-	2,685
C.D. #42	3,934	-	-	33,527	-	37,461
C.D. #43	3,247	-	-	15,969	-	19,216
C.D. #44	5,349	-	-	19,389	-	24,738
C.D. #45	4,063	-	-	7,203	-	11,266
C.D. #46	769	-	-	-	-	769
C.D. #47	5,608	-	35,050	-	-	40,658
C.D. #48	458	-	-	929	-	1,387
C.D. #49	29,350	-	13,558	-	-	42,908
C.D. #50	5,085	-	-	20,357	-	25,442
C.D. #54	310	-	-	6,064	-	6,374
C.D. #55	39,442	41	25,819	97,897	-	163,199
C.D. #56	7,038	-	-	-	-	7,038
C.D. #57A	5,166	-	-	12,379	-	17,545
C.D. #58	11,097	-	-	-	-	11,097
C.D. #59	39,777	273	-	-	-	40,050
C.D. #60	1,354	-	-	1,245	-	2,599
C.D. #61	10,080	-	-	-	-	10,080
C.D. #64	21,452	-	-	-	-	21,452
C.D. #65	7,104	-	-	-	-	7,104
C.D. #66	19,752	-	-	-	-	19,752
C.D. #67	97,073	5	-	-	-	97,078
C.D. #61 Outlet Impr	5,050	-	3,650	-	-	8,700
C.D. #70	3,658	-	-	-	-	3,658
Total County Ditches	\$ 453,256	\$ 19,394	\$ 255,217	\$ 683,432	\$ -	\$ 1,411,299

