

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**SIBLEY COUNTY**  
**GAYLORD, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2010**

## **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, 2010**



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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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GAYLORD, MINNESOTA**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2010**

Office	Name	Term	
		From	To
<b>Commissioners</b>			
1st District	Leo "Lee" Anderly*	January 2003	January 2011
2nd District	William "Bill" Pinske**	January 2003	January 2013
3rd District	Jim Swanson	January 2009	January 2013
4th District	Charles Woehler	January 1993	January 2011
5th District	Harold Pettis	January 1999	January 2013
<b>Officers</b>			
<b>Elected</b>			
Attorney	David Schauer	February 1988	January 2011
Auditor	Lisa Pfarr	January 1999	January 2011
Recorder	Kathy Dietz	February 2005	January 2011
Registrar of Titles	Kathy Dietz	February 2005	January 2011
Sheriff	Bruce Ponath	January 2003	January 2011
Treasurer	Mary Fisher	January 1999	January 2011
<b>Appointed</b>			
Assessor	Calvin Roberts	November 1978	December 2012
Medical Examiner	A. Quinn Strobl, M.D.	March 2010	January 2011
Public Works Director	Darin Mielke	March 2005	April 2014
Surveyor	LeRoy Grewe	November 1978	January 2011
Veterans Services Officer	Lisa Klenk	August 2008	August 2012
Court Administrator	Karen Messner (State)		Indefinite
Court Services Director	Mary Karl (State)		Indefinite
Environmental Services Director	Jeffrey Majeski		Indefinite
Examiner of Titles	Ross Arneson		Indefinite
Emergency Management Director	Tom Phillips		Indefinite
Extension/Economic Development Director	Tim Dolan		Indefinite
Human Resources Director	Roseann Nagel		Indefinite
Human Services Director	Vicki Stock		Indefinite
Information Service Director	Beth Wilson		Indefinite
Public Health Director	Laura Reid (Interim)		Indefinite

\*Chair

\*\*Vice Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Sibley County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sibley County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011, on our consideration of Sibley County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 28, 2011



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010  
(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, 2010. We encourage our readers to consider the information presented here in conjunction with additional information that we have provided in our notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of Sibley County's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$67,760,161, of which \$47,633,847 is invested in capital assets, net of related debt; \$3,105,778 is restricted for specific purposes; and \$17,020,536 is available to spend at the discretion of the County Board.
- Sibley County's net assets increased by \$5,262,388 in 2010. This increase can be attributed to additional capital assets and budgeted savings from operations.
- At the close of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$19,483,113. Of that amount, \$15,546,899, or 79.797 percent, is available for spending at the discretion of the County Board (unreserved fund balance). Of the total unreserved fund balance, \$12,393,318, or 63.611 percent, has been designated for a specific purpose by the County Board.
- At the close of 2010, the unreserved fund balance for the General Fund was \$8,095,575, or 89.098 percent, of the total General Fund expenditures. This amount will be available for 2011 budgeting purposes.
- The net cost of governmental activities in 2010 decreased by \$464,299 from the previous year to \$6,513,295. The net cost was funded by general revenues totaling \$11,775,683.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management Discussion & 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 and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

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

### **Government-Wide Financial Statements**

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

## Reporting the County's Fiduciary Responsibilities

Fiduciary Funds - The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on Exhibits 7 and 8. These activities are excluded from the County's other financial statements because the County cannot use these assets to finance its ongoing operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

## Government-Wide Financial Analysis

A useful tool for analyzing financial statements is by comparing information from the previous years. Sibley County's assets exceeded liabilities by \$67,760,161 at the close of the current fiscal year. Table I shows a two-year Net Asset comparison.

**Table I**  
**Net Assets**

	2010	Restated 2009	\$ Change	% Change
Current and noncurrent assets	\$ 25,591,081	\$ 23,666,344	\$ 1,924,737	8.133
Capital assets	49,840,002	46,120,873	3,719,129	8.064
Total Assets	\$ 75,431,083	\$ 69,787,217	\$ 5,643,866	8.087
Long-term debt outstanding	\$ 4,871,043	\$ 4,923,624	\$ (52,581)	(1.068)
Other liabilities	2,799,879	2,365,820	434,059	18.347
Total Liabilities	\$ 7,670,922	\$ 7,289,444	\$ 381,478	5.233
Net Assets				
Invested in capital assets - net of related debt	\$ 47,633,847	\$ 43,652,885	\$ 3,980,962	9.120
Restricted	3,105,778	2,768,547	337,231	12.181
Unrestricted	17,020,536	16,076,341	944,195	5.873
Total Net Assets	\$ 67,760,161	\$ 62,497,773	\$ 5,262,388	8.420

Capital assets - net of related debt (land, building, machinery and equipment, improvements other than buildings, and construction in progress, less any related debt used to acquire these assets still outstanding) at the end of the current fiscal year were \$47,633,847. This represents 70.298 percent of total net assets. Sibley County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, though, that these assets are reported net of related debt, and other resources are needed to repay this debt, since the capital assets themselves cannot be used to liquidate these liabilities.

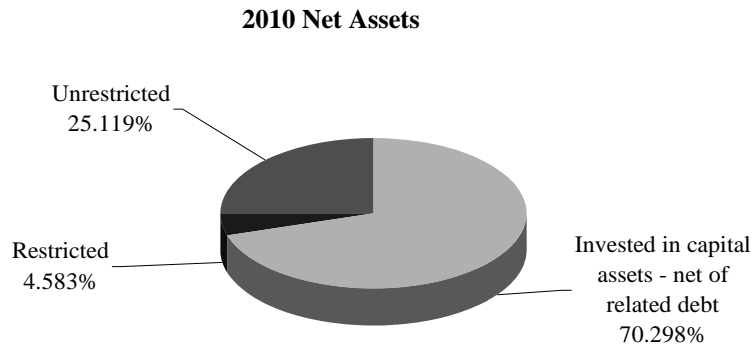
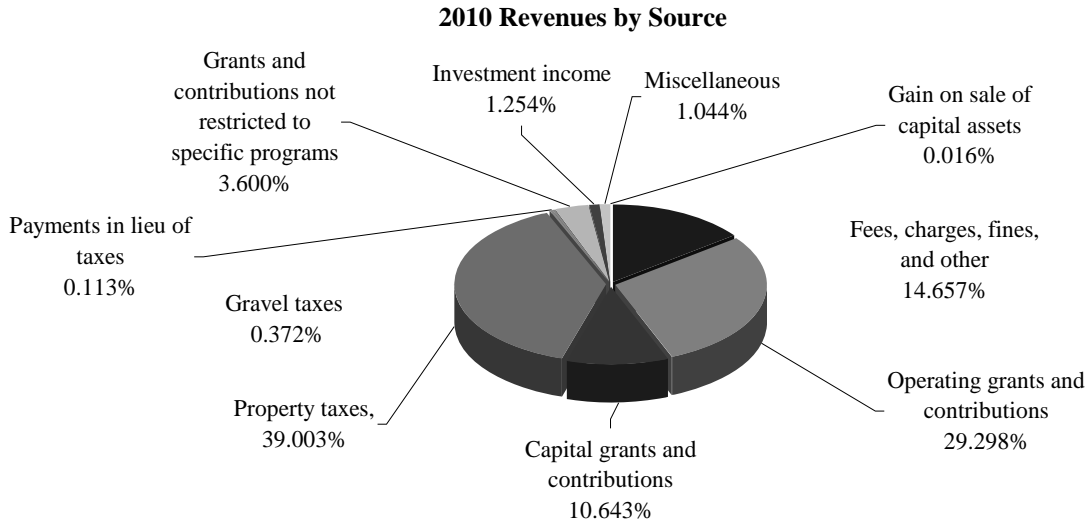
An additional part of Sibley County's net assets represents resources/assets subject to external restrictions on how they may be used. At the end of the current fiscal year, the County's restricted assets were \$3,105,778; this is a \$337,231 increase from 2009. The remaining unrestricted net assets of \$17,020,536 may be used to meet the County's ongoing obligations to citizens and creditors.

Sibley County's net assets increased \$5,262,388, or 8.420 percent, from 2009; this increase can be attributed to an increase in infrastructure (roads and bridges) of about \$4.0 million as well as budget savings from the two major funds. Table II illustrates the change in net assets:

**Table II**  
**Change in Net Assets**

	2010	Restated 2009	\$ Change	% Change
<b>Revenues</b>				
Program revenues				
Fees, fines, and charges	\$ 3,801,582	\$ 2,940,910	\$ 860,672	29.265
Operating grants and contributions	7,599,085	8,421,059	(821,974)	(9.761)
Capital grants and contributions	2,760,526	301,239	2,459,287	816.391
General revenues				
Property taxes	10,116,060	9,912,479	203,581	2.054
Gravel taxes	96,407	81,812	14,595	17.840
Payments in lieu of tax	29,380	16,310	13,070	80.135
Grants and contributions not restricted to specific programs	933,690	1,434,656	(500,966)	(34.919)
Investment income	325,318	405,706	(80,388)	(19.814)
Miscellaneous	270,804	232,787	38,017	16.331
Gain on sale of capital assets	4,024	56,433	(52,409)	(92.869)
<b>Total Revenues</b>	<b>\$ 25,936,876</b>	<b>\$ 23,803,391</b>	<b>\$ 2,133,485</b>	<b>8.963</b>
<b>Expenses</b>				
Governmental activities				
General government	\$ 3,461,384	\$ 3,494,742	\$ (33,358)	(0.955)
Public safety	2,652,977	2,341,932	311,045	13.282
Highways and streets	5,849,324	4,378,243	1,471,081	33.600
Sanitation	427,878	489,027	(61,149)	(12.504)
Human services	4,042,266	4,313,228	(270,962)	(6.282)
Health	1,615,915	1,659,459	(43,544)	(2.624)
Culture and recreation	626,782	322,253	304,529	94.500
Conservation of natural resources	1,609,783	1,272,824	336,959	26.473
Economic development	245,060	180,680	64,380	35.632
Interest	143,119	161,673	(18,554)	(11.476)
<b>Total Expenses</b>	<b>\$ 20,674,488</b>	<b>\$ 18,614,061</b>	<b>\$ 2,060,427</b>	<b>11.069</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 5,262,388</b>	<b>\$ 5,189,330</b>	<b>\$ 73,058</b>	<b>1.408</b>
Net Assets - Beginning January 1 - Restated	62,497,773	57,308,443	5,189,330	9.055
<b>Net Assets - Ending December 31</b>	<b>\$ 67,760,161</b>	<b>\$ 62,497,773</b>	<b>\$ 5,262,388</b>	<b>8.420</b>

The County's expenses increased \$2,060,427, or 11.069 percent, from 2009. This increase is mainly a result of increased spending on highways and streets and culture and recreation. Sibley County expects highway and street expense to decrease in the next fiscal year. The following tables represent the 2010 revenues by revenue source and net assets.



**GOVERNMENTAL ACTIVITIES**

As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$6,513,295 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.

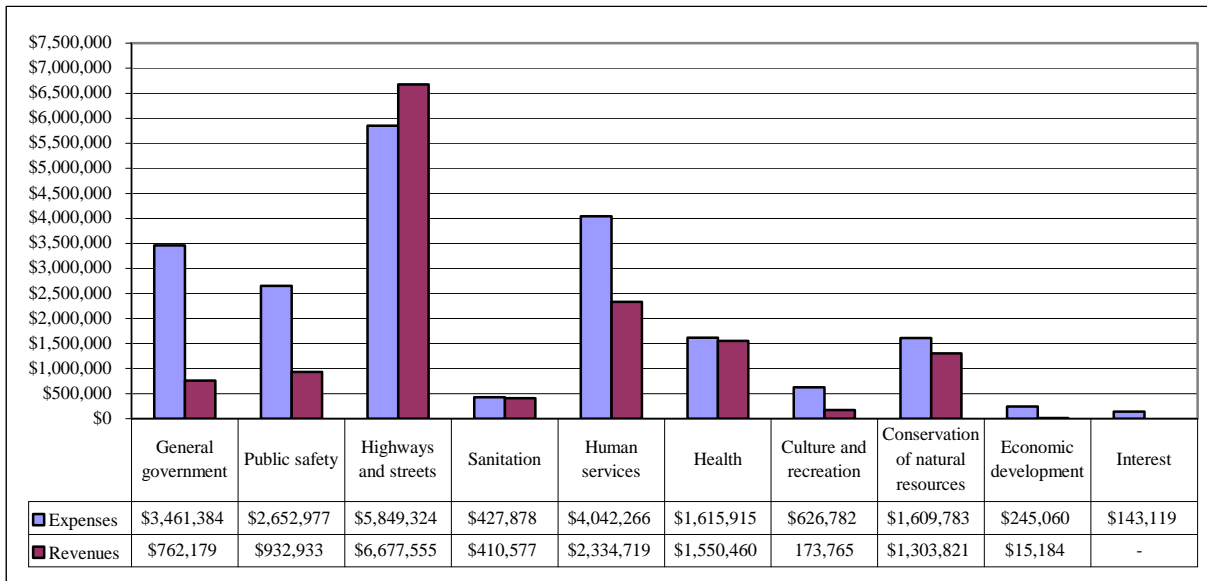


Table III represents the cost of each of the County’s program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table III  
Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2010	2009	\$ Change	2010	2009	\$ Change
<b>Expenses</b>						
<b>Governmental activities</b>						
General government	\$ 3,461,384	\$ 3,494,742	\$ (33,358)	\$ 2,699,205	\$ 2,802,847	\$ (103,642)
Public safety	2,652,977	2,341,932	311,045	1,720,044	737,388	982,656
Highways and streets	5,849,324	4,378,243	1,471,081	(828,231)	459,306	(1,287,537)
Sanitation	427,878	489,027	(61,149)	17,301	(41,615)	58,916
Human services	4,042,266	4,313,228	(270,962)	1,707,547	1,823,230	(115,683)
Health	1,615,915	1,659,459	(43,544)	65,455	195,428	(129,973)
Culture and recreation	626,782	322,253	304,529	453,017	322,253	130,764
Conservation of natural resources	1,609,783	1,272,824	336,959	305,962	347,179	(41,217)
Economic development	245,060	180,680	64,380	229,876	169,905	59,971
Interest	143,119	161,673	(18,554)	143,119	161,673	(18,554)
<b>Total Expenses</b>	<b>\$ 20,674,488</b>	<b>\$ 18,614,061</b>	<b>\$ 2,060,427</b>	<b>\$ 6,513,295</b>	<b>\$ 6,977,594</b>	<b>\$ (464,299)</b>

**2010 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, unreserved balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

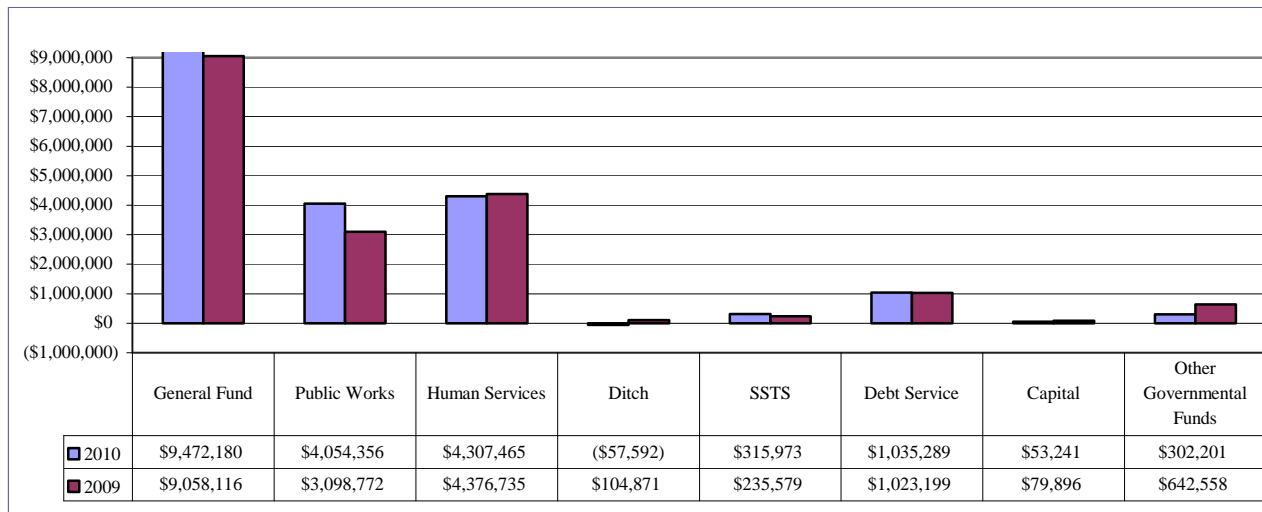
As of the end of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$19,483,113. This is an increase of \$1,177,613 in comparison to the prior fiscal year. Of the \$19,483,113 total fund balances, \$15,546,899 constitutes unreserved fund balances, which are available for spending at the government's discretion. Of the \$15,546,899, \$12,393,318 has been designated to be spent on a specific purpose/project by the County Board. The remaining \$3,153,581 fund balance is reserved for specific purposes and programs and is not available for new spending.

The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unreserved fund balance of the General Fund was \$8,095,575 (or 85.467 percent of the total General Fund's fund balance), and reserved fund balance was \$1,376,605 (14.533 percent of the total General Fund's fund balance). As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 89.098 percent of the total General Fund expenditures of \$9,086,124, while total fund balance represents 104.249 percent of that same amount.

The Public Works Special Revenue Fund had a total fund balance of \$4,054,356 at the end of 2010. The increase of \$955,584 is, in part, due to the increased intergovernmental revenue from the state, as well as plans to improve cash flows.

The Human Services Special Revenue Fund had a total fund balance of \$4,307,465 at the end of the current fiscal year. This is a decrease of \$69,270 due in parts to the use of fund balance to balance the 2010 budget.

**Governmental Funds - Fund Balance**



**GENERAL FUND BUDGETARY HIGHLIGHTS**

The actual revenues exceeded budgeted revenues by \$615,551, and actual expenditures were less than expected by \$524,587.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

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

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

	Governmental Activities			% Change
	2010	2009	\$ Change	
Land	\$ 1,473,195	\$ 1,448,281	\$ 24,914	1.720
Construction in progress	160,862	-	160,862	100.000
Infrastructure	40,702,742	36,861,455	3,841,287	10.421
Buildings	5,477,414	5,558,232	(80,818)	(1.454)
Machinery, vehicles, and equipment	2,009,254	2,233,675	(224,421)	(10.047)
Improvements other than buildings	16,535	19,230	(2,695)	(14.015)
<b>Total Capital Assets</b>	<b>\$ 49,840,002</b>	<b>\$ 46,120,873</b>	<b>\$ 3,719,129</b>	<b>8.064</b>

The County's investment in capital assets for its governmental activities as of December 31, 2010, was \$49,840,002 (net of accumulated depreciation). This investment in capital assets includes a broad range of capital assets including, but not limited to, land, buildings, highways and streets, furniture, and equipment. The total increase in the County's investment in capital assets net of accumulated depreciation, for the current fiscal year was 8.064 percent, or \$3,719,129. The most significant increase in capital assets was in the area of infrastructure. The 2010 increase amounted to about \$3.84 million, about a 10.421 percent increase.

### Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$5,425,839 versus \$5,549,327 last year--a decrease of 2.225 percent--as shown in Table V.

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

	2010	2009	\$ Change
Bonds payable			
General obligation capital improvement bonds	\$ 2,295,000	\$ 2,530,000	\$ (235,000)
Special assessment debt with governmental commitment	730,000	785,000	(55,000)
Revenue notes	98,300	103,300	(5,000)
Less: unamortized discounts	(35,604)	(39,082)	3,478
<b>Total bonds and notes payable</b>	<b>\$ 3,087,696</b>	<b>\$ 3,379,218</b>	<b>\$ (291,522)</b>
MnPCA Loans	1,244,060	1,057,373	186,687
Compensated absences	995,963	1,040,380	(44,417)
Net OPEB obligation	98,120	72,356	25,764
<b>Long-Term Liabilities</b>	<b>\$ 5,425,839</b>	<b>\$ 5,549,327</b>	<b>\$ (123,488)</b>

The County maintains a general obligation bond rating of “A3”. 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 2010, the taxable market value was \$2,305,902,000 and, in 2009, the amount was \$2,018,265,400. The County’s outstanding net debt of \$5,425,839 is significantly below the state-imposed limit of \$69,177,060.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$34,710 outstanding at year-end compared with \$83,450 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 2011 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 2011 state aid cuts with little mandate relief will put significant pressure on Sibley County’s 2011 budget and beyond.
- For fiscal year 2011, Sibley County’s total taxable market value is \$2,364,575,200. This is an increase of \$58,673,200, or 2.544 percent, over the 2010 total taxable market value of \$2,305,902,000. 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 is currently 6.3 percent. Sibley County’s unemployment rate is slightly lower than the state unemployment rate of 7.4 percent.
- On December 28, 2010, the Sibley County Board of Commissioners approved the 2011 budget for \$22,386,905. The 2011 total levy is \$10,975,526, and the total net tax levy was \$10,825,411, which is a decrease of \$58,707 compared to the 2010 total net tax levy of \$10,884,118. The 2011 budget includes a zero percent overall property tax levy increase.
- In 2011, the County Board approved the integration of Public Health and Human Services Special Revenue Funds into one fund. The new name of the fund is now Sibley County Public Health and Human Services Special Revenue Fund.
- In 2012, Sibley County is expecting to invest in the Allied Radio Matrix for Emergency Response (ARMER) system. The ARMER system is a robust, scalable, state-of-the-art system that will be capable of serving the radio communications needs for every city, county, state agency, tribal government, and nongovernment public safety entity operating in the state. The County is currently considering different financing options such as bonding, use of fund balance, and/or using restricted funds to fund this project.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<b>Primary Government Governmental Activities</b>	<b>Sibley County Library System Component Unit</b>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and pooled investments	\$ 18,240,444	\$ 105,609
Petty cash and change funds	6,150	20
Departmental cash	43,559	-
Cash with fiscal agent	641,053	-
Investments	-	2,670
Taxes receivable		
Prior - net	234,466	-
Special assessments receivable		
Prior - net	16,659	-
Noncurrent - net	2,727,236	-
Accounts receivable - net	102,467	677
Accrued interest receivable	77,981	-
Due from other governments	1,663,678	29,474
Loans receivable	109,941	-
Inventories	802,939	-
Prepaid items	7,396	1,426
<b>Noncurrent assets</b>		
Advance to other governments	190,370	-
Advance to other agencies	25,000	-
Deferred charges	20,871	-
Long-term receivables	115,482	-
Investment in joint venture	565,389	-
<b>Capital assets</b>		
Non-depreciable	1,634,057	-
Depreciable - net of accumulated depreciation	48,205,945	-
<b>Total Assets</b>	<b>\$ 75,431,083</b>	<b>\$ 139,876</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<b>Primary Government Governmental Activities</b>	<b>Sibley County Library System Component Unit</b>
<b><u>Liabilities</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 760,690	\$ 7,214
Salaries payable	448,961	17,794
Contracts payable	21,914	-
Due to other governments	303,179	15,325
Accrued interest payable	43,839	-
Claims payable	34,710	-
Unearned revenue	631,790	-
Compensated absences payable - current	268,910	9,189
General obligation bonds payable - current	175,000	-
General obligation special assessment debt payable - current	55,000	-
Revenue notes payable - current	5,000	-
MnPCA loans payable - current	50,886	-
<b>Noncurrent liabilities</b>		
Compensated absences payable	727,053	24,844
General obligation bonds payable	2,084,396	-
General obligation special assessment debt payable	675,000	-
Revenue notes payable	93,300	-
MnPCA loans payable	1,193,174	-
Net OPEB obligation	98,120	-
<b>Total Liabilities</b>	<b>\$ 7,670,922</b>	<b>\$ 74,366</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 47,633,847	\$ -
Restricted for		
General government	659,423	-
Public safety	498,989	-
Highways and streets	124,929	-
Culture and recreation	49,693	-
Sanitation	479,093	-
Conservation of natural resources	80,917	-
Economic development	221,284	-
Debt service	991,450	-
Unrestricted	17,020,536	65,510
<b>Total Net Assets</b>	<b>\$ 67,760,161</b>	<b>\$ 65,510</b>

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Governmental activities</b>		
General government	\$ 3,461,384	\$ 646,195
Public safety	2,652,977	195,477
Highways and streets	5,849,324	478,278
Sanitation	427,878	410,577
Human services	4,042,266	330,661
Health	1,615,915	465,796
Culture and recreation	626,782	173,765
Conservation of natural resources	1,609,783	1,094,992
Economic development	245,060	5,841
Interest	143,119	-
<b>Total</b>	<b>\$ 20,674,488</b>	<b>\$ 3,801,582</b>
<b>Component Unit</b>		
Sibley County Library System	<b>\$ 462,553</b>	<b>\$ 179,781</b>

**General Revenues**

Property taxes  
Gravel taxes  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Investment income  
Miscellaneous  
Gain on sale of capital assets

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning, restated**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Sibley County Library System Component Unit</b>
\$ 115,984	\$ -	\$ (2,699,205)	
737,456	-	(1,720,044)	
3,438,751	2,760,526	828,231	
-	-	(17,301)	
2,004,058	-	(1,707,547)	
1,084,664	-	(65,455)	
-	-	(453,017)	
208,829	-	(305,962)	
9,343	-	(229,876)	
-	-	(143,119)	
<b>\$ 7,599,085</b>	<b>\$ 2,760,526</b>	<b>\$ (6,513,295)</b>	
<b>\$ 293,793</b>	<b>\$ -</b>		<b>\$ 11,021</b>
		\$ 10,116,060	\$ -
		96,407	-
		29,380	-
		933,690	-
		325,318	-
		270,804	-
		4,024	-
		<b>\$ 11,775,683</b>	<b>\$ -</b>
		<b>\$ 5,262,388</b>	<b>\$ 11,021</b>
		<b>62,497,773</b>	<b>54,489</b>
		<b>\$ 67,760,161</b>	<b>\$ 65,510</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>General</b>	<b>Public Works</b>	<b>Human Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 8,810,497	\$ 2,874,979	\$ 4,392,991
Petty cash and change funds	6,150	-	-
Departmental cash	28,989	-	-
Cash with fiscal agent	641,053	-	-
Taxes receivable			
Delinquent	118,305	65,935	40,408
Special assessments receivable			
Delinquent	7,632	-	-
Noncurrent	-	-	-
Accounts receivable	1,873	27,041	23,671
Accrued interest receivable	77,981	-	-
Due from other funds	121,157	4,909	944
Due from other governments	191,143	1,088,078	234,481
Loans receivable	-	-	-
Inventories	-	802,939	-
Prepaid items	5,380	952	1,064
Advances to other governments	190,370	-	-
Advances to other agencies	-	-	-
Long-term receivables	115,482	-	-
	<b>\$ 10,316,012</b>	<b>\$ 4,864,833</b>	<b>\$ 4,693,559</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 176,634	\$ 304,176	\$ 188,570
Salaries payable	256,598	88,610	101,451
Contracts payable	-	21,914	-
Due to other funds	5,605	200	691
Due to other governments	124,684	61,869	54,974
Deferred revenue - unavailable	141,503	333,708	40,408
Deferred revenue - unearned	104,098	-	-
Claims payable	34,710	-	-
	<b>\$ 843,832</b>	<b>\$ 810,477</b>	<b>\$ 386,094</b>