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					
\$ 92	\$ 62,000	\$ -	\$ -	\$ 62,092	\$ -	\$ 53,599	\$ 115,691	
-	-	-	-	-	-	29,574	29,574	
-	-	-	-	-	-	16,871	16,871	
-	-	-	-	-	-	3,340	3,340	
-	-	-	-	-	-	6,049	6,049	
-	16,000	-	-	16,000	-	16,592	32,592	
-	10,000	-	-	10,000	-	7,789	17,789	
7,682	60,000	-	-	67,682	-	(3,399)	64,283	
31,699	210,000	-	-	241,699	-	(102,101)	139,598	
-	-	-	-	-	-	2,961	2,961	
-	57,000	-	-	57,000	-	2,439	59,439	
18,045	11,000	-	-	29,045	-	32,764	61,809	
276	15,000	-	-	15,276	-	(2,475)	12,801	
-	7,000	-	-	7,000	-	903	7,903	
-	5,000	-	-	5,000	-	6,225	11,225	
2,956	226,000	-	-	228,956	-	(156,753)	72,203	
-	47,000	-	-	47,000	-	1,049	48,049	
-	25,000	-	-	25,000	-	(13,592)	11,408	
-	-	-	-	-	-	16,014	16,014	
-	-	-	-	-	-	4,741	4,741	
176	5,000	-	-	5,176	-	1,977	7,153	
-	-	-	-	-	-	215	215	
9	-	-	-	9	-	47,326	47,335	
-	-	-	-	-	-	2,685	2,685	
(117)	31,000	-	-	30,883	-	6,578	37,461	
176	35,000	-	-	35,176	-	(15,960)	19,216	
176	27,000	-	-	27,176	-	(2,438)	24,738	
-	17,000	-	-	17,000	-	(5,734)	11,266	
176	-	-	-	176	-	593	769	
-	35,000	-	-	35,000	-	5,658	40,658	
-	-	-	-	-	-	1,387	1,387	
-	-	-	-	-	-	42,908	42,908	
2,810	41,000	-	-	43,810	-	(18,368)	25,442	
1,376	-	-	-	1,376	-	4,998	6,374	
7,281	-	-	-	7,281	-	155,918	163,199	
-	-	-	-	-	-	7,038	7,038	
8,241	27,000	-	-	35,241	-	(17,696)	17,545	
-	-	-	-	-	-	11,097	11,097	
-	-	-	-	-	-	40,050	40,050	
-	-	-	-	-	-	2,599	2,599	
1,608	-	-	-	1,608	-	8,472	10,080	
-	-	-	-	-	-	21,452	21,452	
-	-	-	-	-	-	7,104	7,104	
-	-	-	-	-	-	19,752	19,752	
-	-	-	-	-	-	97,078	97,078	
-	8,000	-	-	8,000	-	700	8,700	
97,716	84,000	-	-	181,716	-	(178,058)	3,658	
\$ 180,378	\$ 1,061,000	\$ -	\$ -	\$ 1,241,378	\$ -	\$ 169,921	\$ 1,411,299	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
High Island Project						
H.I. Proj. #2	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ 21
H.I. Proj. #5	15	-	-	-	-	15
H.I. Proj. #8	10	-	-	-	-	10
H.I. Proj. #9	10	-	-	-	-	10
H.I. Proj. #10	30,015	-	5,973	-	-	35,988
H.I. Proj. #11	220,545	-	210,902	-	-	431,447
Total High Island Project	\$ 250,616	\$ -	\$ 216,875	\$ -	\$ -	\$ 467,491
Judicial Ditches						
JD #1A S&N	\$ 35,794	\$ 341	\$ -	\$ 28,802	\$ 2,845	\$ 67,782
J.D. #2 SC	4,867	-	3,832	44,036	895	53,630
JD #3 SCM	(3,937)	-	21,536	57,566	36,069	111,234
JD #5 M&S	5,377	-	-	5,595	1,809	12,781
JD #5 S&N	8,072	-	-	-	743	8,815
JD #6A S&N	38,788	-	-	12,488	1,973	53,249
JD #8 S&R	7,770	-	-	-	212	7,982
JD #8 M&S	2,088	-	-	-	861	2,949
JD #11 RSM	(426)	-	-	95,333	178,288	273,195
JD #12 Sibley	5,936	-	-	16,728	-	22,664
JD #13 SRN	5,617	-	-	2,888	2,103	10,608
JD #13 N&S	357	-	-	-	9	366
JD #14 S&N	1,559	-	-	-	1	1,560
JD #15 S&M	5,391	-	-	-	87	5,478
JD #15 R&S	4,618	-	-	2,045	1,273	7,936
JD #15 N&S	2,181	-	-	-	166	2,347
JD #16 N&S	668	-	-	-	74	742
JD #17 S&M	1,326	-	-	-	228	1,554
JD #18 S&M	6,955	-	-	82,158	34,648	123,761
JD #19 S&M	2,997	-	-	9,426	10,680	23,103
JD #20 S&N	(836)	1,858	-	60,485	4,689	66,196
JD #21 S&C	320	-	-	-	255	575
JD #22 S&C	2,208	-	-	-	730	2,938
JD #24 RSM	(1,409)	1,295	-	37,378	100,496	137,760
JD #30 R&S	56	-	-	-	5	61
JD #31 RSN	3,564	-	-	3,540	234	7,338
JD #32 SM	5,063	-	-	-	-	5,063
JD #6 NS	4,884	-	-	1,369	1,560	7,813
JT #1A N&S Impr	1,661	-	-	28,811	31,125	61,597
JT #1 RS	4,128	-	-	-	33	4,161
JT #7 SNR	4,467	-	31,053	-	1,980	37,500
JT #24 CS	207	-	-	-	311	518
JT #7 Lat 17 IMP Berger	4,672	55	77,226	-	-	81,953
JT #5 YAHNKE S&N Impr	23,209	-	56,800	-	-	80,009
Total Judicial Ditches	\$ 188,192	\$ 3,549	\$ 190,447	\$ 488,648	\$ 414,382	\$ 1,285,218
Total All Ditches	\$ 892,064	\$ 22,943	\$ 662,539	\$ 1,172,080	\$ 414,382	\$ 3,164,008
Reconcile to Exhibit 3	-	-	-	-	-	-
Total Modified Accrual	\$ 892,064	\$ 22,943	\$ 662,539	\$ 1,172,080	\$ 414,382	\$ 3,164,008