**EXHIBIT 3**

<b>Ditch</b>	<b>Sub-Surface Sewage Treatment System Loans</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 65,055	\$ 303,959	\$ 1,035,289	\$ 53,241	\$ 704,433	\$ 18,240,444
-	-	-	-	-	6,150
14,570	-	-	-	-	43,559
-	-	-	-	-	641,053
-	-	9,818	-	-	234,466
5,193	3,834	-	-	-	16,659
1,639,295	1,087,941	-	-	-	2,727,236
49,882	-	-	-	-	102,467
-	-	-	-	-	77,981
-	-	-	-	-	127,010
137,962	12,014	-	-	-	1,663,678
-	-	-	-	109,941	109,941
-	-	-	-	-	802,939
-	-	-	-	-	7,396
-	-	-	-	-	190,370
-	-	-	-	25,000	25,000
-	-	-	-	-	115,482
<b>\$ 1,911,957</b>	<b>\$ 1,407,748</b>	<b>\$ 1,045,107</b>	<b>\$ 53,241</b>	<b>\$ 839,374</b>	<b>\$ 25,131,831</b>
\$ 91,252	\$ -	\$ -	\$ -	\$ 58	\$ 760,690
-	-	-	-	2,302	448,961
-	-	-	-	-	21,914
118,484	-	-	-	2,030	127,010
56,561	-	-	-	5,091	303,179
1,703,252	1,091,775	9,818	-	-	3,320,464
-	-	-	-	527,692	631,790
-	-	-	-	-	34,710
<b>\$ 1,969,549</b>	<b>\$ 1,091,775</b>	<b>\$ 9,818</b>	<b>\$ -</b>	<b>\$ 537,173</b>	<b>\$ 5,648,718</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>(Continued)</b>			
<b>Fund Balances</b>			
Reserved for			
Prepaid items	\$ 5,380	\$ 952	\$ 1,064
Law library	28,675	-	-
Recorder's equipment	127,958	-	-
Juvenile restitution	13,616	-	-
Inventories	-	802,939	-
Gravel pit closure	-	107,407	-
Advances to other governments	190,370	-	-
Encumbrances	-	17,522	-
Loans receivable	-	-	-
Economic development revolving loans receivable	115,482	-	-
Sheriff's contingency	12,311	-	-
County attorney contingency	17,314	-	-
Conceal & carry	3,828	-	-
Alcohol education	22,845	-	-
Land records technology	113,130	-	-
Economic development revolving loan Fund	-	-	-
Attorney's forfeited property	33,973	-	-
Tobacco ordinance	3,925	-	-
County parks improvements	49,693	-	-
HAVA grant	16,884	-	-
Enhanced 911	456,080	-	-
SCORE	163,120	-	-
Shoreland ordinance	2,021	-	-
Debt service	-	-	-
Sub-surface sewage treatment system loan program	-	-	-
Federal Lands	-	-	-
Unreserved			
Designated for capital improvement	112,000	-	-
Designated for cash flows	4,766,252	2,602,495	4,306,401
Designated for petty cash and change funds	6,150	-	-
Designated for future expenditures	-	373,041	-
Designated for capital equipment	-	150,000	-
Undesignated	3,211,173	-	-
Unreserved, reported in nonmajor special revenue funds	-	-	-
<b>Total Fund Balances</b>	<b>\$ 9,472,180</b>	<b>\$ 4,054,356</b>	<b>\$ 4,307,465</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,316,012</b>	<b>\$ 4,864,833</b>	<b>\$ 4,693,559</b>

**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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,396
-	-	-	-	-	28,675
-	-	-	-	-	127,958
-	-	-	-	-	13,616
-	-	-	-	-	802,939
-	-	-	-	-	107,407
-	-	-	-	25,000	215,370
-	-	-	-	-	17,522
-	-	-	-	109,941	109,941
-	-	-	-	-	115,482
-	-	-	-	-	12,311
-	-	-	-	-	17,314
-	-	-	-	-	3,828
-	-	-	-	-	22,845
-	-	-	-	-	113,130
-	-	-	-	62,605	62,605
-	-	-	-	-	33,973
-	-	-	-	-	3,925
-	-	-	-	-	49,693
-	-	-	-	-	16,884
-	-	-	-	-	456,080
-	-	-	-	-	163,120
-	-	-	-	-	2,021
-	-	1,035,289	-	-	1,035,289
-	315,973	-	-	-	315,973
-	-	-	-	80,917	80,917
-	-	-	53,241	-	165,241
-	-	-	-	-	11,675,148
-	-	-	-	-	6,150
-	-	-	-	-	373,041
-	-	-	-	-	150,000
(57,592)	-	-	-	-	3,153,581
-	-	-	-	23,738	23,738
<u>\$ (57,592)</u>	<u>\$ 315,973</u>	<u>\$ 1,035,289</u>	<u>\$ 53,241</u>	<u>\$ 302,201</u>	<u>\$ 19,483,113</u>
<u>\$ 1,911,957</u>	<u>\$ 1,407,748</u>	<u>\$ 1,045,107</u>	<u>\$ 53,241</u>	<u>\$ 839,374</u>	<u>\$ 25,131,831</u>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010**

<b>Fund balance - total governmental funds (Exhibit 3)</b>		<b>\$ 19,483,113</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		49,840,002
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		565,389
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,320,464
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
General obligation bonds, net of discounts	\$ (2,989,396)	
Revenue notes payable	(98,300)	
MnPCA loans payable	(1,244,060)	
Compensated absences	(995,963)	
Net OPEB obligation	(98,120)	
Accrued interest payable	(43,839)	
Deferred debt issuance charges	20,871	
	(5,448,807)	(5,448,807)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 67,760,161</u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 5,226,300	\$ 2,955,604	\$ 1,687,264
Special assessments	132,713	-	-
Licenses and permits	24,955	-	-
Intergovernmental	1,972,770	7,012,535	2,161,982
Charges for services	1,326,415	129,644	182,873
Fines and forfeits	6,850	-	-
Gifts and contributions	1,893	-	-
Investment earnings	356,563	-	-
Miscellaneous	441,877	430,337	147,788
<b>Total Revenues</b>	<b>\$ 9,490,336</b>	<b>\$ 10,528,120</b>	<b>\$ 4,179,907</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 3,301,465	\$ -	\$ -
Public safety	2,530,057	-	-
Highways and streets	-	9,021,437	-
Sanitation	160,612	-	-
Human services	-	-	4,243,929
Health	1,606,840	-	-
Culture and recreation	625,855	-	-
Conservation of natural resources	389,763	-	-
Economic development	213,194	-	-
Capital outlay	258,338	313,611	5,248
Intergovernmental	-	242,527	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 9,086,124</b>	<b>\$ 9,577,575</b>	<b>\$ 4,249,177</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 404,212</b>	<b>\$ 950,545</b>	<b>\$ (69,270)</b>
<b>Other Financing Sources (Uses)</b>			
Loans issued	\$ -	\$ -	\$ -
Proceeds from the sale of capital assets	9,852	11,906	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 9,852</b>	<b>\$ 11,906</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 414,064</b>	<b>\$ 962,451</b>	<b>\$ (69,270)</b>
<b>Fund Balance - January 1, restated</b>	<b>9,058,116</b>	<b>3,098,772</b>	<b>4,376,735</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(6,867)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,472,180</b>	<b>\$ 4,054,356</b>	<b>\$ 4,307,465</b>



**EXHIBIT 5**

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 319,362	\$ -	\$ -	\$ 10,188,530
756,306	175,313	-	-	-	1,064,332
-	-	-	-	-	24,955
79,936	-	17,614	-	203,990	11,448,827
66,126	-	-	-	92	1,705,150
-	-	-	-	-	6,850
-	-	-	-	13,600	15,493
-	-	-	-	5,195	361,758
12,827	-	-	-	5,695	1,038,524
<b>\$ 915,195</b>	<b>\$ 175,313</b>	<b>\$ 336,976</b>	<b>\$ -</b>	<b>\$ 228,572</b>	<b>\$ 25,854,419</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,301,465
-	-	-	-	-	2,530,057
-	-	-	-	-	9,021,437
-	267,100	-	-	-	427,712
-	-	-	-	-	4,243,929
-	-	-	-	-	1,606,840
-	-	-	-	-	625,855
981,664	-	-	-	222,837	1,594,264
-	-	-	-	31,866	245,060
-	-	-	26,655	-	603,852
-	-	-	-	-	242,527
55,000	59,055	235,000	-	-	349,055
39,874	9,506	89,461	-	-	138,841
1,120	-	425	-	-	1,545
<b>\$ 1,077,658</b>	<b>\$ 335,661</b>	<b>\$ 324,886</b>	<b>\$ 26,655</b>	<b>\$ 254,703</b>	<b>\$ 24,932,439</b>
<b>\$ (162,463)</b>	<b>\$ (160,348)</b>	<b>\$ 12,090</b>	<b>\$ (26,655)</b>	<b>\$ (26,131)</b>	<b>\$ 921,980</b>
\$ -	\$ 240,742	\$ -	\$ -	\$ -	\$ 240,742
-	-	-	-	-	21,758
<b>\$ -</b>	<b>\$ 240,742</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 262,500</b>
\$ (162,463)	\$ 80,394	\$ 12,090	\$ (26,655)	\$ (26,131)	\$ 1,184,480
104,871	235,579	1,023,199	79,896	328,332	18,305,500
-	-	-	-	-	(6,867)
<b>\$ (57,592)</b>	<b>\$ 315,973</b>	<b>\$ 1,035,289</b>	<b>\$ 53,241</b>	<b>\$ 302,201</b>	<b>\$ 19,483,113</b>

**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, 2010**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,184,480**

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, distributions of joint venture equity interest are reported as revenue. In the statement of net assets, an asset is reported for the equity interest, and distributions, increases, and decreases in joint venture equity are reported in the statement of activities. The adjustment is the increase or decrease in equity in the joint venture. 225,580

In the funds, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 3,320,464	
Deferred revenue - January 1	<u>(3,304,631)</u>	15,833

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

Expenditures for general capital assets	\$ 5,935,705	
Net book value of disposed assets	(13,527)	
Current year depreciation	<u>(2,203,049)</u>	3,719,129
 New borrowing on MnCPA loans		 (240,742)
 Repayment of debt principal - general obligation bonds		 349,055

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

Change in accrued interest payable	\$ 3,564	
Change in deferred charges	(2,819)	
Amortization of bond discounts	(3,478)	
Change in compensated absences	44,417	
Net OPEB obligation	(25,764)	
Change in inventories	<u>(6,867)</u>	<u>9,053</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 5,262,388**

**FIDUCIARY FUNDS**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010**

	<b>Private-Purpose Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 23,620	\$ 281,074
Investments	37,837	-
Accrued interest	215	-
	<b>\$ 61,672</b>	<b>\$ 281,074</b>
<b>Total Assets</b>	<b>\$ 61,672</b>	<b>\$ 281,074</b>
 <b><u>Liabilities</u></b>		
Cash overdraft	\$ -	\$ 21,280
Accounts payable	-	70,900
Due to other governments	-	210,174
Deferred revenue - unavailable	11	-
	<b>\$ 11</b>	<b>\$ 302,354</b>
<b>Total Liabilities</b>	<b>\$ 11</b>	<b>\$ 302,354</b>
 <b><u>Net Assets</u></b>		
Net assets, held in trust	<b>\$ 61,661</b>	

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Interest	\$ 837
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<u>1,336</u>
<b>Change in Net Assets</b>	<b>\$ (499)</b>
<b>Net Assets - Beginning of the Year</b>	<b><u>62,160</u></b>
<b>Net Assets - End of the Year</b>	<b><u><u>\$ 61,661</u></u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

The Public Works Special Revenue Fund is used to account for revenues and expenditures of the County's Public Works Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County infrastructure.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining the agricultural drainage ditch system. Financing is provided through special assessments levied against benefited properties.

The Sub-Surface Sewage Treatment System Loans Special Revenue Fund is used to account for loans provided to private landowners for installation and replacement of individual sewage treatment systems or mound systems. This is a program supported by the Minnesota Pollution Control Agency and Minnesota Department of Agriculture.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities in the County.

Additionally, the County reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Sibley County considers property taxes and special assessments to be available if collected within 60 days of the end of the current period. Sibley County considers licenses, interest, and all other revenues susceptible to accrual as available if collected within 90 days after the end of the current period. Expenditures are recorded when the related fund liability is

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. In 2010, the County recorded total investments earnings of \$361,758. Total pooled investments earnings in the General Fund were \$356,563.

Sibley County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2A-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund receivables/interfund payables."

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

When appropriate, all receivables are shown net of an allowance for uncollectible.

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including all cities, townships, schools, and special taxing districts within the County. Property taxes are levied as of January 1 on property values assessed as of the same date by the County Assessor. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

All inventories 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.

4. Capital Assets

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

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	35 - 75
Infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 15

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation pay and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee retirements and resignations.

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

6. Long-Term Obligations

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Long-Term Obligations (Continued)

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

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change through County Board action and approval.

8. Use of Estimates

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

E. Revenues

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues (Continued)

1. Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on non-governmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied. Fines and penalties and property forfeitures are recognized in the period received.

2. Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments or unallotments for highway maintenance and construction are recognized as revenue in the year of allotment.

3 Exchange Transactions

Special assessments levied against benefiting properties are recognized when levied. Other revenues, such as licenses and permits, charges for services, and investment income, are recognized as revenue when earned.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Ditch Special Revenue Fund Equity

On the full accrual basis of accounting, 14 of the 92 drainage systems have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance as of December 31, 2010, using the full accrual basis of accounting.

Account balances	\$ 1,243,856
Account deficits	<u>(328,196)</u>
Fund Balance - Accrual Basis	<u>\$ 915,660</u>

Using the modified accrual basis of accounting, noncurrent receivables and bonds payable do not affect fund balance. Noncurrent receivables are deferred, and bonds payable are not reported. Using this basis of accounting, 38 ditches had fund deficits.

Account balances	\$ 179,295
Account deficits	<u>(236,887)</u>
Fund Balance - Modified Accrual Basis	<u>\$ (57,592)</u>

B. Prior Period Adjustment

Fund balance at January 1, 2010, for the Water Projects Nonmajor Special Revenue Fund was restated to reflect a correction of revenue recognition.

Balance January 1, 2010	\$ 314,226
Prior period adjustment for revenue recognition	<u>(314,226)</u>
Balance January 1, 2010, restated	<u>\$ -</u>

Net assets at January 1, 2010, for the governmental activities were also restated to reflect a correction of revenue recognition.