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					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 21
-	-	-	-	-	-	-	15	15
-	-	-	-	-	-	-	10	10
-	-	-	-	-	-	-	10	10
-	-	-	-	-	-	-	35,988	35,988
-	-	-	445,000	445,000	-	-	(13,553)	431,447
\$ -	\$ -	\$ -	\$ 445,000	\$ 445,000	\$ -	\$ -	\$ 22,491	\$ 467,491
\$ 3,450	\$ -	\$ 1,295	\$ -	\$ 4,745	\$ -	\$ 63,037	\$ 67,782	\$ 67,782
20,716	20,000	-	-	40,716	-	12,914	53,630	53,630
7,945	61,000	11	-	68,956	-	42,278	111,234	111,234
-	25,000	13	-	25,013	-	(12,232)	12,781	12,781
-	-	39	-	39	-	8,776	8,815	8,815
-	-	775	-	775	-	52,474	53,249	53,249
-	-	14,663	-	14,663	-	(6,681)	7,982	7,982
-	-	9,285	-	9,285	-	(6,336)	2,949	2,949
105,016	266,000	16,015	-	387,031	-	(113,836)	273,195	273,195
625	15,000	-	-	15,625	-	7,039	22,664	22,664
-	-	8,780	-	8,780	-	1,828	10,608	10,608
-	-	124	-	124	-	242	366	366
-	-	323	-	323	-	1,237	1,560	1,560
-	-	7	-	7	-	5,471	5,478	5,478
-	5,000	-	-	5,000	-	2,936	7,936	7,936
-	-	430	-	430	-	1,917	2,347	2,347
-	-	153	-	153	-	589	742	742
-	-	215	-	215	-	1,339	1,554	1,554
2,428	58,093	3,722	-	64,243	-	59,518	123,761	123,761
-	18,000	4,447	-	22,447	-	656	23,103	23,103
2,925	66,000	971	-	69,896	-	(3,700)	66,196	66,196
-	-	-	-	-	-	575	575	575
15,374	-	-	-	15,374	-	(12,436)	2,938	2,938
7,157	165,000	9,563	-	181,720	-	(43,960)	137,760	137,760
-	-	-	-	-	-	61	61	61
-	-	6,286	-	6,286	-	1,052	7,338	7,338
11,393	12,000	-	-	23,393	-	(18,330)	5,063	5,063
-	6,000	199	-	6,199	-	1,614	7,813	7,813
-	20,000	12,309	-	32,309	-	29,288	61,597	61,597
-	-	-	-	-	-	4,161	4,161	4,161
117	-	1,624	60,000	61,741	-	(24,241)	37,500	37,500
-	-	-	-	-	-	518	518	518
-	43,000	-	-	43,000	-	38,953	81,953	81,953
-	30,000	-	-	30,000	-	50,009	80,009	80,009
\$ 177,146	\$ 810,093	\$ 91,249	\$ 60,000	\$ 1,138,488	\$ -	\$ 146,730	\$ 1,285,218	\$ 1,285,218
\$ 357,524	\$ 1,871,093	\$ 91,249	\$ 505,000	\$ 2,824,866	\$ -	\$ 339,142	\$ 3,164,008	\$ 3,164,008
-	-	-	(505,000)	(505,000)	1,857,562	(1,352,562)	-	-
\$ 357,524	\$ 1,871,093	\$ 91,249	\$ -	\$ 2,319,866	\$ 1,857,562	\$ (1,013,420)	\$ 3,164,008	\$ 3,164,008