Balance January 1, 2010	\$ 62,811,999
Prior period adjustment for revenue recognition	<u>(314,226)</u>
Balance January 1, 2010, restated	<u>\$ 62,497,773</u>



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds		
Cash and pooled investments	\$	18,240,444
Petty cash and change funds		6,150
Departmental cash		43,559
Cash with fiscal agent		641,053
Fiduciary funds		
Private-purpose trust funds		
Cash and pooled investments		23,620
Fund investments		37,837
Agency funds		
Cash and pooled investments		281,074
Cash overdraft		(21,280)
Library cash held by the Treasurer		105,375
<u>Total Cash and Investments</u>	<u>\$</u>	<u>19,357,832</u>
Deposits	\$	10,011,439
Petty cash and change funds		6,150
Departmental cash		43,559
Investments		9,296,684
<u>Total</u>	<u>\$</u>	<u>19,357,832</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better and revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, 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, 2010, Sibley County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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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, 2010, the investments held with brokerage accounts, which totaled \$6,406,108, 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, 2010, 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		10/05/2015	\$ 242,740
Federal Home Loan Bank	Aaa	Moody's		08/10/2016	240,298
Total Federal Home Loan Bank			5.20		\$ 483,038

**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	
Wells Fargo Advisors					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/18/2018	\$ 498,775
Federal Home Loan Mortgage Corporation	Aaa	Moody's		06/30/2020	504,995
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/19/2018	349,664
Federal Home Loan Mortgage Corporation	Aaa	Moody's		09/07/2017	572,148
Federal Home Loan Mortgage Corporation	Aaa	Moody's		03/21/2019	147,774
Total Federal Home Loan Mortgage Corporation			22.30		\$ 2,073,356
Fannie Mae					
Wells Fargo Advisors					
Fannie Mae	Aaa	Moody's		05/04/2017	\$ 251,705
Fannie Mae	Aaa	Moody's		12/21/2018	150,782
Fannie Mae	Aaa	Moody's		03/22/2019	488,925
Fannie Mae	Aaa	Moody's		09/29/2020	341,891
Fannie Mae	Aaa	Moody's		12/30/2020	249,700
Wells Fargo Securities					
Fannie Mae Note	Aaa	Moody's		08/24/2015	250,949
Fannie Mae Note	Aaa	Moody's		01/22/2016	250,147
Fannie Mae Note	Aaa	Moody's		10/15/2015	245,045
Fannie Mae Note	Aaa	Moody's		12/14/2016	194,071
Total Fannie Mae			26.07		\$ 2,423,215
Wells Fargo Securities					
Federal Farm Credit Bank Bond	Aaa	N/A		12/22/2015	\$ 247,879
Northland Securities					
Federal Farm Credit Bank Bond	Aa1	N/A		02/01/2015	121,929
Federal Farm Credit Bank Bond	Aaa	N/A		02/01/2016	54,286
Total Federal Farm Credit Bank Bond			4.56		\$ 424,094

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Negotiable certificates of deposit					
Wells Fargo Advisors					
Capital One McLean VA	N/A	N/A	1.06	03/12/2012	\$ 98,571
Nicolet NB Greenbay WI	N/A	N/A	1.05	09/14/2011	97,233
Byron Bk Byron Ctr MI	N/A	N/A	0.067	03/14/2012	62,193
Goldman Sachs Bk SCL UT	N/A	N/A	1.09	04/30/2016	101,546
First Natl Bk Fox Vly Neenah WI	N/A	N/A	1.09	08/21/2009	101,227
Bloomfield St Bk Blmfld IN	N/A	N/A	1.09	01/05/2012	101,256
Westside Bk Hiram GA	N/A	N/A	1.04	01/17/2012	97,119
The Bk pf Henderson KY	N/A	N/A	1.03	07/12/2011	96,099
Branch Bk & Tr Salem NC	N/A	N/A	1.07	03/19/2012	99,536
BB&T Fin FSB Columbus GA	N/A	N/A	1.05	03/18/2011	97,375
Sallie Mae Bk Murray UT	N/A	N/A	1.41	06/10/2013	130,743
Capmark Bk Midvale UT	N/A	N/A	2.24	07/08/2013	208,523
Tradition capital Bk Edina MN	N/A	N/A	2.23	07/15/2013	207,346
Graystone Tower Bk PA	N/A	N/A	1.07	07/22/2014	99,050
Citizens union Bk Shelby KY	N/A	N/A	1.07	07/28/2014	99,056
Merrick Bank South Jordan UT	N/A	N/A	1.08	05/12/2011	99,982
UBS Bank	N/A	N/A	2.61	10/29/2015	242,963
BMW Bank Utah	N/A	N/A	1.49	11/12/2015	138,803
Total negotiable certificates of deposit			23.43		\$ 2,178,621
Mutual Fund					
Prime Vest Financial Services	N/A	N/A	2.93	N/A	\$ 272,307
MAGIC	N/A	N/A	8.62	N/A	801,000
Total mutual funds			11.55		\$ 1,073,307
Cash with fiscal agent					
MCIT	N/A	N/A	6.89		\$ 641,053
Total			100.00		\$ 9,296,684

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

a. Deferred Revenue

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities for the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds are as follows:

	Deferred Unavailable	Deferred Unearned
Delinquent property taxes	\$ 234,466	\$ -
Special assessments receivable, delinquent and deferred	2,743,895	-
Other receivables that do not provide current financial resources	8,882	-
Receivable from Ditch Special Revenue Fund petitioners	49,882	-
Highway allotments that do not provide current financial resources	267,773	-
Deferred revenue from accrued interest	15,566	-
Grant drawdowns prior to meeting all eligibility requirements	-	631,790
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 3,320,464	\$ 631,790

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

b. Long-Term Receivables

In January 2004, the County sold the Health and Human Services Building on a contract for deed. The sale price was \$200,000. The County received a down payment of \$25,000, with the balance to be paid over ten years at an interest rate of four percent. Future collections are to be received in monthly installments of \$1,200, with a balloon payment of \$85,112 to be paid on January 1, 2014. Future principal collections are to be received as follows:

Year Ending December 31	Long-Term Receivables Principal
2011	\$ 9,934
2012	10,340
2013	10,096
2014	85,112
Total	\$ 115,482

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,448,281	\$ 24,914	\$ -	\$ 1,473,195
Construction in progress	-	160,862	-	160,862
Total capital assets not depreciated	\$ 1,448,281	\$ 185,776	\$ -	\$ 1,634,057
Capital assets depreciated				
Infrastructure	\$ 47,265,022	\$ 5,131,551	\$ 840,550	\$ 51,556,023
Buildings	8,082,397	140,785	-	8,223,182
Machinery, furniture, and equipment	6,049,303	477,593	110,562	6,416,334
Improvements other than buildings	34,339	-	-	34,339
Total capital assets depreciated	\$ 61,431,061	\$ 5,749,929	\$ 951,112	\$ 66,229,878



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Infrastructure	\$ 10,403,567	\$ 1,290,264	\$ 840,550	\$ 10,853,281
Buildings	2,524,165	221,603	-	2,745,768
Machinery, furniture, and equipment	3,815,628	688,487	97,035	4,407,080
Improvements other than buildings	15,109	2,695	-	17,804
<b>Total accumulated depreciation</b>	<b>\$ 16,758,469</b>	<b>\$ 2,203,049</b>	<b>\$ 937,585</b>	<b>\$ 18,023,933</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 44,672,592</b>	<b>\$ 3,546,880</b>	<b>\$ 13,527</b>	<b>\$ 48,205,945</b>
<b>Total Capital Assets, Net</b>	<b>\$ 46,120,873</b>	<b>\$ 3,732,656</b>	<b>\$ 13,527</b>	<b>\$ 49,840,002</b>

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

Governmental Activities	
General government	\$ 313,213
Public safety	122,948
Highways and streets, including depreciation of infrastructure assets	1,742,082
Sanitation	166
Human services	6,845
Public health	3,316
Culture and recreation	927
Conservation of natural resources	13,552
<b>Total Depreciation Expense</b>	<b>\$ 2,203,049</b>

**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, 2010, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Fund Water Projects Fund Ditch Fund	\$ 673 2,000 118,484
Public Works Fund	General Fund Human Services Fund	4,891 18
Human Services Fund	General Fund Public Works Fund Water Projects Fund	714 200 30
Total Due To/From Other Funds		\$ 127,010

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

2. Interfund Transfers

There were no interfund transfers for the year ended December 31, 2010.

C. Liabilities

1. Operating Leases

In November 2007, the County entered into an operating lease for a Canon copier. Minimum future rental payments are:

2011	\$ 4,590
2012	3,825
Total	\$ 8,415

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Operating Leases (Continued)

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

2011		\$	17,072
2012			17,072
2013			17,072
2014			7,114
Total		\$	58,330

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General obligation bonds					
2005 G.O. Capital Improvement Refunding Bonds	2021	\$165,000 - \$250,000	2.65 - 4.15	\$ 2,630,000	\$ 2,295,000
Less: unamortized discount					(35,604)
Net General Obligation Bonds					\$ 2,259,396
General obligation special assessment bonds					
1996 G.O. Special Assessment Drainage Ditch Bonds	2017	\$20,000 - \$95,000	4.00 - 5.70	\$ 700,000	\$ 140,000
2002 G.O. Special Assessment Watershed District Bonds	2023	\$25,000 - \$60,000	2.00 - 5.00	800,000	590,000
Total General Obligation Special Assessment Bonds				\$ 1,500,000	\$ 730,000
General obligation revenue notes					
2001 G.O. Revenue Note - County-Wide	2021	\$103,300	-	\$ 103,300	\$ 98,300

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
Minnesota Pollution Control Agency (MnPCA)					
MnPCA Loan - High Island I	2017	N/A	2.00	\$ 261,561	\$ 188,483
MnPCA Loan - High Island II	N/A	N/A	2.00	310,309	310,309
MnPCA Loan - Rush River I	2018	N/A	2.00	265,347	203,875
MnPCA Loan - Rush River II	N/A	N/A	2.00	428,323	428,323
MnPCA Loan - Buffalo Creek	2019	N/A	2.00	45,499	41,246
MnPCA Loan - Middle Minnesota I	N/A	N/A	2.00	23,836	23,836
MnPCA Loan - Bevens Silver Creek	N/A	N/A	2.00	47,989	47,988
Total MnPCA Loans				<u>\$ 1,382,864</u>	<u>\$ 1,244,060</u>

3. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 175,000	\$ 83,215	\$ 55,000	\$ 34,412
2012	180,000	77,623	55,000	31,950
2013	185,000	71,553	55,000	29,405
2014	195,000	64,946	60,000	26,650
2015	200,000	57,835	60,000	23,730
2016 - 2020	1,110,000	166,743	275,000	74,590
2021 - 2023	250,000	5,188	170,000	13,000
Total	<u>\$ 2,295,000</u>	<u>\$ 527,103</u>	<u>\$ 730,000</u>	<u>\$ 233,737</u>

Year Ending December 31	General Obligation Revenue Notes		MnPCA Loans	
	Principal	Interest	Principal	Interest
2011	\$ 5,000	\$ -	\$ 50,886	\$ 8,420
2012	10,330	-	56,250	7,311
2013	10,330	-	57,380	6,181
2014	10,330	-	58,534	5,027
2015	10,330	-	59,710	3,851
2016 - 2020	46,650	-	147,679	4,475
2021	5,330	-	-	-
Total	<u>\$ 98,300</u>	<u>\$ -</u>	<u>\$ 430,439</u>	<u>\$ 35,265</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

MnPCA loans in the amount of \$813,621 are not included in the debt service requirements because a final repayment schedule is not yet available.

On April 30, 1998, the County entered into an agreement with the Minnesota Department of Agriculture for a \$50,000 1998 General Obligation Revenue Note. On August 14, 2001, the County entered into an agreement with the Minnesota Department of Agriculture Countywide ISTS and Well Loan program for a \$53,300 2001A General Obligation Revenue Note. On December 23, 2002, the County entered into a Contract Consolidation and Funding Agreement with the Minnesota Department of Agriculture to combine the two previous note agreements into one. The final repayment of the note began on April 2010 and will end October 2021.

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

On November 9, 2004, the County approved a loan agreement with the MnPCA for the High Island Implementation Project loan. The loan is not to exceed the amount of \$1,000,000, but the County may draw up to \$545,000. The remaining \$455,000 will require a new or amended agreement. Payments on this loan began in 2008 and end in 2017. The project implementation time frame for the original \$545,000 expired on August 31, 2007, with only \$261,561 being issued, thus closing High Island Phase I. The final repayment of the loan started in June 2008 and will end in December 2021.

On November 13, 2007, the County entered into an amended loan agreement with the MnPCA for an additional \$330,000 to implement High Island Phase II. Payments on High Island Phase II are projected to start in June 2011 and end in 2020.

High Island Implementation Program will end on November 29, 2011, and a final repayment schedule will be issued.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Rush River Implementation Project

On May 23, 2006, the County approved an agreement with the MnPCA for the Rush River Project loan. The loan is not to exceed the principal amount of \$1,000,000, but the County may draw up to \$259,000 at this time. During 2007, the County reached its loan capacity. Final payment on Rush River Phase I began on June 2009 and will end in December 2018.

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

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

The Rush River Implementation Project will end on October 8, 2011.

Buffalo Creek of the Crow River Watershed Implementation Project

On May 23, 2006, the County approved an agreement with MnPCA for the Buffalo Creek Project loan. The loan is not to exceed \$250,000, but the County may draw up to \$50,000 at this time. During 2009, the County reached its Project Implementation Period and extended the Implementation Period 268 day to December 15, 2009. On September 8, 2009, the County amended the current loan, reducing the principal amount from \$50,000 to \$45,499. Final repayment on Buffalo creek started on June 2010 and will end on December 2019.