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Appropriations and Shared Revenue				
State				
Highway users tax	\$ 3,786,216	\$ -	\$ 3,786,216	\$ -
Market value credit	192,880	-	192,880	-
PERA rate reimbursement	25,384	-	25,384	-
Disparity reduction aid	54,664	-	54,664	-
County program aid	365,693	-	365,693	-
Police aid	73,621	-	73,621	-
E-911	102,518	-	102,518	-
Petroleum tax relief	2,287	-	2,287	-
SCORE	63,803	-	63,803	-
Aquatic invasive species prevention aid	29,808	-	29,808	-
Total appropriations and shared revenue	\$ 4,696,874	\$ -	\$ 4,696,874	\$ -
Reimbursement for Services				
State				
Minnesota Department of Human Services	\$ 487,398	\$ -	\$ 487,398	\$ -
Payments				
Local				
Local contributions	\$ 750	\$ -	\$ 750	\$ 279,141
Payments in lieu of taxes	46,363	-	46,363	-
Total payments	\$ 47,113	\$ -	\$ 47,113	\$ 279,141
Grants				
State				
Minnesota Department/Board of				
Corrections	\$ 27,618	\$ -	\$ 27,618	\$ -
Transportation	534,534	-	534,534	-
Health	124,310	-	124,310	-
Natural Resources	153,089	-	153,089	-
Human Services	992,469	-	992,469	-
Revenue	3,529	-	3,529	-
Veteran's Affairs	10,000	-	10,000	-
Water and Soil Resources	88,340	-	88,340	-
Peace Officer Standards and Training Board	3,218	-	3,218	-
Pollution Control Agency	19,238	-	19,238	-
Total state	\$ 1,956,345	\$ -	\$ 1,956,345	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*EXHIBIT F-2
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Grants (Continued)				
Federal				
Department of				
Agriculture	\$ 268,090	\$ -	\$ 268,090	\$ -
Transportation	968,234	-	968,234	-
Housing and Urban Development	-	123,643	123,643	-
Education	2,288	-	2,288	-
Health and Human Services	1,203,896	-	1,203,896	-
Homeland Security	25,964	-	25,964	-
Environmental Protection Agency	92,471	-	92,471	-
Total federal	\$ 2,560,943	\$ 123,643	\$ 2,684,586	\$ -
Total state and federal grants	\$ 4,517,288	\$ 123,643	\$ 4,640,931	\$ -
Total Intergovernmental Revenue	\$ 9,748,673	\$ 123,643	\$ 9,872,316	\$ 279,141

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 108,981
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>159,109</u>
Total U.S. Department of Agriculture		<u>\$ 268,090</u>
U.S. Department of Housing and Urban Development		
Direct Section 8 Housing Choice Vouchers	14.871	<u>\$ 123,643</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	<u>\$ 1,052,631</u>
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	<u>\$ 92,471</u>
U.S. Department of Education		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education - Grants for Infants and Families	84.181	<u>\$ 2,288</u>
U.S. Department of Health and Human Services		
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	\$ 3,500
Passed Through Meeker-McLeod-Sibley Community Health Services Public Health Emergency Preparedness	93.069	13,635
Universal Newborn Hearing Screening	93.251	1,250
Immunization Cooperative Agreements	93.268	511
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$133,716)	93.558	16,759
Block Grants for Prevention and Treatment of Substance Abuse (Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$176,223)	93.959	9,985
Maternal and Child Health Services Block Grant to the States	93.994	16,512

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	4,180
Temporary Assistance for Needy Families	93.558	116,957
(Total Temporary Assistance for Needy Families 93.558 \$133,716)		
Child Support Enforcement	93.563	209,271
Refugee and Entrant Assistance - State Administered Programs	93.566	620
Child Care and Development Block Grant	93.575	3,668
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,756
Foster Care - Title IV-E	93.658	104,677
Social Services Block Grant	93.667	91,887
Children's Health Insurance Program	93.767	67
Medical Assistance Program	93.778	441,423
Block Grants for Prevention and Treatment of Substance Abuse	93.959	166,238
(Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$176,223)		
Total U.S. Department of Health and Human Services		\$ 1,203,896
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 281,842
Emergency Management Performance Grants	97.042	25,964
Total U.S. Department of Homeland Security		\$ 307,806
Total Federal Awards		\$ 3,050,825

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Sibley County, it is not intended to and does not present the financial position or changes in net position of Sibley County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,684,586
Grants received more than 60 days after year-end, unavailable in 2014	
Highway Planning and Construction (CFDA #20.205)	84,397
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	281,842
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 3,050,825

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2014.