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Middle Minnesota Implementation

On July 10, 2007, the County approved an agreement with the MnPCA for the Middle Minnesota Watershed Project loan. The loan is not to exceed \$45,000; the County can currently draw up to \$15,000 on this loan. The remaining \$30,000 will require a new or amended agreement with the MnPCA. On April 14, 2009, the County approved amendment number one increasing the principal amount by \$22,500 to \$37,500. On October 13, 2009, the County approved amendment number two increasing the principal amount by \$7,500 to \$45,000. On June 8, 2010, the County approved amendment number three extending the Project Implementation Period one year to July 27, 2011. On December 14, 2010, the County approved amendment number four making Sibley County Project Sponsor. Repayment is projected to start June 15, 2011, and end on December 15, 2021. This project will end on July 27, 2011.

Bevens/Creek Watershed and Silver Creek Watershed

On April 13, 2010, the County of Sibley entered into a Note agreement with MnPCA for a \$1,000,000 “General Obligation Note (MPCA) (Bevens/Silver Creek SSTS Project), Series 2010.” The aggregated principal of the Note shall not exceed \$1,000,000, and the County can only draw \$273,000 SRF0219 under the Note until authorized by a new or amended MnPCA Agreement. Repayment is not projected to start until December 15, 2013, and end on June 15, 2023.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 2,530,000	\$ -	\$ 235,000	\$ 2,295,000	\$ 175,000
General obligation special assessment bonds	785,000	-	55,000	730,000	55,000
Less: discounts	(39,082)	-	(3,478)	(35,604)	-
Total bonds payable	\$ 3,275,918	\$ -	\$ 286,522	\$ 2,989,396	\$ 230,000
General obligation revenue notes	103,300	-	5,000	98,300	5,000
MnPCA Loans	1,057,373	240,742	54,055	1,244,060	50,886
Net OPEB obligation	72,356	25,764	-	98,120	-
Compensated absences	1,040,380	23,253	67,670	995,963	268,910
Governmental Activities Long-Term Liabilities	<u>\$ 5,549,327</u>	<u>\$ 289,759</u>	<u>\$ 413,247</u>	<u>\$ 5,425,839</u>	<u>\$ 554,796</u>

5. Other Postemployment Benefits (OPEB)

Plan Description

The County provides a defined benefit health care plan to qualifying retirees and their spouses. The plan offers medical, dental, and life coverage. As of the actuarial report, no retirees have opted to receive dental or life coverage. Medical coverage is administered by Medica. Dental coverage is administered through the Humana Dental Plan. Minnesota Life is the life insurance provider. The County is self-insured for medical coverage through the McLeod/Sibley Joint Health Insurance Program. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minn. Stat. ch. 471.61, subd. 2b. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate "subsidy." As of January 1, 2008, there were four retirees and two spouses receiving health benefits from the County's health plan. It is the County's policy to periodically review its medical, dental, and life insurance coverage in order to provide the most favorable benefits and premiums for County employees and retirees.



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

Retirees and their spouses contribute to the County health care plan at the same rate as current County employees. If retirees are over age 65 and Medicare eligible, their health coverage, if elected, is considered supplemental coverage, and their premiums would be discounted. Contribution requirements for health insurance are established by the McLeod/Sibley Joint Health Insurance Committee, based on contract terms with Medica. Contribution requirements for dental and life insurance are established by the County Board along with contract requirements with Humana Dental and Minnesota Life. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2010, the County contributed \$30,945 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	\$	57,838
Interest on net OPEB obligation		3,256
Adjustment to ARC		<u>(4,385)</u>
Annual OPEB cost	\$	56,709
Contributions made (pay-as-you-go)		<u>(30,945)</u>
Increase in net OPEB obligation	\$	25,764
Net OPEB Obligation - Beginning of Year		<u>72,356</u>
Net OPEB Obligation - End of Year	\$	<u>98,120</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 57,838	\$ 17,117	29.6%	\$ 40,721
December 31, 2009	57,225	25,590	44.2	72,356
December 31, 2010	56,709	30,945	54.6	98,120

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the County had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$439,762, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$439,762. The covered payroll (annual payroll of active employees covered by the plan) was \$5,555,369, and the ratio of the UAAL to the covered payroll was 7.92 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**

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3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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, 2008, the actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent discount rate, which is based on the investment yield expected to finance benefits. The County does not plan to pre-fund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 9.0 percent initially and grading to 5.0 percent over eight years.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The Sibley County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The Sibley County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 392,977	\$ 387,406	\$ 359,811
Public Employees Police and Fire Fund	90,487	87,035	78,870
Public Employees Correctional Fund	33,812	32,996	32,031

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

B. Defined Contribution Plan

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

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,119	\$ 4,119
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. 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.

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at and \$450,000 per claim in 2010 and 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

In 2000, the County entered into an agreement with McLeod County to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to MCIT, which provides bookkeeping services to the counties, including the payment of claims. For 2010, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$2,000,000 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	
	2010	2009
Unpaid claims, beginning of fiscal year	\$ 83,450	\$ 35,191
Incurred claims (including IBNRs)	855,860	999,426
Claims payments	(904,600)	(951,167)
Unpaid Claims, End of Fiscal Year	\$ 34,710	\$ 83,450



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

B. Contingent Liabilities

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

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

In 1993, the South Central Minnesota Multi-County Housing 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 2010 is \$118,431. The proportionate shares of the counties may change for the years 2011 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Subsequent Event

On March 8, 2011, Sibley County entered into an amended Loan Agreement for High Island Phase II, increasing the principal amount by \$26,926. The amendment also extended the Project Implementation Expiration Date from November 29, 2010, to November 29, 2011. Repayment is not projected to start until June 2012 and end in December 2021.

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

D. Joint Ventures

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$50,026 in 2010. Sibley County is the fiscal agent.

Current audited financial statements are not available.

Meeker-McLeod-Sibley Community Health Services Board

The Meeker-McLeod-Sibley Community Health Services Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.13, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Health Services Board consists of 15 members, five members each from Meeker, McLeod, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services.

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

Complete audited financial statements for the Health Services Board can be obtained at P. O. Box 398, Hutchinson, Minnesota 55350.

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Minnesota River Basin

Sibley County entered into a joint powers agreement to promote the orderly water quality improvement and management of the Minnesota River Watershed pursuant to Minn. Stat. § 471.59.

The management of the Minnesota River Basin is vested in the Board of Directors consisting of one member and an alternate from each County Board of Commissioners included in this agreement. According to the latest information available, 37 counties are members under this agreement.

Financing is provided by a contribution from each member county based on its share of the annual budget. Sibley County paid dues in the amount of \$1,438 in 2010.

Complete audited financial statements for the Minnesota River Basin can be obtained from its administrative office at 184 Trafton Science Center, Minnesota State University at Mankato, Mankato, Minnesota 56001.

South Country Health Alliance

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

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

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

D. Joint Ventures

South Country Health Alliance (Continued)

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated to all members based on the percentage of their utilization. The County's equity interest in the SCHA at the end of 2010 was \$565,389. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets.

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

Trailblazer Transit Board

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

Financing is primarily provided from user fees, state and federal grants, and local tax levy. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2010, Sibley County made contributions of \$134,250.

Complete financial statements for the Trailblazer Transit Board can be obtained from the administrative office at P. O. Box 88, Gaylord, Minnesota 55334.

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Meeker, Pope, Renville, Stearns, and Wright Counties, creating the Crow River Joint Powers Agreement. The agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Board. The purpose

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Crow River Joint Powers Agreement (Continued)

of this agreement is the joint exercise of powers by the member counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement.

The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds.

Current audited financial statements are available at 322 South Minnesota Avenue, St. Peter, Minnesota 56082.

South Central Community Based Initiative

The South Central Community Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Martin, Freeborn, Le Sueur, Nicollet, Rice, Sibley, and Watonwan Counties.

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

E. Jointly-Governed Organizations

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

South Central Minnesota Regional Radio Board

The South Central Minnesota Regional Radio Board was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. The Board was formed for the planning, financing, development, design, construction, operation, management, control, and administration of the regional enhancement to the statewide public safety radio and communications system (ARMER) in accordance with the Statewide Public Safety Radio Plan and the operational standards of the Statewide Radio Board. The Regional Radio Board consists of one County Commissioner or City Council member of member organizations. Sibley County contributed \$1,599 to the Regional Radio Board in 2010.

Sibley County Children's Collaborative

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

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

Three Counties for Kids Collaborative

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Three Counties for Kids Collaborative (Continued)

Brown County is the fiscal agent of the Collaborative. Sibley County has no operational or financial control over the Collaborative. Financial information can be obtained by contacting the Brown County Family Services Department. The Children's Collaborative contributed \$13,099 for 2010.

South Central Minnesota Emergency Medical Services

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

6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

a. Deposits

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

Cash held by the County Treasurer	\$ 105,375
Cash with the Henderson Branch	<u>234</u>
Total Cash and Pooled Investments	<u>\$ 105,609</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**

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6. Sibley County Library System Component Unit Disclosures

B. Detailed Notes on the General Fund

1. Assets

a. Deposits (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. As of December 31, 2010, the Sibley County Library System's deposits were not exposed to custodial credit risk.

b. Investments

The Sibley County Library System received 72 shares of Medtronic, Inc., as a gift several years ago. The Sibley County Library System has chosen to hold on to the stock, and the City of Arlington has possession of the stock certificates.

2. Liabilities

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Long-term liabilities					
Compensated absences	\$ 39,093	\$ -	\$ 5,060	\$ 34,033	\$ 9,189

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**REQUIRED SUPPLEMENTARY INFORMATION**

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GAYLORD, MINNESOTA**

**EXHIBIT A-1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,614,657	\$ 5,614,657	\$ 5,226,300	\$ (388,357)
Special assessments	130,000	130,000	132,713	2,713
Licenses and permits	31,300	31,300	24,955	(6,345)
Intergovernmental	1,300,762	1,300,762	1,972,770	672,008
Charges for services	1,182,657	1,182,657	1,326,415	143,758
Fines and forfeits	5,250	5,250	6,850	1,600
Gifts and contributions	1,000	1,000	1,893	893
Investment earnings	414,854	414,854	356,563	(58,291)
Miscellaneous	194,345	194,345	441,877	247,532
<b>Total Revenues</b>	<b>\$ 8,874,825</b>	<b>\$ 8,874,825</b>	<b>\$ 9,490,336</b>	<b>\$ 615,511</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 323,228	\$ 323,228	\$ 186,840	\$ 136,388
Courts	54,700	54,700	62,197	(7,497)
Law library	26,000	26,000	29,500	(3,500)
County auditor	417,726	417,726	388,920	28,806
County treasurer	168,117	168,117	167,125	992
Audit services	67,500	67,500	62,276	5,224
Information services	341,081	341,081	333,710	7,371
Truth in taxation	5,200	5,200	5,564	(364)
Elections/voter registration	75,011	75,011	79,516	(4,505)
Election and technology	-	-	7,096	(7,096)
Human resources	131,456	131,456	130,543	913
County attorney	445,133	445,133	373,173	71,960
County recorder	304,518	304,518	215,759	88,759
County surveyor	47,500	47,500	46,785	715
County assessor	316,475	316,475	311,545	4,930
Planning and zoning	76,354	76,354	79,985	(3,631)
Courthouse building	110,090	110,090	143,928	(33,838)
Building custodians	147,079	147,079	149,081	(2,002)
Jail building	100,475	100,475	75,240	25,235
Sibley County service center	78,768	78,768	74,973	3,795
Veterans service officer	98,240	98,240	123,221	(24,981)
Public transit	156,000	156,000	189,583	(33,583)
County fleet car	9,602	9,602	7,801	1,801
Shoreland ordinance	3,076	3,076	4,301	(1,225)
MPCA feedlot program	56,018	56,018	52,803	3,215
<b>Total general government</b>	<b>\$ 3,559,347</b>	<b>\$ 3,559,347</b>	<b>\$ 3,301,465</b>	<b>\$ 257,882</b>

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,234,649	\$ 2,234,649	\$ 2,179,497	\$ 55,152
Court services	201,350	201,350	197,485	3,865
Sentenced to serve	18,997	18,997	38,995	(19,998)
Emergency management	81,012	81,012	59,436	21,576
South Central MN Regional Radio Board	2,000	2,000	54,644	(52,644)
<b>Total public safety</b>	<b>\$ 2,538,008</b>	<b>\$ 2,538,008</b>	<b>\$ 2,530,057</b>	<b>\$ 7,951</b>
<b>Sanitation</b>				
SCORE solid waste	\$ 180,802	\$ 180,802	\$ 160,191	\$ 20,611
County landfill	2,501	2,501	421	2,080
<b>Total sanitation</b>	<b>\$ 183,303</b>	<b>\$ 183,303</b>	<b>\$ 160,612</b>	<b>\$ 22,691</b>
<b>Health</b>				
Public health nurse	<b>\$ 1,672,472</b>	<b>\$ 1,672,472</b>	<b>\$ 1,606,840</b>	<b>\$ 65,632</b>
<b>Culture and recreation</b>				
Historical society	\$ 39,500	\$ 39,500	\$ 39,500	\$ -
Sibley County Library System	254,344	254,344	254,028	316
Parks	50,590	50,590	45,710	4,880
County park trail project	55,000	55,000	-	55,000
County seat trail	-	-	285,013	(285,013)
Tourism	2,650	2,650	1,604	1,046
<b>Total culture and recreation</b>	<b>\$ 402,084</b>	<b>\$ 402,084</b>	<b>\$ 625,855</b>	<b>\$ (223,771)</b>
<b>Conservation of natural resources</b>				
Soil and water conservation	\$ 126,073	\$ 126,073	\$ 119,100	\$ 6,973
County extension	151,731	151,731	158,815	(7,084)
Agriculture ditch inspector	107,043	107,043	103,848	3,195
County fair	8,000	8,000	8,000	-
<b>Total conservation of natural resources</b>	<b>\$ 392,847</b>	<b>\$ 392,847</b>	<b>\$ 389,763</b>	<b>\$ 3,084</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Housing and Redevelopment Authority	\$ 119,496	\$ 119,496	\$ 119,361	\$ 135
Minnesota Valley Action Council	9,309	9,309	7,606	1,703
Economic Development Commission	93,992	93,992	86,227	7,765
Economic development support for municipalities	90,000	90,000	-	90,000
<b>Total economic development</b>	<b>\$ 312,797</b>	<b>\$ 312,797</b>	<b>\$ 213,194</b>	<b>\$ 99,603</b>
<b>Capital outlay</b>				
General government	\$ 263,614	\$ 351,660	\$ 190,673	\$ 160,987
Public safety	133,500	133,500	67,665	65,835
Culture and recreation	64,693	64,693	-	64,693
<b>Total capital outlay</b>	<b>\$ 461,807</b>	<b>\$ 549,853</b>	<b>\$ 258,338</b>	<b>\$ 291,515</b>
<b>Total Expenditures</b>	<b>\$ 9,522,665</b>	<b>\$ 9,610,711</b>	<b>\$ 9,086,124</b>	<b>\$ 524,587</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (647,840)</b>	<b>\$ (735,886)</b>	<b>\$ 404,212</b>	<b>\$ 1,140,098</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from the sale of capital assets	-	-	9,852	9,852
<b>Net Change in Fund Balance</b>	<b>\$ (647,840)</b>	<b>\$ (735,886)</b>	<b>\$ 414,064</b>	<b>\$ 1,149,950</b>
<b>Fund Balance - January 1</b>	<b>9,058,116</b>	<b>9,058,116</b>	<b>9,058,116</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 8,410,276</b>	<b>\$ 8,322,230</b>	<b>\$ 9,472,180</b>	<b>\$ 1,149,950</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT A-2**

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC WORKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,140,194	\$ 3,140,194	\$ 2,955,604	\$ (184,590)
Intergovernmental	8,036,202	8,036,202	7,012,535	(1,023,667)
Charges for services	77,000	77,000	129,644	52,644
Miscellaneous	203,844	203,844	430,337	226,493
<b>Total Revenues</b>	<b>\$ 11,457,240</b>	<b>\$ 11,457,240</b>	<b>\$ 10,528,120</b>	<b>\$ (929,120)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Maintenance	\$ 2,619,252	\$ 2,619,252	\$ 2,336,151	\$ 283,101
Engineering/construction	7,202,250	7,202,250	5,335,496	1,866,754
Equipment, shop maintenance, and repairs	719,467	719,467	982,786	(263,319)
Administration	342,125	342,125	326,032	16,093
Land restoration	5,500	5,500	-	5,500
Township allotments	243,739	243,739	40,972	202,767
Materials and service for retail	34,000	34,000	-	34,000
CIP buildings	150,000	150,000	-	150,000
<b>Total highways and streets</b>	<b>\$ 11,316,333</b>	<b>\$ 11,316,333</b>	<b>\$ 9,021,437</b>	<b>\$ 2,294,896</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	242,527	(242,527)
<b>Capital outlay</b>				
Highways and streets	265,650	265,650	313,611	(47,961)
<b>Total Expenditures</b>	<b>\$ 11,581,983</b>	<b>\$ 11,581,983</b>	<b>\$ 9,577,575</b>	<b>\$ 2,004,408</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (124,743)</b>	<b>\$ (124,743)</b>	<b>\$ 950,545</b>	<b>\$ 1,075,288</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	22,000	22,000	11,906	(10,094)
<b>Net Change in Fund Balance</b>	<b>\$ (102,743)</b>	<b>\$ (102,743)</b>	<b>\$ 962,451</b>	<b>\$ 1,065,194</b>
<b>Fund Balance - January 1</b>	<b>3,098,772</b>	<b>3,098,772</b>	<b>3,098,772</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(6,867)</b>	<b>(6,867)</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,996,029</b>	<b>\$ 2,996,029</b>	<b>\$ 4,054,356</b>	<b>\$ 1,058,327</b>

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



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,820,534	\$ 1,820,534	\$ 1,687,264	\$ (133,270)
Intergovernmental	1,881,004	1,881,004	2,161,982	280,978
Charges for services	47,000	47,000	182,873	135,873
Miscellaneous	355,726	355,726	147,788	(207,938)
<b>Total Revenues</b>	<b>\$ 4,104,264</b>	<b>\$ 4,104,264</b>	<b>\$ 4,179,907</b>	<b>\$ 75,643</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,025,426	\$ 1,025,426	\$ 959,327	\$ 66,099
Social services	3,045,665	3,045,665	3,243,716	(198,051)
South Country Health Alliance	14,500	14,500	9,271	5,229
Miscellaneous social service programs	18,673	18,673	31,615	(12,942)
<b>Total human services</b>	<b>\$ 4,104,264</b>	<b>\$ 4,104,264</b>	<b>\$ 4,243,929</b>	<b>\$ (139,665)</b>
<b>Capital outlay</b>				
Human services	-	-	5,248	(5,248)
<b>Total Expenditures</b>	<b>\$ 4,104,264</b>	<b>\$ 4,104,264</b>	<b>\$ 4,249,177</b>	<b>\$ (144,913)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (69,270)</b>	<b>\$ (69,270)</b>
<b>Fund Balance - January 1</b>	<b>4,376,735</b>	<b>4,376,735</b>	<b>4,376,735</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,376,735</b>	<b>\$ 4,376,735</b>	<b>\$ 4,307,465</b>	<b>\$ (69,270)</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

***EXHIBIT A- 4***

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2010

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%

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

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1. Budgetary Information

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

2. Excess of Expenditures Over Budget

The Human Services Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2010:

<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
\$ 4,249,177	\$ 4,104,264	\$ 144,913

3. Other Postemployment Benefits

Beginning in 2008, Sibley County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 343,800	\$ 343,800	\$ 319,362	\$ (24,438)
Intergovernmental	-	-	17,614	17,614
<b>Total Revenues</b>	<b>\$ 343,800</b>	<b>\$ 343,800</b>	<b>\$ 336,976</b>	<b>\$ (6,824)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 235,000	\$ 235,000	\$ 235,000	\$ -
Interest	89,461	89,461	89,461	-
Administrative charges	19,339	19,339	425	18,914
<b>Total Expenditures</b>	<b>\$ 343,800</b>	<b>\$ 343,800</b>	<b>\$ 324,886</b>	<b>\$ 18,914</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,090</b>	<b>\$ 12,090</b>
<b>Fund Balance - January 1</b>	<b>1,023,199</b>	<b>1,023,199</b>	<b>1,023,199</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,023,199</b>	<b>\$ 1,023,199</b>	<b>\$ 1,035,289</b>	<b>\$ 12,090</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT B-2*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Capital outlay</b>				
<b>General government</b>				
Information services	\$ 26,655	\$ 26,655	\$ 26,655	\$ -
Other general government	<u>3,426</u>	<u>3,426</u>	<u>-</u>	<u>3,426</u>
<b>Total general government</b>	<b>\$ 30,081</b>	<b>\$ 30,081</b>	<b>\$ 26,655</b>	<b>\$ 3,426</b>
Highways and streets	<u>49,815</u>	<u>49,815</u>	<u>-</u>	<u>49,815</u>
<b>Total Expenditures</b>	<b>\$ 79,896</b>	<b>\$ 79,896</b>	<b>\$ 26,655</b>	<b>\$ 53,241</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (79,896)</b>	<b>\$ (79,896)</b>	<b>\$ (26,655)</b>	<b>\$ (53,241)</b>
<b>Fund Balance - January 1</b>	<u>79,896</u>	<u>79,896</u>	<u>79,896</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 53,241</u></u>	<u><u>\$ (53,241)</u></u>



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

NONMAJOR FUNDS

Nonmajor Special Revenue Funds

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

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

Nonmajor Permanent Fund

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT C-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>Special Revenue Funds</b>				<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
	<b>Revolving Loan Fund (SEDCO)</b>	<b>Water Projects</b>	<b>Total</b>	<b>Permanent Fund Federal Lands</b>	
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 86,343	\$ 537,173	\$ 623,516	\$ 80,917	\$ 704,433
Advance to other agencies	25,000	-	25,000	-	25,000
Loans receivable	109,941	-	109,941	-	109,941
<b>Total Assets</b>	<b><u>\$ 221,284</u></b>	<b><u>\$ 537,173</u></b>	<b><u>\$ 758,457</u></b>	<b><u>\$ 80,917</u></b>	<b><u>\$ 839,374</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 58	\$ 58	\$ -	\$ 58
Salaries payable	-	2,302	2,302	-	2,302
Due to other governments	-	5,091	5,091	-	5,091
Due to other funds	-	2,030	2,030	-	2,030
Deferred revenue - unearned	-	527,692	527,692	-	527,692
<b>Total Liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$ 537,173</u></b>	<b><u>\$ 537,173</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 537,173</u></b>
<b>Fund Balances</b>					
Reserved for					
Loans receivable	\$ 109,941	\$ -	\$ 109,941	\$ -	\$ 109,941
Revolving Loan Fund (SEDCO)	62,605	-	62,605	-	62,605
Federal Lands	-	-	-	80,917	80,917
Advances to other governments	25,000	-	25,000	-	25,000
Unreserved					
Designated for future expenditures	23,738	-	23,738	-	23,738
<b>Total Fund Balances</b>	<b><u>\$ 221,284</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 221,284</u></b>	<b><u>\$ 80,917</u></b>	<b><u>\$ 302,201</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 221,284</u></b>	<b><u>\$ 537,173</u></b>	<b><u>\$ 758,457</u></b>	<b><u>\$ 80,917</u></b>	<b><u>\$ 839,374</u></b>

**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, 2010**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
	<u>Revolving Loan Fund (SEDCO)</u>	<u>Water Projects</u>	<u>Total</u>		
<b>Revenues</b>					
Intergovernmental	\$ -	\$ 203,990	\$ 203,990	\$ -	\$ 203,990
Charges for services	40	52	92	-	92
Gifts and contributions	-	13,600	13,600	-	13,600
Investment earnings	-	-	-	5,195	5,195
Miscellaneous	5,695	-	5,695	-	5,695
<b>Total Revenues</b>	<b>\$ 5,735</b>	<b>\$ 217,642</b>	<b>\$ 223,377</b>	<b>\$ 5,195</b>	<b>\$ 228,572</b>
<b>Expenditures</b>					
<b>Current</b>					
Conservation of natural resources	\$ -	\$ 217,642	\$ 217,642	\$ 5,195	\$ 222,837
Economic development	31,866	-	31,866	-	31,866
<b>Total Expenditures</b>	<b>\$ 31,866</b>	<b>\$ 217,642</b>	<b>\$ 249,508</b>	<b>\$ 5,195</b>	<b>\$ 254,703</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (26,131)</b>	<b>\$ -</b>	<b>\$ (26,131)</b>	<b>\$ -</b>	<b>\$ (26,131)</b>
<b>Fund Balance - January 1, restated</b>	<b>247,415</b>	<b>-</b>	<b>247,415</b>	<b>80,917</b>	<b>328,332</b>
<b>Fund Balance - December 31</b>	<b>\$ 221,284</b>	<b>\$ -</b>	<b>\$ 221,284</b>	<b>\$ 80,917</b>	<b>\$ 302,201</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 315,000	\$ 315,000	\$ 203,990	\$ (111,010)
Charges for services	-	-	52	52
Gifts and contributions	18,600	18,600	13,600	(5,000)
<b>Total Revenues</b>	<b>\$ 333,600</b>	<b>\$ 333,600</b>	<b>\$ 217,642</b>	<b>\$ (115,958)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Bevens Silver Creek	\$ -	\$ -	\$ 3,707	\$ (3,707)
High Island Project Phase II	147,000	147,000	120,548	26,452
Rush River Project Phase II	186,600	186,600	93,066	93,534
Rush River TMDL Implementation	-	-	321	(321)
<b>Total Expenditures</b>	<b>\$ 333,600</b>	<b>\$ 333,600</b>	<b>\$ 217,642</b>	<b>\$ 115,958</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance - January 1, restated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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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.

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT D-1*

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
DECEMBER 31, 2010**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,442	\$ 22,178	\$ 23,620
Investments	6,500	31,337	37,837
Accrued interest	3	212	215
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 7,945</u></b>	<b><u>\$ 53,727</u></b>	<b><u>\$ 61,672</u></b>
<b><u>Liabilities</u></b>			
Deferred revenue - unavailable	\$ -	\$ 11	\$ 11
	<hr/>	<hr/>	<hr/>
<b><u>Net Assets</u></b>			
Net assets, held in trust	<b><u>\$ 7,945</u></b>	<b><u>\$ 53,716</u></b>	<b><u>\$ 61,661</u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT D-2*

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Nurse Development</b>	<b>Missing Heirs</b>	<b>Total</b>
<b><u>Additions</u></b>			
Interest	\$ 107	\$ 730	\$ 837
<b><u>Deductions</u></b>			
Payments in accordance with trust agreements	1,336	-	1,336
<b>Change in Net Assets</b>	<b>\$ (1,229)</b>	<b>\$ 730</b>	<b>\$ (499)</b>
<b>Net Assets - Beginning of the Year</b>	<b>9,174</b>	<b>52,986</b>	<b>62,160</b>
<b>Net Assets - End of the Year</b>	<b>\$ 7,945</b>	<b>\$ 53,716</b>	<b>\$ 61,661</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT D-3*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>OTHER AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>93,140</u>	\$ <u>974,219</u>	\$ <u>996,507</u>	\$ <u>70,852</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 19,708	\$ 522,839	\$ 520,286	\$ 22,261
Due to other governments	<u>73,432</u>	<u>418,185</u>	<u>443,026</u>	<u>48,591</u>
<b>Total Liabilities</b>	<b>\$ <u>93,140</u></b>	<b>\$ <u>941,024</u></b>	<b>\$ <u>963,312</u></b>	<b>\$ <u>70,852</u></b>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>84,438</u>	\$ <u>21,334,337</u>	\$ <u>21,257,192</u>	\$ <u>161,583</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>84,438</u>	\$ <u>205,755</u>	\$ <u>128,610</u>	\$ <u>161,583</u>
 <b><u>TRI-COUNTY SOLID WASTE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>16,488</u>	\$ <u>286,672</u>	\$ <u>303,160</u>	\$ <u>-</u>
<b><u>Liabilities</u></b>				
Cash overdraft	\$ -	\$ 21,280	\$ -	\$ 21,280
Due to other governments	<u>16,488</u>	<u>286,672</u>	<u>303,160</u>	<u>-</u>
<b>Total Liabilities</b>	<b>\$ <u>16,488</u></b>	<b>\$ <u>307,952</u></b>	<b>\$ <u>303,160</u></b>	<b>\$ <u>21,280</u></b>

**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, 2010**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 40,362	\$ 83,053	\$ 74,776	\$ 48,639
<b><u>Liabilities</u></b>				
Accounts payable	\$ 40,362	\$ 83,053	\$ 74,776	\$ 48,639
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 234,428	\$ 22,678,281	\$ 22,631,635	\$ 281,074
<b><u>Liabilities</u></b>				
Cash overdraft	\$ -	\$ 21,280	\$ -	\$ 21,280
Accounts payable	60,070	605,892	595,062	70,900
Due to other governments	174,358	910,612	874,796	210,174
<b>Total Liabilities</b>	<b>\$ 234,428</b>	<b>\$ 1,537,784</b>	<b>\$ 1,469,858</b>	<b>\$ 302,354</b>

**LIBRARY BOARD COMPONENT UNIT**

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**SIBLEY COUNTY LIBRARY SYSTEM  
GAYLORD, MINNESOTA**

*EXHIBIT E-1*

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS  
SIBLEY COUNTY LIBRARY BOARD COMPONENT UNIT  
DECEMBER 31, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 105,609	\$ -	\$ 105,609
Investments	2,670	-	2,670
Petty cash and change funds	20	-	20
Accounts receivable	677	-	677
Due from other governments	29,474	-	29,474
Prepaid items	1,426	-	1,426
<b>Total Assets</b>	<b>\$ 139,876</b>	<b>\$ -</b>	<b>\$ 139,876</b>
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$ 7,214	\$ -	\$ 7,214
Salaries payable	17,794	-	17,794
Due to other governments	15,325	-	15,325
Compensated absences payable - current	-	9,189	9,189
Noncurrent liabilities			
Compensated absences payable	-	24,844	24,844
<b>Total Liabilities</b>	<b>\$ 40,333</b>	<b>\$ 34,033</b>	<b>\$ 74,366</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance			
Unreserved			
Undesignated	\$ 99,543	\$ (99,543)	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 139,876</b>		
Net Assets			
Unrestricted		<b>\$ 65,510</b>	<b>\$ 65,510</b>
<b>Reconciliation of the General Fund Balance to Net Assets</b>			
Fund Balance - General Fund			\$ 99,543
Noncurrent liabilities are reported in the Statement of Net Assets but not in the Fund Balance Sheet			(34,033)
<b>Net Assets - Governmental Activities</b>			<b>\$ 65,510</b>

**SIBLEY COUNTY LIBRARY SYSTEM  
GAYLORD, MINNESOTA**

*EXHIBIT E-2*

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES  
SIBLEY COUNTY LIBRARY BOARD COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 252,809	-	\$ 252,809
Charges for services	66,023	-	66,023
Gifts and contributions	40,984	-	40,984
Miscellaneous	113,758	-	113,758
<b>Total Revenues</b>	<b>\$ 473,574</b>	<b>\$ -</b>	<b>\$ 473,574</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Culture and Recreation</b>			
County Library	\$ 467,613	\$ (5,060)	\$ 462,553
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 5,961</b>	<b>\$ 5,060</b>	<b>\$ 11,021</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>93,582</b>	<b>(39,093)</b>	<b>54,489</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 99,543</b>	<b>\$ (34,033)</b>	<b>\$ 65,510</b>
 <b>Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities of Governmental Activities</b>			
Net Change in Fund Balance			\$ 5,961
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.			5,060
<b>Change in Net Assets of Governmental Activities</b>			<b>\$ 11,021</b>



## **OTHER SCHEDULES**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2010**

	Assets						Total
	Cash	Special Assessments Receivable		One-Year Repair Liens	Departmental		
		Delinquent	Deferred		Cash	Receivables	
<b>County Ditches</b>							
C.D. #1A	\$ 4,147	\$ 31	\$ -	\$ 7,222	\$ -	\$ -	\$ 11,400
C.D. #2	193	3	-	15,578	-	-	15,774
C.D. #4A	1,446	-	-	49,527	-	-	50,973
C.D. #6A	872	-	-	-	-	-	872
C.D. BEV CREEK 1	83	-	-	18,534	-	-	18,617
C.D. #9A	46	-	-	-	-	-	46
C.D. #10	423	-	-	-	-	-	423
C.D. #11	473	-	-	68,520	1,757	-	70,750
C.D. #12A	15	41	-	6,610	-	-	6,666
C.D. #13A	126	-	-	-	-	-	126
C.D. #18A	56	-	-	34,257	-	-	34,313
C.D. #21A	1,089	-	-	-	-	-	1,089
C.D. #22	12	-	-	19,412	-	-	19,424
C.D. #23A	977	29	-	26,646	-	14,915	42,567
C.D. #24A	1,966	-	-	-	-	-	1,966
C.D. #25A	-	-	-	3,822	-	-	3,822
C.D. #26	83	-	-	-	-	-	83
C.D. #29M	283	2	-	28,937	-	-	29,222
C.D. #29 Impr. SCHWARTZ	21	-	-	-	-	49,882	49,903
C.D. #30A	63	-	-	5,270	-	-	5,333
C.D. #31A	-	-	-	40,111	-	-	40,111
C.D. #32A	-	-	-	6,982	-	-	6,982
C.D. #37A	1,733	-	-	-	-	-	1,733
C.D. #38	261	-	-	-	-	-	261
C.D. #39A	313	-	-	12,802	-	-	13,115
C.D. #40A	1,254	-	-	13,243	-	-	14,497
C.D. #42	1,998	5	-	51,579	-	31,941	85,523
C.D. #43	1,443	-	-	7,984	-	-	9,427
C.D. #44	975	-	-	6,204	-	-	7,179
C.D. #45	-	-	-	3,842	-	-	3,842
C.D. #46	1,277	-	-	-	-	-	1,277
C.D. #47	-	-	21,383	13,357	-	-	34,740
C.D. #48	2,081	-	-	619	-	-	2,700
C.D. #49	182	-	-	1,322	-	-	1,504
C.D. #50	307	149	-	7,125	-	-	7,581
C.D. #54	733	-	-	90,967	-	-	91,700
C.D. #55	212	-	-	77,131	-	36,528	113,871
C.D. #56	188	-	-	21,861	-	-	22,049
C.D. #57A	1,368	-	-	7,427	-	-	8,795
C.D. #58	5	3	-	850	-	-	858
C.D. #59	134	230	-	36,601	-	-	36,965
C.D. #60	2,271	-	-	7,780	-	-	10,051
C.D. #61	254	-	-	9,569	-	-	9,823
C.D. #64	1,732	-	-	-	-	-	1,732
C.D. #65	1,650	-	-	-	-	-	1,650
C.D. #66	1,695	-	-	-	-	-	1,695
C.D. #67	610	4	-	-	-	-	614
C.D. #61 Outlet Impr	4	-	8,517	-	-	-	8,521
<b>Total County Ditches</b>	<b>\$ 35,054</b>	<b>\$ 497</b>	<b>\$ 29,900</b>	<b>\$ 701,691</b>	<b>\$ 1,757</b>	<b>\$ 133,266</b>	<b>\$ 902,165</b>

**EXHIBIT F-1**

<b>Liabilities</b>							<b>Total Liabilities and Fund Balance</b>
<b>Accounts Payable</b>	<b>Due to Other Funds</b>	<b>Due to Other Governments</b>	<b>Deferred Revenue</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,400	\$ 11,400
238	-	-	-	-	238	15,536	15,774
-	-	-	-	-	-	50,973	50,973
-	-	-	-	-	-	872	872
-	-	-	-	-	-	18,617	18,617
-	2,231	-	-	-	2,231	(2,185)	46
-	-	-	-	-	-	423	423
8,350	7,071	-	-	-	15,421	55,329	70,750
338	156	-	-	-	494	6,172	6,666
678	932	-	-	-	1,610	(1,484)	126
370	357	-	-	-	727	33,586	34,313
-	-	-	-	-	-	1,089	1,089
2,868	3,065	-	-	-	5,933	13,491	19,424
-	8,458	-	-	-	8,458	34,109	42,567
-	-	-	-	-	-	1,966	1,966
-	2,176	-	-	-	2,176	1,646	3,822
-	-	-	-	-	-	83	83
36,386	-	-	-	-	36,386	(7,164)	29,222
-	-	-	-	-	-	49,903	49,903
-	-	-	-	-	-	5,333	5,333
471	11	-	-	-	482	39,629	40,111
2,554	591	-	-	-	3,145	3,837	6,982
-	-	-	-	-	-	1,733	1,733
-	-	-	-	-	-	261	261
2,218	1,077	-	-	-	3,295	9,820	13,115
-	-	-	-	-	-	14,497	14,497
460	11,155	-	-	-	11,615	73,908	85,523
-	-	-	-	-	-	9,427	9,427
2,571	-	-	-	-	2,571	4,608	7,179
-	503	-	-	-	503	3,339	3,842
-	-	-	-	-	-	1,277	1,277
2,506	299	-	-	-	2,805	31,935	34,740
-	-	-	-	-	-	2,700	2,700
-	463	-	-	-	463	1,041	1,504
-	-	-	-	-	-	7,581	7,581
-	4,449	-	-	-	4,449	87,251	91,700
-	7,011	-	-	-	7,011	106,860	113,871
-	4,452	-	-	-	4,452	17,597	22,049
8,550	-	-	-	-	8,550	245	8,795
-	81	-	-	-	81	777	858
-	631	-	-	-	631	36,334	36,965
3,400	-	-	-	-	3,400	6,651	10,051
3,409	-	-	-	-	3,409	6,414	9,823
-	-	-	-	-	-	1,732	1,732
-	-	-	-	-	-	1,650	1,650
-	-	-	-	-	-	1,695	1,695
-	3,609	-	-	-	3,609	(2,995)	614
-	-	-	-	-	-	8,521	8,521
<b>\$ 75,367</b>	<b>\$ 58,778</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 134,145</b>	<b>\$ 768,020</b>	<b>\$ 902,165</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2010**

	Assets						Total
	Cash	Special Assessments Receivable		One-Year Repair Liens	Departmental		
		Delinquent	Deferred		Cash	Receivables	
<b>High Island Project</b>							
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	712	-	22,088	-	-	-	22,800
H.I. Proj. #11	389	-	411,361	-	12,813	-	424,563
<b>Total High Island Project</b>	<b>\$ 1,157</b>	<b>\$ -</b>	<b>\$ 433,449</b>	<b>\$ -</b>	<b>\$ 12,813</b>	<b>\$ -</b>	<b>\$ 447,419</b>
<b>Judicial Ditches</b>							
JD #1A S&N	\$ 1,753	\$ -	\$ -	\$ 9,601	\$ -	\$ 604	\$ 11,958
JD #3A SCM	735	-	-	22,205	-	8,209	31,149
JD #5 M&S	-	-	-	2,798	-	212	3,010
JD #5 S&N	(49,427)	2,610	-	-	-	72	(46,745)
JD #6A S&N	1,503	10	-	49,996	-	23,879	75,388
JD #8 S&R	1,552	-	-	-	-	66	1,618
JD #8 M&S	1,320	-	-	188	-	198	1,706
JD #11 RSM	1,698	-	-	17,160	-	2,413	21,271
JD #12 Sibley	674	23	-	-	-	-	697
JD #13 SRN	-	325	-	-	-	40	365
JD #13 N&S	661	-	-	-	-	-	661
JD #14 S&N	1,284	-	-	-	-	-	1,284
JD #15 S&M	3	-	-	4,308	-	67	4,378
JD #15 R&S	230	-	-	1,227	-	42	1,499
JD #15 N&S	1,615	-	-	-	-	43	1,658
JD #16 N&S	924	-	-	-	-	-	924
JD #17 S&M	-	-	-	2,931	-	2,247	5,178
JD #18 S&M	93	164	-	21,909	-	3,095	25,261
JD #19 S&M	-	-	-	3,393	-	2,024	5,417
JD #20 S&N	250	1,167	-	-	-	314	1,731
JD #21 S&C	757	-	-	-	-	98	855
JD #22 S&C	1,258	-	-	3,585	-	260	5,103
JD #24 RSM	328	389	-	748	-	5,137	6,602
JD #30 R&S	88	-	-	-	-	15	103
JD #31 RSN	494	-	-	-	-	78	572
JD #13 Lt A SRN Outlet	-	-	-	-	-	-	-
JT #1A N&S Impr	1,625	-	-	-	-	1,231	2,856
JT #1 RS	2,052	-	-	3,771	-	188	6,011
JT #7 SNR	258	8	93,162	-	-	3,855	97,283
JT #24 CS	417	-	-	-	-	129	546
JT #7 Lat 17 IMP Berger	2	-	143,365	-	-	55	143,422
JT #5 YAHNKE S&N Impr	56,697	-	93,908	-	-	7	150,612
<b>Total Judicial Ditches</b>	<b>\$ 28,844</b>	<b>\$ 4,696</b>	<b>\$ 330,435</b>	<b>\$ 143,820</b>	<b>\$ -</b>	<b>\$ 54,578</b>	<b>\$ 562,373</b>
<b>Total All Ditches</b>	<b>\$ 65,055</b>	<b>\$ 5,193</b>	<b>\$ 793,784</b>	<b>\$ 845,511</b>	<b>\$ 14,570</b>	<b>\$ 187,844</b>	<b>\$ 1,911,957</b>
Reconcile to Exhibit 3	-	-	-	-	-	-	-
<b>Total Modified Accrual</b>	<b>\$ 65,055</b>	<b>\$ 5,193</b>	<b>\$ 793,784</b>	<b>\$ 845,511</b>	<b>\$ 14,570</b>	<b>\$ 187,844</b>	<b>\$ 1,911,957</b>

**EXHIBIT F-1**  
**(Continued)**

<b>Liabilities</b>							<b>Total Liabilities and Fund Balance</b>
<b>Accounts Payable</b>	<b>Due to Other Funds</b>	<b>Due to Other Governments</b>	<b>Deferred Revenue</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 21
-	-	-	-	-	-	15	15
-	-	-	-	-	-	10	10
-	-	-	-	-	-	10	10
-	-	-	-	-	-	22,800	22,800
-	8,921	-	-	590,000	598,921	(174,358)	424,563
<b>\$ -</b>	<b>\$ 8,921</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 590,000</b>	<b>\$ 598,921</b>	<b>\$ (151,502)</b>	<b>\$ 447,419</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,958	\$ 11,958
-	4,604	9,313	-	-	13,917	17,232	31,149
-	186	7	-	-	193	2,817	3,010
-	-	-	-	-	-	(46,745)	(46,745)
-	10	-	-	-	10	75,378	75,388
-	-	11,291	-	-	11,291	(9,673)	1,618
-	-	7,115	-	-	7,115	(5,409)	1,706
2,185	-	16,021	-	-	18,206	3,065	21,271
-	-	-	-	-	-	697	697
-	864	103	-	-	967	(602)	365
-	-	-	-	-	-	661	661
-	-	-	-	-	-	1,284	1,284
-	436	1,420	-	-	1,856	2,522	4,378
-	-	431	-	-	431	1,068	1,499
-	-	-	-	-	-	1,658	1,658
-	-	-	-	-	-	924	924
-	88	34	-	-	122	5,056	5,178
8,648	2,042	-	-	-	10,690	14,571	25,261
-	246	4	-	-	250	5,167	5,417
-	10,384	-	-	-	10,384	(8,653)	1,731
-	-	42	-	-	42	813	855
4,260	-	2,525	-	-	6,785	(1,682)	5,103
792	1,268	8,037	-	-	10,097	(3,495)	6,602
-	-	44	-	-	44	59	103
-	-	174	-	-	174	398	572
-	21,034	-	-	-	21,034	(21,034)	-
-	-	-	-	-	-	2,856	2,856
-	-	-	-	-	-	6,011	6,011
-	-	-	-	140,000	140,000	(42,717)	97,283
-	-	-	-	-	-	546	546
-	5,057	-	-	-	5,057	138,365	143,422
-	4,566	-	-	-	4,566	146,046	150,612
<b>\$ 15,885</b>	<b>\$ 50,785</b>	<b>\$ 56,561</b>	<b>\$ -</b>	<b>\$ 140,000</b>	<b>\$ 263,231</b>	<b>\$ 299,142</b>	<b>\$ 562,373</b>
<b>\$ 91,252</b>	<b>\$ 118,484</b>	<b>\$ 56,561</b>	<b>\$ -</b>	<b>\$ 730,000</b>	<b>\$ 996,297</b>	<b>\$ 915,660</b>	<b>\$ 1,911,957</b>
-	-	-	1,774,306	(730,000)	1,044,306	(1,044,306)	-
<b>\$ 91,252</b>	<b>\$ 118,484</b>	<b>\$ 56,561</b>	<b>\$ 1,774,306</b>	<b>\$ -</b>	<b>\$ 2,040,603</b>	<b>\$ (128,646)</b>	<b>\$ 1,911,957</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT F-2**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Shared Revenue**

**State**

Highway users tax	\$	3,591,320
Market value credit		368,611
Market value credit - mobile home		772
Market value credit - agricultural		209,557
PERA rate reimbursement		25,384
Disparity reduction aid		54,664
County program aid		273,026
Police aid		72,802
E-911		82,175
Petroleum tax relief		1,676

**Total shared revenue**

**\$ 4,679,987**

**Reimbursement for Services**

**State**

Minnesota Department of Health and Human Services	\$	599,784
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**Payments**

**Local**

Local contributions	\$	41,627
Payments in lieu of taxes		29,380

**Total payments**

**\$ 71,007**

**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	43,284
Public Safety		52,333
Transportation		15,821
Health		253,557
Natural Resources		56,232
Human Services		831,518
Veteran's Affairs		20,000
Water and Soil Resources		63,997
Peace Officer Standards and Training		3,944
Pollution Control Agency		241,574

**Total state**

**\$ 1,582,260**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT F-2  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal</b>	
Department of	
Agriculture	\$ 215,109
Transportation	2,970,498
Health and Human Services	1,008,639
Homeland Security	321,221
Environmental Protection Agency	322
	<hr/>
<b>Total federal</b>	<b>\$ 4,515,789</b>
	<hr/>
<b>Total state and federal grants</b>	<b>\$ 6,098,049</b>
	<hr/>
<b>Total Intergovernmental Revenue</b>	<b>\$ 11,448,827</b>
	<hr/> <hr/>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT F-3*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 124,578
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	88,479
State Administrative Matching Grants for the SNAP Program State Administrative Matching Grants for the SNAP Program - ARRA	10.561	2,052
<b>Total U.S. Department of Agriculture</b>		<b>\$ 215,109</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	\$ 150,793
Highway Planning and Construction - ARRA	20.205	2,744,705
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	75,000
<b>Total U.S. Department of Transportation</b>		<b>\$ 2,970,498</b>
<b>U.S. Department of Environmental Protection Agency</b>		
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	\$ 322
<b>U.S. Department of Health and Human Services</b>		
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	\$ 10,000



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT F-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Maternal and Child Health Federal Consolidated Programs	93.110	49,078
Promoting Safe and Stable Families	93.556	997
Temporary Assistance for Needy Families	93.558	119,887
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	242,886
Child Support Enforcement - ARRA	93.563	19,080
Refugee and Entrant Assistance - State-Administered Programs	93.566	104
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	5,584
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,118
Foster Care - Title IV-E Cluster		
Foster Care - Title IV-E	93.658	97,159
Foster Care - Title IV-E - ARRA	93.658	3,752
Social Services Block Grant	93.667	100,614
Chafee Foster Care Independence Program	93.674	1,706
Children's Health Insurance Program	93.767	130
Medical Assistance Program	93.778	268,326
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Meeker-McLeod-Sibley Community Health Services		
Public Health Emergency Preparedness	93.069	39,970
Universal Newborn Hearing Screening	93.251	500
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	4,190
Temporary Assistance for Needy Families	93.558	22,274
Medical Assistance Program	93.778	10,243
Maternal and Child Health Services Block Grant to the States	93.994	11,041
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,008,639</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 252,980
Emergency Management Performance Grants	97.042	25,040
Passed Through Blue Earth County		
Homeland Security Grant Program	97.067	35,175
Passed Through Murray County		
Homeland Security Grant Program	97.067	8,026
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 321,221</b>
<b>Total Federal Awards</b>		<b>\$ 4,515,789</b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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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, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Sibley County, it is not intended to and does not present the financial position or changes in net assets of Sibley County.

3. Summary of Significant Accounting Policies

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

4. Subrecipients

During 2010, the County did not pass any federal money to subrecipients.

5. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

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**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, 2010**

	Taxes Levied for Collection					
	2009		2010		2011	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 17,196,762		\$ 19,469,263		\$ 19,712,723	
Personal property	487,134		479,975		606,510	
<b>Total Tax Capacity</b>	<b><u>\$ 17,683,896</u></b>		<b><u>\$ 19,949,238</u></b>		<b><u>\$ 20,319,233</u></b>	
<b>Taxes Levied for County Purposes</b>						
General government	\$ 5,650,407	29.516	\$ 5,733,623	27.713	\$ 5,778,983	27.640
Public works	3,263,834	17.431	3,168,786	15.646	3,022,574	14.769
Human services	1,773,101	9.470	1,870,770	9.237	1,899,724	9.283
Debt service	522,130	2.974	343,800	1.735	274,245	1.359
<b>Total Levy for County Purposes</b>	<b><u>\$ 11,209,472</u></b>	<b><u>59.391</u></b>	<b><u>\$ 11,116,979</u></b>	<b><u>54.331</u></b>	<b><u>\$ 10,975,526</u></b>	<b><u>53.051</u></b>
Less: County program aid	668,019		543,619		420,708	
<b>Net Levy for County Purposes</b>	<b><u>\$ 10,541,453</u></b>		<b><u>\$ 10,573,360</u></b>		<b><u>\$ 10,554,818</u></b>	
<b>Tax Capacity - Light and Power</b>						
Transmission lines	\$ 2,796		\$ 2,742		\$ 2,976	
Distribution lines	1,890		1,862		1,986	
<b>Total Tax Capacity - Light and Power</b>	<b><u>\$ 4,686</u></b>		<b><u>\$ 4,604</u></b>		<b><u>\$ 4,962</u></b>	
<b>Tax Levies - Light and Power</b>						
Transmission lines	\$ 2,869	102.619	\$ 2,633	96.012	\$ 2,839	95.410
Distribution lines	1,939	102.619	1,787	96.012	1,895	95.410
<b>Total Tax Levies - Light and Power</b>	<b><u>\$ 4,808</u></b>		<b><u>\$ 4,420</u></b>		<b><u>\$ 4,734</u></b>	
<b>Special Assessments</b>						
Ditch liens and all other assessments	<b><u>\$ 1,283,810</u></b>		<b><u>\$ 1,703,261</u></b>		<b><u>\$ 1,984,883</u></b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>97.11%</b>		<b>97.24%</b>			

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the basic financial statements of Sibley County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Sibley County and are reported in the "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*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Sibley County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Sibley County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |   |              |
|---|--------------|
| Highway Planning and Construction Cluster |              |
| Highway Planning and Construction         | CFDA #20.205 |
| Highway Planning and Construction - ARRA  | CFDA #20.205 |
| Recreational Trails Program               | CFDA #20.219 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Sibley County was not determined to be a low-risk auditee.

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEM NOT RESOLVED

##### 01-2 Accounting Policies and Procedures

A formal policies and procedures manual for purchasing, journal entries, cash disbursements, or budget adjustments has not been finalized and approved by the County Board. The absence of this manual causes difficulty in assessing which controls are in place and functioning. A formal written policy that establishes required procedures enables management to determine if adequate controls exist, provides a standard to monitor compliance against, and ensures that consistent policies and procedures will be passed on to new employees. The County currently has developed a draft version of these policies and procedures and is working towards obtaining formal Board approval.

We recommend that the County implement formal policies and procedures for purchasing, journal entries, cash disbursements, and budget adjustments.

##### 09-1 Assessing and Monitoring Internal Controls

County management is responsible for monitoring its internal controls. This requires performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and external financial reporting. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. In 2010, the County began testing payroll and has plans to begin reviewing bank reconciliations.

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

ITEM ARISING THIS YEAR

10-1 Prior Period Adjustment

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. One indication of a deficiency that typically is considered significant is restatement of previously issued financial statements to reflect the corrections of a misstatement.

Sibley County's 2010 financial statements include the following prior period adjustment identified by our audit:

- The January 1, 2010, fund balance of the nonmajor special revenue funds and net assets of the governmental activities were restated by \$314,226 to recognize previously recorded revenue as deferred revenue - unearned.

The need for prior period adjustments can raise doubts as to the reliability of the County's financial information being presented.

We recommend the County review its procedures for preparation and disclosure of financial information to ensure accurate presentation in the financial statements.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

10-2 Ditch Special Revenue Fund - Cash and Equity Balances

At December 31, 2010, 1 of 92 individual drainage systems had a deficit cash balance of \$49,427, and 38 of 92 individual systems had deficit equity balances totaling \$236,887. Provided the fund has money for that purpose, Minn. Stat. § 385.31 permits the payment of expenditures. Pursuant to Minn. Stat. § 103E.655, subd. 2, loans are allowed to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to

pay its bills, which Sibley County has opted for certain ditches. However, allowing other ditch systems to incur deficit cash flows, in effect, constitutes an interest-free loan from other funds and, as such, is in noncompliance with Minnesota statutes. Pursuant to 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.

We recommend County management eliminate the cash deficit by either loaning the ditch system money from other eligible funds of the County or through ongoing cash management practices of the ditch systems. We also recommend that the County levy assessments sufficient to eliminate the equity deficits to the extent allowed by statute.

#### PREVIOUSLY REPORTED ITEMS RESOLVED

##### **Safekeeping of Investments (09-2)**

Wells Fargo Advisors held security investments on behalf of Sibley County; however, they did not have a principal executive office in the State of Minnesota.

##### **Resolution**

The 2010 Legislature changed this requirement so that as of August 1, 2010, brokers can hold public investments to the extent they have insurance to protect their clients through the Securities Investors Protection Corporation (SIPC) coverage or excess SIPC coverage.

#### B. MANAGEMENT PRACTICES

#### PREVIOUSLY REPORTED ITEM RESOLVED

##### **Outdated Disaster Recovery Plan (00-2)**

The County's Disaster Recovery Plan (Business Continuity Plan) was updated and table top exercises were held during the development of the plan to simulate emergency situations; however, the County Board had not yet formally approved this plan.

##### **Resolution**

The County Board formally approved the County's Disaster Recovery Plan (Business Continuity Plan).

C. OTHER ITEMS FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Sibley County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

#### Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted and/or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.



The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
  - if yes, the fund may continue to be classified as a special revenue fund;
  - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: [http://www.auditor.state.mn.us/other/Statements/fundbalances\\_postGASB54\\_1012\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf).

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REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Sibley County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 10-1 to be a material weakness.

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

### Compliance and Other Matters

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

### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing and the legal compliance requirements where the activities took place in the various cities that are included in the Sibley County Library System (SCLS). Compliance over tax increment financing was not tested because Sibley County does not use tax increment financing. We did not test the legal compliance requirements where the activities took place in the various cities included in the SCLS because we relied upon the city audits completed by other auditors.

The results of our tests indicate that for the items tested, Sibley County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 10-2.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 28, 2011

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

Board of County Commissioners  
Sibley County

### Compliance

We have audited Sibley County's compliance of with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Sibley County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sibley County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Sibley County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

### Internal Control Over Compliance

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

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

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 28, 2011