**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, 2014

	Taxes Levied for Collection					
	2013		2014		2015	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 20,177,043		\$ 24,391,422		\$ 27,681,395	
Personal property	604,616		645,873		1,316,063	
Total Tax Capacity	\$ 20,781,659		\$ 25,037,295		\$ 28,997,458	
Taxes Levied for County Purposes						
General government	\$ 5,240,365	24.585	\$ 5,310,186	20.675	\$ 5,368,773	18.243
Public works	4,032,113	18.917	4,267,587	16.616	4,611,019	15.669
Human services	2,075,110	9.736	2,228,218	8.676	2,443,688	8.304
Debt service	272,500	1.321	248,840	1.000	100,000	0.347
Total Levy for County Purposes	\$ 11,620,088		\$ 12,054,831		\$ 12,523,480	
Less: County program aid	361,661		365,693		249,886	
Net Levy for County Purposes	\$ 11,258,427	54.559	\$ 11,689,138	46.967	\$ 12,273,594	42.563
Tax Capacity - Light and Power						
Transmission lines	\$ 3,728		\$ 3,740		\$ 3,910	
Distribution lines	2,432		8,364		2,562	
Total Tax Capacity - Light and Power	\$ 6,160		\$ 12,104		\$ 6,472	
Tax Levies - Light and Power						
Transmission lines	\$ 3,637	97.560	\$ 3,119	83.389	\$ 3,242	82.904
Distribution lines	2,373	97.560	6,975	83.389	2,124	82.904
Total Tax Levies - Light and Power	\$ 6,010		\$ 10,094		\$ 5,366	
Special Assessments						
Ditch liens and all other assessments	\$ 1,657,526		\$ 1,781,831		\$ 1,697,240	
Percentage of Tax Collections for All Purposes		98.93%		99.02%		

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major programs are:

Highway Planning and Construction	CFDA #20.205
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2001-002

Accounting Policies and Procedures Manual

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

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

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

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

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

Recommendation: We recommend the County Auditor's Office continue its efforts to develop a comprehensive accounting policies and procedures manual including documentation for the internal control systems over receipts, disbursements, payroll, capital assets, journal entries, and budget adjustments. The manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize

its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which level of staff is to perform the procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support of controls.

Client's Response:

Sibley County recognizes the importance and need for internal controls over the account cycles and financial reporting. Sibley County continues to work towards implementing formalized policies and procedures for all accounting functions with limited time and resources.

Finding 2009-001

Assessing and Monitoring Internal Controls

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

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

Context: The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

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

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

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

Client's Response:

Sibley County recognizes the importance for developing and monitoring the internal controls over the various accounting functions. Sibley County continues to work towards implementing formalized policies, procedures and documents assessing risk and monitoring all accounting functions. The Sibley County Auditor continues to assess and monitor the internal controls periodically throughout the year with limited time and resources.

Finding 2011-002

Audit Adjustments

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

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

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

Effect: The following audit adjustments were necessary to be recorded for December 31, 2014:

- An adjustment of \$467,324 was required in the General Fund to properly record the reversing entry for the prior year fair market value adjustment.
- Total adjustments of \$1,305,213 were required in the Public Works Special Revenue Fund to properly record additional amounts due from other governments.
- The Ditch Special Revenue Fund required an adjustment of \$1,136,400 to properly record the reversing entry for the prior year due to other governments.
- An adjustment of \$271,657 was required in the Ditch Special Revenue Fund to reclassify the fund balance for constraints placed on the use of resources.
- An adjustment of \$90,220 was required in the Water Projects Special Revenue Fund to properly record additional grant revenue due to the County at year-end, which was initially recorded as unavailable revenue.

- The Sub-Surface Sewage Treatment System Loans Special Revenue Fund required an adjustment of \$81,442 to correct for a reversing entry which was unnecessary.

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

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements.

Client's Response:

The Sibley County Auditor's Office staff will work to review the County-prepared trial balances and prepare the necessary (if any) adjustments and/or reclassifications so as to ensure the County financial statements reflect the accrual basis of accounting. The audit adjustments will diminish as our new staff becomes more familiar with the financial statements.

PREVIOUSLY REPORTED ITEM RESOLVED

Timeliness of Preparation of Financial Statements (2011-001)

During 2013, there were delays in the preparation of the financial statement information in order to complete the audit before the County's September 30 single audit deadline.

Resolution

In the current year, the financial statement information was provided to the auditors in a timely manner.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2010-002

Ditch Fund Cash Balance Deficits and Fund Balance Deficits

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

Additionally, individual ditch systems should be maintained with a positive fund balance to display solvency. As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

Condition: The County had ditch systems with individual deficit cash balances and individual fund balance deficits at December 31, 2014.

Context: At December 31, 2014, 5 ditch systems had negative cash balances totaling \$8,748, and 21 ditch systems had fund balance deficits totaling \$771,879.

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

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

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

Client's Response:

A philosophy has been established to continue levying on those ditches which are in deficit. There are some expenditures that have been incurred that will not be assessed until the projects are completed. Sibley County will work to levy assessments pursuant to Minnesota statutes, which permit the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Finding 2013-001

Driver Awareness Class

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

The provisions of [Minn. Stat., ch. 169] shall be applicable and uniform throughout this state and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

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

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

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

Context: In the December 1, 2013, letter to State Representative Steve Smith the Minnesota Attorney General specifically addressed the issue of a driver improvement course or clinic in lieu of a ticket or other penalty. After reviewing the state law, the Attorney General concluded: "All such programs, however, require that a *trial court* make the determination as to whether attendance at such a [driver's] clinic is appropriate. We are aware of no express authority for local officials to create a *pretrial* diversion program." (Emphasis is that of the Attorney General.)

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

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

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

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

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

Client's Response:

Sibley County respectfully disagrees with the analysis of the Office of the State Auditor with regard to Sibley County Driver's Awareness Class. Sibley County Driver's Awareness Class does not constitute a traffic regulation, nor can it be construed as an administrative citation. First, the program is not a regulation, as contemplated in Minn. Stat. § 169.022, because it does not mandate or prohibit any conduct other than that provided in statute or ordinance. Second, citations issued by deputies or city law enforcement are not administrative citations pursuant to Minn. Stat. § 169.999, because the citations issued to offenders who do not take advantage of the course will ultimately be filed in the District Court. Third, the order from Judge Fabian, seated in Wabasha County, did not specifically address the Sibley County Driver's Awareness Class. It is our position that the order was limited to the facts of the case litigated there in the Third Judicial District.

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

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

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

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

Finding 2014-001

Ditch Special Revenue Fund Deficit Fund Balance

Criteria: Assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance.

Condition: At December 31, 2014, the assets in the County's Ditch Special Revenue Fund did not exceed liabilities, resulting in a deficit fund balance amount.

Context: At December 31, 2014, the Ditch Special Revenue Fund has a deficit fund balance of \$1,013,420.

Effect: A negative fund balance indicates that measures have not been taken to ensure that the fund can meet current or future financial obligations.

Cause: The client informed us that in recent years, the number of ditch petitions have greatly increased and expensive cleanouts have occurred on ditch systems such as JD #11 RSM and JD #24 RSM. Although the petitions and the maintenance are the financial responsibility of those who benefit from the watershed, this work has been done prior to the landowners being assessed.

Recommendation: We recommend the County eliminate the deficit fund balance in the Ditch Special Revenue Fund.

Client's Response:

Sibley County recognizes the importance of having fund balance available to provide for the repairs and maintenance costs of a county drainage system. The principal understanding is that each drainage system belongs to the property owners located within that watershed. Sibley County Commissioners manage the drainage system in their respected districts though the funds do not belong to the County. Annually, four criteria are used to determine the assessment levy: (1) fund balance, (2) previous expenditures, (3) future expenditures, and (4) outstanding loan balances. Nevertheless, after assessment is levied on a drainage system, culvert, bridge and ditch repairs happen or natural disasters which are unforeseen. These emergency ditch repairs are critical to the operation of a drainage system. Sibley County Commissioners realize Minn. Stat. § 103E.735, subd. 1, gives the authority to establish a fund balance not to excess 20 percent of the assessed

benefits for the drainage system or \$100,000, whichever is larger. Sibley County continues to monitor the fund balances of the drainage systems and work toward eliminating the deficits in the future.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in the Sibley County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 18, 2015. Our report includes references to other auditors who audited the financial statements of Sibley Estates; the Cities of Arlington, Gaylord, Gibbon, Henderson, and Winthrop; and the South Country Health Alliance joint venture as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters. The results of the other auditors' testing of internal control over financial reporting or compliance and other matters are reported on separately by those auditors for Sibley Estates and the Cities of Arlington Gibbon, and Henderson. The financial statements of the Cities of Gaylord and Winthrop and the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-002 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2001-002 and 2009-001 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Other Matters

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

Sibley County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 18, 2015

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

Independent Auditor's Report

Board of County Commissioners
Sibley County
Gaylord, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Sibley County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Sibley County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sibley County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sibley County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Sibley County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Sibley County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 18, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR