

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Sibley County
(Including the Sibley County Library System)
Gaylord, Minnesota

Year Ended December 31, 2019

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

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

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

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Sibley County
(Including the Sibley County Library System)
Gaylord, Minnesota

Year Ended December 31, 2019



Audit Practice Division
Office of the State Auditor
State of Minnesota

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2019**

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

*Chair

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sibley County
Gaylord, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sibley Estates of Sibley County, which represent the amounts shown as the business-type activities and the major proprietary fund. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sibley Estates of Sibley County, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2019, in which Sibley County has an equity interest. The SCHA is a joint venture discussed in Note 4.C. to the financial statements. The County's investment in the SCHA, \$1,791,741, represents 1.7 percent and 2.1 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors

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

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Correction of Material Misstatement in Previously Issued Financial Statements

As discussed in Note 1.F. to the financial statements, the previously issued 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Subsequent Event

As discussed in Note 4.F. to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected that the County will experience an increase of expenditures as a result of this pandemic. The County also expects to use funds from the CARES Act. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 4, 2020, on our consideration of Sibley County's and the Sibley County Library System component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sibley County's or the Sibley County Library System component unit's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sibley County's and the Sibley County Library System component unit's internal control over financial reporting and compliance. They do not include Sibley Estates of Sibley County or the SCHA joint venture, which were audited by other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(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, 2019. We encourage our readers to consider the information presented here in conjunction with additional information that we have provided in our notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Sibley County's governmental activities' total net position is \$86,919,437, of which \$67,240,068 is the net investment in capital assets, and \$7,360,691 is restricted for specific purposes.
- Business-type activities' total net position is \$908,469, of which \$538,719 is the net investment in capital assets, and \$73,292 is restricted for housing and redevelopment.
- Governmental activities' total net position increased by \$3,795,548 in 2019, after the restatement for a prior period adjustment. The net position of the County's business-type activities increased by \$1,244.
- At the close of 2019, the unassigned fund balance for the General Fund was \$3,360,048, or 35.0 percent, of the total General Fund expenditures. This amount will be available for 2020 budgeting purposes.
- The net cost of governmental activities in 2019 decreased by \$245,643 from the previous year, lowering the total to \$12,320,205. The net cost of governmental activities was funded by general revenues totaling \$16,115,753.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

- **Fiduciary funds**—The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County’s fiduciary activities are reported in the Statement of Fiduciary Net Position on Exhibit 10. There were no additions or deductions in the private-purpose trust fund for 2019, therefore, the Statement of Changes in Fiduciary Net Position is not presented in the County’s financial statements. These activities are excluded from the County’s other financial statements because the County cannot use these assets to finance its ongoing operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

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

Table I
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 34,932,572	\$ 35,538,749	\$ 421,119	\$ 365,885	\$ 35,353,691	\$ 35,904,634
Capital assets	72,877,723	68,889,520	538,719	573,320	73,416,442	69,462,840
Total Assets	\$ 107,810,295	\$ 104,428,269	\$ 959,838	\$ 939,205	\$ 108,770,133	\$ 105,367,474
Deferred Outflows of Resources	\$ 1,674,092	\$ 2,688,984	\$ -	\$ -	\$ 1,674,092	\$ 2,688,984
Liabilities						
Long-term liabilities	\$ 17,661,268	\$ 17,858,907	\$ -	\$ -	\$ 17,661,268	\$ 17,858,907
Other liabilities	2,017,396	2,570,909	51,369	31,980	2,068,765	2,602,889
Total Liabilities	\$ 19,678,664	\$ 20,429,816	\$ 51,369	\$ 31,980	\$ 19,730,033	\$ 20,461,796
Deferred Inflows of Resources	\$ 2,886,286	\$ 3,744,897	\$ -	\$ -	\$ 2,886,286	\$ 3,744,897
Net Position						
Net investment in capital assets	\$ 67,240,068	\$ 63,128,861	\$ 538,719	\$ 573,320	\$ 67,778,787	\$ 63,702,181
Restricted	7,360,691	6,359,165	73,292	335,100	7,433,983	6,694,265
Unrestricted	12,318,678	13,454,514	296,458	(1,195)	12,615,136	13,453,319
Total Net Position, as reported	\$ 86,919,437	\$ 82,942,540	\$ 908,469	\$ 907,225	\$ 87,827,906	\$ 83,849,765
Prior period adjustment (Note 1.F.)		181,349		-		181,349
Total Net Position, as restated		\$ 83,123,889		\$ 907,225		\$ 84,031,114

(Unaudited)

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The net position of the County’s governmental activities increased by 4.57 percent (\$3,795,548) from 2018 to 2019, after restatement. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$13,454,514 at December 31, 2018, to \$12,318,678 at the end of this year. Net position of the business-type activities increased \$1,244 (or 0.14 percent) for 2019.

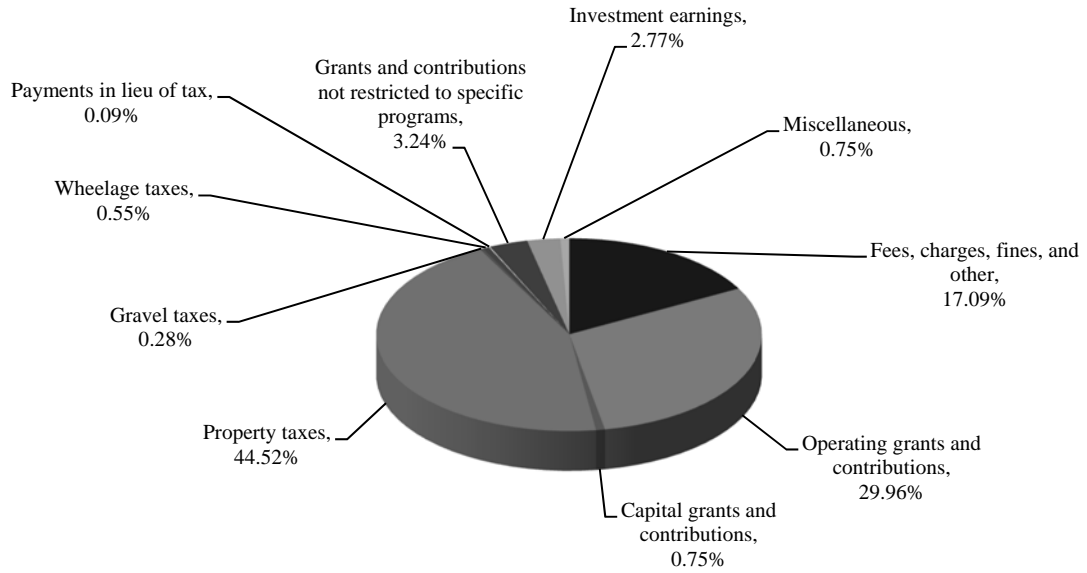
Table II
Change in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 5,080,878	\$ 4,913,023	\$ 196,034	\$ 180,202	\$ 5,276,912	\$ 5,093,225
Operating grants and contributions	9,091,539	8,795,783	155,742	156,166	9,247,281	8,951,949
Capital grants and contributions	230,459	2,095,177	-	-	230,459	2,095,177
General revenues						
Property taxes	13,742,373	13,388,124	-	-	13,742,373	13,388,124
Gravel taxes	87,855	77,115	-	-	87,855	77,115
Wheelage taxes	170,129	168,741	-	-	170,129	168,741
Payments in lieu of tax	28,876	37,470	-	-	28,876	37,470
Grants and contributions not restricted to specific programs	1,000,951	1,027,976	-	-	1,000,951	1,027,976
Investment earnings	853,994	412,120	752	920	854,746	413,040
Miscellaneous and other	231,575	246,446	-	-	231,575	246,446
Total Revenues	\$ 30,518,629	\$ 31,161,975	\$ 352,528	\$ 337,288	\$ 30,871,157	\$ 31,499,263
Expenses						
General government	\$ 4,830,537	\$ 5,371,823	\$ -	\$ -	\$ 4,830,537	\$ 5,371,823
Public safety	2,971,818	3,033,169	-	-	2,971,818	3,033,169
Highways and streets	7,402,544	7,801,956	-	-	7,402,544	7,801,956
Sanitation	467,801	470,647	-	-	467,801	470,647
Human services	5,744,189	6,689,420	-	-	5,744,189	6,689,420
Health	980,057	942,749	-	-	980,057	942,749
Culture and recreation	467,705	412,999	-	-	467,705	412,999
Conservation of natural resources	3,274,577	3,244,401	-	-	3,274,577	3,244,401
Economic development	303,187	146,243	-	-	303,187	146,243
Interest	280,666	256,424	-	-	280,666	256,424
Sibley Estates	-	-	351,284	270,114	351,284	270,114
Total Expenses	\$ 26,723,081	\$ 28,369,831	\$ 351,284	\$ 270,114	\$ 27,074,365	\$ 28,639,945
Changes in Net Position	\$ 3,795,548	\$ 2,792,144	\$ 1,244	\$ 67,174	\$ 3,796,792	\$ 2,859,318
Net Position – January 1, as restated	83,123,889*	80,150,396	907,225	840,051	84,031,114*	80,990,447
Net Position – December 31, as reported	\$ 86,919,437	\$ 82,942,540	\$ 908,469	\$ 907,225	\$ 87,827,906	\$ 83,849,765

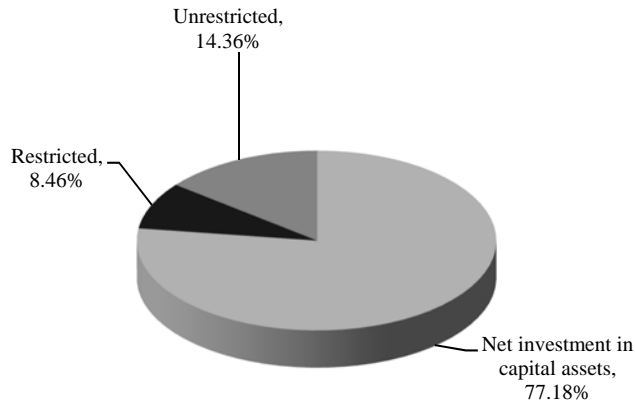
*Amount includes a prior period adjustment.

The County's expenses for governmental activities decreased \$1,646,750 from 2018. The following pie charts represent the 2019 revenues by revenue source and net position.

2019 Total Revenues by Source



2019 Total Net Position



GOVERNMENTAL ACTIVITIES

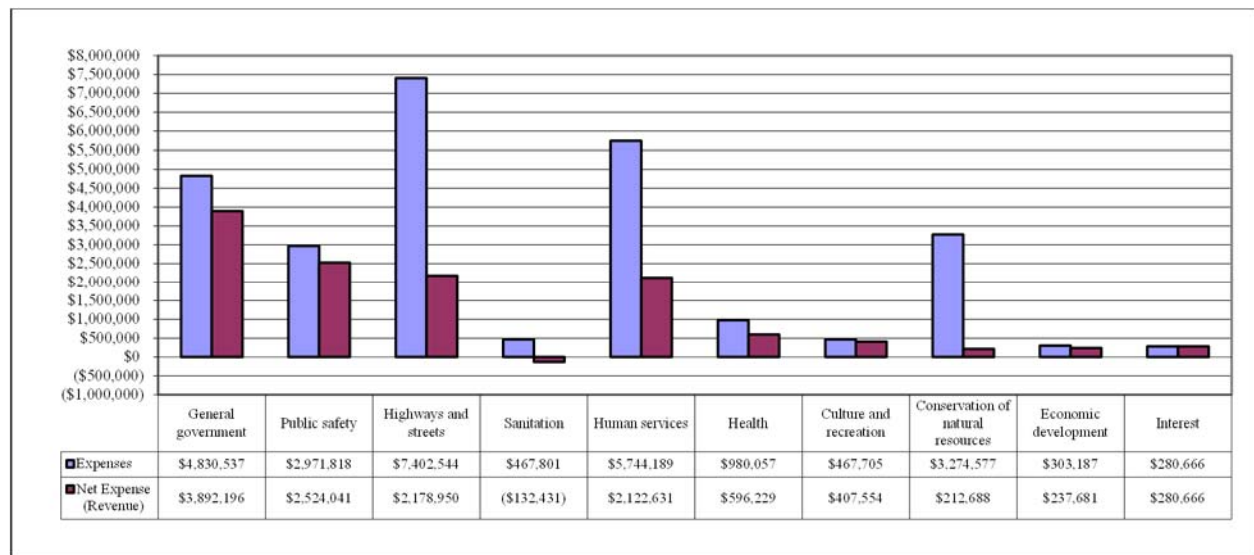
As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$12,320,205 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating or capital grants and contributions.

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

**Table III
Governmental Activities**

	Total Cost of Services		Net Cost (Revenue) of Services	
	2019	2018	2019	2018
Expenses				
General government	\$ 4,830,537	\$ 5,371,823	\$ 3,892,196	\$ 4,402,573
Public safety	2,971,818	3,033,169	2,524,041	2,627,018
Highways and streets	7,402,544	7,801,956	2,178,950	911,641
Sanitation	467,801	470,647	(132,431)	(56,815)
Human services	5,744,189	6,689,420	2,122,631	3,076,567
Health	980,057	942,749	596,229	512,938
Culture and recreation	467,705	412,999	407,554	391,550
Conservation of natural resources	3,274,577	3,244,401	212,688	297,709
Economic development	303,187	146,243	237,681	146,243
Interest	280,666	256,424	280,666	256,424
Total Expenses	\$ 26,723,081	\$ 28,369,831	\$ 12,320,205	\$ 12,565,848

2019 Program Cost and Program Revenues



THE COUNTY'S FUNDS

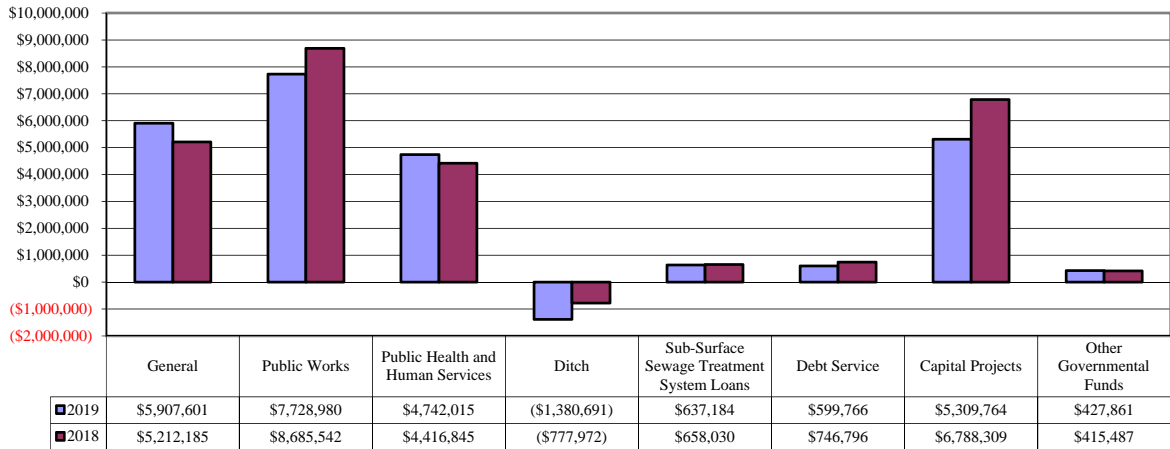
The focus of Sibley County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Sibley County's financing requirements. In particular, unrestricted balances may serve as a useful measure of a government's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

As of the end of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$23,972,480. This is a decrease of \$2,354,091 in comparison to the prior fiscal year. Of the \$23,972,480 total fund balances, \$17,382,581 constitutes unrestricted fund balances, which are available for spending at the government's discretion or represents the deficit balance in the Ditch Special Revenue Fund.

The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unrestricted fund balance (committed, assigned, and unassigned) of the General Fund was \$3,910,407 (or 66.2 percent of the total General Fund's fund balance). As a measure of the General Fund's liquidity, it may be useful to compare the unrestricted fund balance to total expenditures. The unrestricted fund balance represents 40.7 percent of total General Fund expenditures. In 2019, the fund balance amount in the General Fund increased \$695,416, after restatement, due to a combination of the restatement of fund balance, increase in investment earnings and intergovernmental revenues, and spending less than what was anticipated in capital outlay expenditures.

The Public Works Special Revenue Fund had a total fund balance of \$7,728,980 at the end of 2019. This is a decrease of \$956,562. This decrease was anticipated and is attributed to highway and bridge construction on CSAH 10 and 5. The Public Health and Human Services Special Revenue Fund had a total fund balance of \$4,742,015 at the end of the current fiscal year. This is an increase of \$325,170 that can primarily be attributed to more than anticipated revenues, partially offset by less than anticipated expenditures. The Ditch Special Revenue Fund had a negative fund balance of \$1,380,691, which is a decrease of \$602,719 from the prior year. The fund had an increase in expenditures due to ditch redeterminations and additional ditch projects that were completed but not assessed to land owners. The Sub-Surface Sewage Treatment System Loans Special Revenue Fund had a decrease of fund balance of \$20,846, with an ending balance of \$637,184. The Debt Service Fund had a total fund balance of \$599,766 at the end of 2019. This is a decrease of \$147,030. The Capital Projects Fund, which had been dormant for many years leading up to 2016, ended 2019 with a fund balance of \$5,309,764. This is a decrease of \$1,478,545 mostly due to use of funds for the completion of the courthouse remodeling project, purchase of a JD Grader, Armer Tower and 2 snow plows.

Governmental Funds – Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

No budget amendments were made for 2019. The actual revenues were \$815,853 more than the budgeted revenues, and actual expenditures were greater than expected by \$89,836. Actual revenue exceeded budgeted revenue due to unbudgeted intergovernmental revenue and investment earnings. Actual expenditures exceeded budgeted expenditures due mostly to unbudgeted other general government activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

	2019	2018
Governmental Activities		
Land	\$ 1,737,347	\$ 1,736,809
Construction in progress	2,748,760	7,266,676
Infrastructure	55,867,503	52,549,936
Buildings and building improvements	9,326,407	4,338,079
Machinery, furniture, and equipment	3,188,361	2,987,360
Improvements other than buildings	9,345	10,660
Total	<u>\$ 72,877,723</u>	<u>\$ 68,889,520</u>
Business-Type Activities	<u>\$ 538,719</u>	<u>\$ 573,320</u>

The County’s investment in capital assets for its governmental activities as of December 31, 2019, was \$72,877,723 (net of accumulated depreciation). This investment in capital assets includes a broad range of capital assets including, but not limited to, land, buildings, highways and streets, furniture, and equipment. The County’s investment in capital assets for its governmental activities increased by 5.8 percent, or \$3,988,203. The increase is due in part to the additions in infrastructure with the completion of projects on CSAH 5, 10, and 13 and the completion of the Courthouse remodel project.

The County’s investment in capital assets for its business-type activities decreased by \$34,601 in the current year from \$573,320 in 2018 to \$538,719 in 2019.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$7,550,660, versus \$7,955,990 last year—a decrease of \$405,330, or 5.1 percent—as shown in Table V. The decrease is due to scheduled debt payments.

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

	2019	2018
General obligation bonds	\$ 5,535,000	\$ 5,775,000
General obligation special assessment bonds	2,005,000	2,160,000
General obligation revenue notes	10,660	20,990
Total	\$ 7,550,660	\$ 7,955,990

The County maintains a general obligation bond rating of “Aa3”. This rating is assigned by national rating agencies. The state limits the amount of net debt counties can issue to three percent of the total taxable market value of all property. In 2019, the taxable market value was \$3,057,190,800 and, in 2018, the amount was \$3,003,536,400. The County’s outstanding net debt of \$7,550,660 is significantly below the state-imposed limit of \$91,715,724.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The County’s elected and appointed officials considered many factors when setting the fiscal year 2020 budget and the tax rates and fees that will be charged for government services.

- State aid from the State of Minnesota for 2020 (\$620,990) is up 10.96 percent compared to 2019 (\$559,667).

- For fiscal year 2020, Sibley County's total taxable market value is \$3,289,761,600. This is an increase of \$232,570,800, or 7.6 percent, over the 2019 total taxable market value of \$3,057,190,800. This increase is a result of the County Sales Ratio Study conducted by the Sibley County Assessor's Office. These studies are used to update market values on a yearly basis and are based on actual land transactions in the County from year to year.
- The unemployment rate for Sibley County as of June 2020 is 6.2 percent. Sibley County's unemployment rate is slightly lower than the state unemployment rate of 8.6 percent. The unemployment rate is up from last year when Sibley County's rate was 3.4 percent which was 0.1 percentage points higher than the state average of 3.3 percent. This spike arrived in April 2020 due to the COVID-19 pandemic.
- On December 24, 2019, the Sibley County Board of Commissioners approved the 2020 budget for \$29,431,903. The 2020 total levy is \$15,926,479, and the total net tax levy was \$15,305,489 (reduced by County Program Aid). This was an increase from the 2019 total net tax levy of \$14,066,393. The 2020 budget includes a 8.8 percent overall property tax increase.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Office of the Sibley County Auditor/Treasurer, Sibley County Courthouse, 400 Court Avenue, PO Box 51, Gaylord, Minnesota 55334, Finance@co.sibley.mn.us, or you can visit our website at www.co.sibley.mn.us.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Assets</u>				
Cash and pooled investments	\$ 22,566,561	\$ 335,365	\$ 22,901,926	\$ 243,246
Tenant deposits held in trust	-	14,117	14,117	-
Restricted deposits	-	59,175	59,175	-
Petty cash and change funds	6,175	300	6,475	20
Investments	295,000	-	295,000	-
Taxes receivable – delinquent	143,282	-	143,282	-
Special assessments receivable – delinquent	84,690	-	84,690	-
Special assessments receivable – noncurrent	4,564,271	-	4,564,271	-
Accounts receivable – net	490,323	11,637	501,960	-
Accrued interest receivable	235,499	-	235,499	-
Due from other governments	3,211,641	-	3,211,641	16,355
Loans receivable	78,639	-	78,639	-
Inventories	1,000,964	-	1,000,964	-
Prepaid items	463,786	525	464,311	261
Investment in joint venture	1,791,741	-	1,791,741	-
Capital assets				
Non-depreciable	4,486,107	23,500	4,509,607	-
Depreciable – net of accumulated depreciation	68,391,616	515,219	68,906,835	-
Total Assets	\$ 107,810,295	\$ 959,838	\$ 108,770,133	\$ 259,882
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 1,541,529	\$ -	\$ 1,541,529	\$ 24,723
Deferred other postemployment benefits outflows	132,563	-	132,563	-
Total Deferred Outflows of Resources	\$ 1,674,092	\$ -	\$ 1,674,092	\$ 24,723

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 685,301	\$ 33,213	\$ 718,514	\$ 19,550
Salaries payable	420,798	-	420,798	10,874
Contracts payable	170,253	-	170,253	-
Retainage payable	54,371	-	54,371	-
Due to other governments	495,492	4,858	500,350	4,700
Accrued interest payable	79,883	785	80,668	-
Unearned revenue	111,298	-	111,298	-
Security deposits payable	-	12,513	12,513	-
Compensated absences payable – current	370,918	-	370,918	10,939
General obligation bonds payable – current	290,000	-	290,000	-
General obligation special assessment bonds payable – current	175,000	-	175,000	-
General obligation revenue notes payable – current	5,330	-	5,330	-
MnPCA loans payable – current	124,393	-	124,393	-
AgBMP loans payable – current	148,024	-	148,024	-
Noncurrent liabilities				
Compensated absences payable	1,002,852	-	1,002,852	29,576
General obligation bonds payable – net	5,347,655	-	5,347,655	-
General obligation special assessment bonds payable – net	1,869,318	-	1,869,318	-
General obligation revenue notes payable	5,330	-	5,330	-
MnPCA loans payable	166,101	-	166,101	-
AgBMP loans payable	1,101,945	-	1,101,945	-
Net pension liability	6,511,855	-	6,511,855	182,450
Other postemployment benefits liability	542,547	-	542,547	-
Total Liabilities	\$ 19,678,664	\$ 51,369	\$ 19,730,033	\$ 258,089
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 2,763,172	\$ -	\$ 2,763,172	\$ 37,598
Deferred other postemployment benefits inflows	123,114	-	123,114	-
Total Deferred Inflows of Resources	\$ 2,886,286	\$ -	\$ 2,886,286	\$ 37,598

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*EXHIBIT 1
(Continued)*

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Sibley County Library System Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Net Position</u>				
Net investment in capital assets	\$ 67,240,068	\$ 538,719	\$ 67,778,787	\$ -
Restricted for				
General government	433,689	-	433,689	-
Public safety	1,105,016	-	1,105,016	-
Highways and streets	3,059,381	-	3,059,381	-
Sanitation	214,258	-	214,258	-
Culture and recreation	36,785	-	36,785	-
Conservation of natural resources	1,501,156	-	1,501,156	-
Economic development	280,223	-	280,223	-
Housing and redevelopment	-	73,292	73,292	-
Debt service	599,766	-	599,766	-
Permanent fund principal – nonexpendable	130,417	-	130,417	-
Unrestricted	<u>12,318,678</u>	<u>296,458</u>	<u>12,615,136</u>	<u>(11,082)</u>
Total Net Position	<u>\$ 86,919,437</u>	<u>\$ 908,469</u>	<u>\$ 87,827,906</u>	<u>\$ (11,082)</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 4,830,537	\$ 758,315	\$ 146,446
Public safety	2,971,818	148,467	299,310
Highways and streets	7,402,544	147,932	4,878,783
Sanitation	467,801	511,233	88,999
Human services	5,744,189	470,942	3,150,616
Health	980,057	164,739	219,089
Culture and recreation	467,705	-	60,151
Conservation of natural resources	3,274,577	2,835,744	226,145
Economic development	303,187	43,506	22,000
Interest	280,666	-	-
Total governmental activities	\$ 26,723,081	\$ 5,080,878	\$ 9,091,539
Business-type activities			
Sibley Estates	351,284	196,034	155,742
Total Primary Government	\$ 27,074,365	\$ 5,276,912	\$ 9,247,281
Component Unit			
Sibley County Library System	\$ 560,994	\$ 164,133	\$ 358,414

General Revenues

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

Total general revenues

Change in net position

Net Position - January 1, as previously reported
Restatement (Note 1.F.)

Net Position – January 1, as restated

Net Position – December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Sibley County Library System Component Unit
	Governmental Activities	Business-Type Activities	Total	
\$ 33,580	\$ (3,892,196)	\$ -	\$ (3,892,196)	
-	(2,524,041)	-	(2,524,041)	
196,879	(2,178,950)	-	(2,178,950)	
-	132,431	-	132,431	
-	(2,122,631)	-	(2,122,631)	
-	(596,229)	-	(596,229)	
-	(407,554)	-	(407,554)	
-	(212,688)	-	(212,688)	
-	(237,681)	-	(237,681)	
-	(280,666)	-	(280,666)	
\$ 230,459	\$ (12,320,205)	\$ -	\$ (12,320,205)	
-	-	492	492	
\$ 230,459	\$ (12,320,205)	\$ 492	\$ (12,319,713)	
\$ -				\$ (38,447)
	\$ 13,742,373	\$ -	\$ 13,742,373	\$ -
	87,855	-	87,855	-
	170,129	-	170,129	-
	28,876	-	28,876	-
	1,000,951	-	1,000,951	-
	853,994	752	854,746	-
	231,575	-	231,575	-
	\$ 16,115,753	\$ 752	\$ 16,116,505	\$ -
	\$ 3,795,548	\$ 1,244	\$ 3,796,792	\$ (38,447)
	\$ 82,942,540	\$ 907,225	\$ 83,849,765	\$ 27,365
	181,349	-	181,349	-
	\$ 83,123,889	\$ 907,225	\$ 84,031,114	\$ 27,365
	\$ 86,919,437	\$ 908,469	\$ 87,827,906	\$ (11,082)

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Public Works	Public Health and Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 3,697,732	\$ 6,986,152	\$ 4,458,373
Petty cash and change funds	5,925	-	250
Investments	-	-	-
Taxes receivable – delinquent	64,793	39,818	36,237
Special assessments receivable			
Delinquent	4,784	-	-
Noncurrent	-	-	-
Accounts receivable – net	47,149	22,324	420,850
Accrued interest receivable	235,499	-	-
Due from other funds	2,309,031	6,865	16
Due from other governments	82,677	2,076,743	555,411
Loans receivable	-	-	-
Inventories	-	1,000,964	-
Prepaid items	193,249	7,854	54,285
	\$ 6,640,839	\$ 10,140,720	\$ 5,525,422
Total Assets	\$ 6,640,839	\$ 10,140,720	\$ 5,525,422

EXHIBIT 3

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 730,578	\$ 656,383	\$ 600,201	\$ 5,077,688	\$ 359,454	\$ 22,566,561
-	-	-	-	-	6,175
270,000	25,000	-	-	-	295,000
-	-	2,434	-	-	143,282
62,668	17,238	-	-	-	84,690
3,428,312	1,135,959	-	-	-	4,564,271
-	-	-	-	-	490,323
-	-	-	-	-	235,499
-	-	-	-	-	2,315,912
263,080	39,799	-	193,931	-	3,211,641
-	-	-	-	78,639	78,639
-	-	-	-	-	1,000,964
-	-	-	208,398	-	463,786
\$ 4,754,638	\$ 1,874,379	\$ 602,635	\$ 5,480,017	\$ 438,093	\$ 35,456,743

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 227,456	\$ 127,642	\$ 134,834
Salaries payable	200,978	75,398	144,422
Contracts payable	-	-	-
Retainage payable	-	54,371	-
Due to other funds	6,881	21	2,434
Due to other governments	129,733	70,043	113,078
Unearned revenue	56,867	-	-
Total Liabilities	\$ 621,915	\$ 327,475	\$ 394,768
Deferred Inflows of Resources			
Unavailable revenue	\$ 111,323	\$ 2,084,265	\$ 388,639
Fund Balances (Note 3.G.)			
Nonspendable	\$ 193,249	\$ 1,008,818	\$ 54,285
Restricted	1,803,945	1,014,934	-
Committed	550,359	-	-
Assigned	-	5,705,228	4,687,730
Unassigned	3,360,048	-	-
Total Fund Balances	\$ 5,907,601	\$ 7,728,980	\$ 4,742,015
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,640,839	\$ 10,140,720	\$ 5,525,422

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>
\$ 155,135	\$ 39,799	\$ 435	\$ -	\$ -	\$ 685,301
-	-	-	-	-	420,798
-	-	-	170,253	-	170,253
-	-	-	-	-	54,371
2,306,576	-	-	-	-	2,315,912
182,638	-	-	-	-	495,492
-	44,199	-	-	10,232	111,298
\$ 2,644,349	\$ 83,998	\$ 435	\$ 170,253	\$ 10,232	\$ 4,253,425
\$ 3,490,980	\$ 1,153,197	\$ 2,434	\$ -	\$ -	\$ 7,230,838
\$ -	\$ 25,000	\$ -	\$ -	\$ 130,417	\$ 1,411,769
849,857	612,184	599,766	-	297,444	5,178,130
-	-	-	5,309,764	-	5,860,123
-	-	-	-	-	10,392,958
(2,230,548)	-	-	-	-	1,129,500
\$ (1,380,691)	\$ 637,184	\$ 599,766	\$ 5,309,764	\$ 427,861	\$ 23,972,480
\$ 4,754,638	\$ 1,874,379	\$ 602,635	\$ 5,480,017	\$ 438,093	\$ 35,456,743

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balance – total governmental funds (Exhibit 3) \$ 23,972,480

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 72,877,723

Investments in joint ventures are reported in governmental activities and are not financial resources and, therefore, are not reported in the governmental funds. 1,791,741

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 7,230,838

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

Deferred outflows related to pensions	\$ 1,541,529	
Deferred inflows related to pensions	<u>(2,763,172)</u>	(1,221,643)

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

Deferred outflows related to other postemployment benefits	\$ 132,563	
Deferred inflows related to other postemployment benefits	<u>(123,114)</u>	9,449

Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable. (79,883)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bonds payable	\$ (7,681,973)	
Revenue notes payable	(10,660)	
MnPCA loans payable	(290,494)	
AgBMP loans payable	(1,249,969)	
Compensated absences	(1,373,770)	
Net pension liability	(6,511,855)	
Other postemployment benefits liability	<u>(542,547)</u>	<u>(17,661,268)</u>

Net Position of Governmental Activities (Exhibit 1) \$ 86,919,437

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Revenues			
Taxes	\$ 6,432,956	\$ 3,746,416	\$ 3,623,341
Special assessments	134,693	-	-
Licenses and permits	39,830	-	-
Intergovernmental	1,462,498	4,458,807	3,631,408
Charges for services	811,942	131,254	406,997
Fines and forfeits	9,522	-	-
Gifts and contributions	6,806	-	100
Investment earnings	855,503	-	-
Miscellaneous	367,312	61,769	254,484
	<u>\$ 10,121,062</u>	<u>\$ 8,398,246</u>	<u>\$ 7,916,330</u>
Expenditures			
Current			
General government	\$ 4,815,389	\$ -	\$ -
Public safety	3,062,180	-	-
Highways and streets	-	9,039,914	-
Sanitation	157,313	-	-
Human services	-	-	6,627,219
Health	-	-	963,941
Culture and recreation	459,958	-	-
Conservation of natural resources	615,544	-	-
Economic development	302,521	-	-
Capital outlay			
General government	159,599	-	-
Public safety	16,437	-	-
Highways and streets	-	-	-
Culture and recreation	150	-	-
Conservation of natural resources	17,904	-	-
Intergovernmental			
Highways and streets	-	374,018	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
	<u>\$ 9,606,995</u>	<u>\$ 9,413,932</u>	<u>\$ 7,591,160</u>

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>
\$ -	\$ -	\$ 231,442	\$ -	\$ -	\$ 14,034,155
2,318,897	307,379	-	-	-	2,760,969
-	-	-	-	-	39,830
-	20,289	5,582	-	32,363	9,610,947
-	-	-	-	-	1,350,193
-	-	-	-	-	9,522
-	-	-	-	-	6,906
5,945	-	-	7,604	2,800	871,852
618	-	-	3,710	-	687,893
\$ 2,325,460	\$ 327,668	\$ 237,024	\$ 11,314	\$ 35,163	\$ 29,372,267
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,815,389
-	-	-	-	-	3,062,180
-	-	-	-	-	9,039,914
-	309,867	-	-	-	467,180
-	-	-	-	-	6,627,219
-	-	-	-	-	963,941
-	-	-	-	-	459,958
2,634,290	-	-	-	22,789	3,272,623
-	-	-	-	-	302,521
-	-	-	809,705	-	969,304
-	-	-	72,169	-	88,606
-	-	-	607,985	-	607,985
-	-	-	-	-	150
-	-	-	-	-	17,904
-	-	-	-	-	374,018
155,000	356,084	240,000	-	-	751,084
137,998	7,717	143,025	-	-	288,740
891	-	1,029	-	-	1,920
\$ 2,928,179	\$ 673,668	\$ 384,054	\$ 1,489,859	\$ 22,789	\$ 32,110,636

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Excess of Revenues Over (Under) Expenditures	\$ 514,067	\$ (1,015,686)	\$ 325,170
Other Financing Sources (Uses)			
Loans issued	-	-	-
Net Change in Fund Balance	<u>\$ 514,067</u>	<u>\$ (1,015,686)</u>	<u>\$ 325,170</u>
Fund Balance - January 1, as previously reported	\$ 5,212,185	\$ 8,685,542	\$ 4,416,845
Restatement (Note 1.F.)	181,349	-	-
Fund Balance – January 1, as restated	<u>\$ 5,393,534</u>	<u>\$ 8,685,542</u>	<u>\$ 4,416,845</u>
Increase (decrease) in inventories	<u>\$ -</u>	<u>\$ 59,124</u>	<u>\$ -</u>
Fund Balance – December 31	<u><u>\$ 5,907,601</u></u>	<u><u>\$ 7,728,980</u></u>	<u><u>\$ 4,742,015</u></u>

EXHIBIT 5
(Continued)

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ (602,719)	\$ (346,000)	\$ (147,030)	\$ (1,478,545)	\$ 12,374	\$ (2,738,369)
<u>-</u>	<u>325,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,154</u>
\$ (602,719)	\$ (20,846)	\$ (147,030)	\$ (1,478,545)	\$ 12,374	\$ (2,413,215)
\$ (777,972)	\$ 658,030	\$ 746,796	\$ 6,788,309	\$ 415,487	\$ 26,145,222
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,349</u>
\$ (777,972)	\$ 658,030	\$ 746,796	\$ 6,788,309	\$ 415,487	\$ 26,326,571
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,124
\$ (1,380,691)	\$ 637,184	\$ 599,766	\$ 5,309,764	\$ 427,861	\$ 23,972,480

**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, 2019**

Net change in fund balance – total governmental funds (Exhibit 5) \$ (2,413,215)

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

In the funds, distributions of joint venture equity interest are reported as revenue.

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

971,570

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

Unavailable revenue – December 31	\$ 7,230,838	
Unavailable revenue – January 1	<u>(6,084,476)</u>	1,146,362

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, the gain or loss on the sale or disposal of assets is reported; whereas, in the governmental funds, the proceeds from sales is reported. The difference is the net book value of assets sold or disposed.

Expenditures for general capital assets	\$ 6,445,287	
Current year depreciation	(2,443,944)	
Net book value of assets sold or disposed	<u>(13,140)</u>	3,988,203

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

Proceeds of new debt - AgBMP loans issued	\$ (325,154)	
Repayment of debt principal	751,084	
Amortization of premiums on bonds	<u>7,848</u>	433,778

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Change in inventories	\$	59,124	
Change in deferred pension outflows		(1,121,778)	
Change in deferred other postemployment benefits outflows		106,886	
Change in accrued interest		2,146	
Change in compensated absences		(239,873)	
Change in net pension liability		(33,624)	
Change in other postemployment benefits liability		37,358	
Change in deferred pension inflows		981,725	
Change in deferred other postemployment benefits inflows		<u>(123,114)</u>	<u>(331,150)</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 3,795,548</u></u>

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PROPRIETARY FUND

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
SIBLEY ESTATES ENTERPRISE FUND
DECEMBER 31, 2019**

Assets

Current assets

Cash and temporary investments	\$ 335,365
Tenant deposits held in trust	14,117
Restricted deposits	59,175
Petty cash and change funds	300
Accounts receivable	11,637
Prepaid items	525

Total current assets **\$ 421,119**

Noncurrent assets

Capital assets	
Non-depreciable	\$ 23,500
Depreciable – net of accumulated depreciation	515,219

Total noncurrent assets **\$ 538,719**

Total Assets **\$ 959,838**

Liabilities

Current liabilities

Accounts payable	\$ 33,213
Due to other governments	4,858
Accrued interest payable	785
Security deposits payable	12,513

Total Liabilities **\$ 51,369**

Net Position

Investment in capital assets	\$ 538,719
Restricted for housing and redevelopment	73,292
Unrestricted	296,458

Total Net Position **\$ 908,469**

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Operating Revenues	
Rents	\$ 172,976
Intergovernmental – federal	155,742
Miscellaneous	11,913
	<hr/>
Total Operating Revenues	\$ 340,631
Operating Expenses	
Professional services	\$ 55,942
Telephone	3,956
Utilities	44,365
Taxes and licenses	2,325
Marketing costs	2,402
Insurance	4,858
Repairs and maintenance	170,653
Independent public accountant costs	7,600
Miscellaneous	24,500
Depreciation	34,601
	<hr/>
Total Operating Expenses	\$ 351,202
Operating Income (Loss)	\$ (10,571)
Nonoperating Revenues (Expenses)	
Interest income	\$ 752
Interest expense	(82)
Insurance proceeds	11,145
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 11,815
Change in Net Position	\$ 1,244
Net Position – January 1	907,225
	<hr/>
Net Position – December 31	\$ 908,469
	<hr/> <hr/>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities	
Receipts from customers	\$ 172,645
Receipts from government agencies	155,742
Payments to suppliers and vendors	<u>(296,478)</u>
Net cash provided by (used in) operating activities	<u>\$ 31,909</u>
Cash Flows from Capital and Related Financing Activities	
Insurance proceeds	<u>\$ 11,605</u>
Cash Flows from Investing Activities	
Interest paid	\$ (41)
Interest received on investments	<u>752</u>
Net cash provided by (used in) investing activities	<u>\$ 711</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 44,225
Cash and Cash Equivalents, January 1	<u>364,732</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 408,957</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position - Exhibit 7	
Cash and temporary investments	\$ 335,365
Tenant deposits held in trust	14,117
Restricted deposits	59,175
Petty cash and change funds	<u>300</u>
Total Cash and Cash Equivalents - December 31	<u><u>\$ 408,957</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Reconciliation of operating income (loss) to net cash provided by
(used in) operating activities**

Operating income (loss)	\$ (10,571)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 34,601
(Increase) decrease in accounts receivable	(11,394)
(Increase) decrease in prepaid items	(75)
Increase (decrease) in accounts payable	24,911
Increase (decrease) in due to other governments	(3,992)
Increase (decrease) in accrued liabilities	(721)
Increase (decrease) in security deposits payable	(850)
Total adjustments	\$ 42,480
Net Cash Provided by (Used in) Operating Activities	\$ 31,909

FIDUCIARY FUNDS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019**

	<u>Nurse Development Private-Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 5,317	\$ 488,216
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 51,665
Due to other governments	-	436,551
Total Liabilities	\$ -	\$ 488,216
<u>Net Position</u>		
Net position, held in trust	\$ 5,317	

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures described in Note 4.C. The County also participates in the jointly-governed organizations described in Note 4.D.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

governmental and enterprise funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

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

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

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

Private-Purpose Trust Funds are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments. There were no additions or deductions in the private-purpose trust fund for 2019; therefore, the Statement of Changes in Fiduciary Net Position is not presented in the County's financial statements.

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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Sibley County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019. A market approach is used to value all investments other than external investment pools and mutual funds, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

Sibley County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were \$855,503.

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2014 through 2019 and noncurrent special assessments payable in 2020 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

The County uses the weighted average valuation method for all inventory purchased. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are reported as expenses when consumed.

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

4. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	35 - 75
Infrastructure	25 - 75
Machinery, furniture, and equipment	3 - 15
Improvements other than buildings	15 - 20

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated Paid Time Off (PTO) leave balances. The liability is calculated using the vesting method, in which leave amounts for all employees who currently are eligible to receive termination payments and other employees who are expected to be eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee retirements and resignations. The current portion is calculated as 27 percent of the total liability. The compensated absences liability is liquidated by funds that have personal services.

6. Long-Term Obligations

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

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

8. Pension Plan

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

9. Unearned Revenue

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor-Treasurer who has been designated that authority by Board resolution.

Unassigned – the residual classification for the General Fund includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Use of Estimates

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

E. Revenues

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

1. Imposed Nonexchange Transactions

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

2. Intergovernmental

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues

2. Intergovernmental (Continued)

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

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

3. Exchange Transactions

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

F. Prior Period Adjustment

The January 1, 2019, fund balance of the General Fund and net position of the governmental activities increased by \$181,349, and assets and liabilities of the Economic Development Agency Fund decreased by \$181,349 to reflect the dissolution of the Sibley County Economic Development Commission.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

F. Prior Period Adjustment (Continued)

	Governmental Activities Net Position	General Fund Fund Balance	Economic Development Agency Fund Assets and Liabilities
Balance – January 1, as previously Reported	\$ 82,942,540	\$ 5,212,185	\$ 181,349
Restatement	181,349	181,349	(181,349)
Balance – January 1, as restated	\$ 83,123,889	\$ 5,393,534	-

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance – Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a deficit fund balance of \$1,380,691. The deficit will be eliminated with future special assessment levies against benefited properties. The following is a summary of the individual ditch systems:

34 ditches with positive fund balances	\$ 849,857
52 ditches with deficit fund balances	(2,230,548)
Total Fund Balance	\$ (1,380,691)

B. Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2019:

Fund	Expenditures	Final Budget	Excess
Capital Projects Fund	\$ 1,489,859	\$ 902,000	\$ 587,859

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities			
Cash and pooled investments	\$	22,566,561	
Petty cash and change funds		6,175	
Investments		295,000	
Business-type activities			
Cash and temporary investments		335,365	
Tenant deposits held in trust		14,117	
Restricted deposits		59,175	
Petty cash and change funds		300	
Fiduciary funds			
Private-purpose trust funds			
Cash and pooled investments		5,317	
Agency funds			
Cash and pooled investments		488,216	
Sibley County Library System			
Cash and pooled investments		243,246	
Petty cash and change funds		20	
		<u>20</u>	
Total Cash and Investments	\$	<u>24,013,492</u>	
Deposits	\$	2,959,260	
Petty cash and change funds		6,495	
Investments		<u>21,047,737</u>	
Total	\$	<u>24,013,492</u>	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County's deposits and to comply with state law. As of December 31, 2019, Sibley County's deposits were not exposed to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurements

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

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

At December 31, 2019, the County had the following recurring fair value measurements.

	December 31, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	\$ 1,249,278	\$ -	\$ 1,249,278	\$ -
Negotiable certificates of deposit	11,057,084	-	11,057,084	-
Total Investments Included in the Fair Value Hierarchy	<u>\$ 12,306,362</u>	<u>\$ -</u>	<u>\$ 12,306,362</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 8,056,000			
Money Market Mutual Fund	685,375			
Total Investments Measured at the NAV	<u>\$ 8,741,375</u>			

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurements (Continued)

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

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

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2019, the County's investments were not subject to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's investments at December 31, 2019, 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 Mortgage Corporation					
Wells Fargo Advisors					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		07/19/2022	\$ 250,023
Wells Fargo Securities					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		05/15/2020	249,968
Total Federal Home Loan Mortgage Corporation			2.38		\$ 499,991
Federal Farm Credit Bank					
Wells Fargo Securities					
Federal Farm Credit Bank	Aaa	Moody's	1.19	04/20/2021	\$ 249,749
Federal National Mortgage Association					
Wells Fargo Securities					
Federal National Mortgage Association	Aaa	Moody's		02/16/2021	\$ 250,167
Federal National Mortgage Association	Aaa	Moody's		07/26/2021	249,371
Total Federal National Mortgage Association			2.37		\$ 499,538
Negotiable certificates of deposit					
Northland Securities					
Farmers State Bank	N/R	N/A	1.16	01/27/2020	\$ 245,162
State Bank of India (California)	N/R	N/A	1.17	03/20/2020	245,456
NBT Bank, N.A.	N/R	N/A	1.17	04/20/2020	245,816
Iberiabank	N/R	N/A	1.17	05/22/2020	245,693
Synchrony Bank	N/R	N/A	1.18	04/07/2022	248,575
Allegiance Bank	N/R	N/A	1.19	02/07/2023	250,699
Citibank, N.A.	N/R	N/A	1.20	04/11/2023	253,310
Bank of New England	N/R	N/A	1.22	07/31/2023	257,032

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment – Issuer	Credit Risk		Concentration Risk (%)	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency		Rate Risk Maturity Date	
Negotiable certificates of deposit (Continued)					
Wells Fargo Advisors					
Investors Bank	N/R	N/A	1.16	01/17/20	245,108
RiverWood Bank	N/R	N/A	1.16	02/03/20	245,152
Preferred Bank	N/R	N/A	1.17	03/27/20	245,551
United Bankers' Bank	N/R	N/A	1.17	03/30/20	245,571
Chemical Bank	N/R	N/A	1.17	04/02/20	245,387
Beal Bank, SSB	N/R	N/A	0.53	06/17/20	112,000
Beal Bank USA	N/R	N/A	0.28	06/17/20	58,000
Capital One, N.A.	N/R	N/A	1.17	07/29/20	245,835
Marlin Business Bank	N/R	N/A	1.17	08/07/20	245,728
Comenity Capital Bank	N/R	N/A	1.17	08/31/20	246,872
Discover Bank	N/R	N/A	1.17	10/05/20	245,556
WEX Bank	N/R	N/A	1.18	10/13/20	247,577
Bank of Baroda	N/R	N/A	1.16	12/11/20	244,978
Synovus Bank	N/R	N/A	1.16	12/18/20	244,976
Safra National Bank of New York	N/R	N/A	1.16	12/23/20	244,973
Zions Bancorporation, N.A.	N/R	N/A	1.16	02/25/21	244,806
Flushing Bank	N/R	N/A	0.48	03/29/21	100,000
Fidelity Bank	N/R	N/A	1.18	05/24/21	247,435
Morgan Stanley Private Bank, N.A.	N/R	N/A	1.18	06/14/21	247,697
Sallie Mae Bank	N/R	N/A	1.18	06/14/21	247,521
Comenity Bank	N/R	N/A	0.95	06/21/21	200,730
Franklin Synergy Bank	N/R	N/A	1.16	07/23/21	245,069
Great Western Bank	N/R	N/A	1.16	08/09/21	245,113
CIT Bank, N.A.	N/R	N/A	1.17	08/23/21	245,818
Ally Bank	N/R	N/A	1.17	09/27/21	245,843
JPMorgan Chase Bank, N.A.	N/R	N/A	1.16	09/30/21	245,162
Capital One Bank (USA), N.A.	N/R	N/A	1.18	08/02/22	248,217
BMO Harris Bank, N.A.	N/R	N/A	1.17	10/30/23	245,279
Wells Fargo Bank, N.A.	N/R	N/A	1.17	10/30/23	245,279
Wells Fargo Securities					
BankStar Financial	N/R	N/A	1.16	01/10/20	245,046
New York Community Bank	N/R	N/A	1.17	02/10/20	245,209
Haven Savings Bank	N/R	N/A	1.17	02/18/20	245,233
EnerBank USA	N/R	N/A	1.16	02/28/20	245,008
Goldman Sachs Bank USA	N/R	N/A	1.17	05/18/20	245,225
Bank of China	N/R	N/A	1.16	06/19/20	245,104
BMW Bank of North America	N/R	N/A	1.15	10/16/20	241,134
Belmont Savings Bank	N/R	N/A	1.17	11/23/20	245,533
Continental Bank	N/R	N/A	1.17	08/23/21	245,625
Quantum National Bank	N/R	N/A	1.16	10/29/21	244,991
Total negotiable certificates of deposit					\$ 11,057,084

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment – Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Mutual funds/investment pools					
MAGIC	N/R	N/A	N/A	N/A	\$ 8,056,000
Wells Fargo Government Money Market Fund	Aaa-mf	Moody's	N/A	N/A	685,375
Total mutual funds/investment pools					\$ 8,741,375
Total Investments					\$ 21,047,737

N/A – Not applicable
N/R – Not rated

2. Receivables

Receivables as of December 31, 2019, for the County are as follows:

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes – delinquent	\$ 143,282	\$ -	\$ 143,282	\$ -
Special assessments – delinquent	84,690	-	84,690	-
Special assessments – noncurrent	4,564,271	-	4,564,271	2,638,892
Accounts receivable	551,443	(61,120)	490,323	-
Accrued interest receivable	235,499	-	235,499	-
Due from other governments	3,211,641	-	3,211,641	-
Loans receivable	78,639	-	78,639	72,745
Total Governmental Activities	\$ 8,869,465	\$ (61,120)	\$ 8,808,345	\$ 2,711,637

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 1,736,809	\$ 538	\$ -	\$ 1,737,347
Construction in progress	7,266,676	2,222,037	6,739,953	2,748,760
Total capital assets not depreciated	<u>\$ 9,003,485</u>	<u>\$ 2,222,575</u>	<u>\$ 6,739,953</u>	<u>\$ 4,486,107</u>
Capital assets depreciated				
Infrastructure	\$ 79,077,681	\$ 5,034,516	\$ -	\$ 84,112,197
Buildings and building improvements	8,825,259	5,298,367	-	14,123,626
Machinery, furniture, and equipment	8,322,869	629,782	136,550	8,816,101
Improvements other than buildings	34,865	-	-	34,865
Total capital assets depreciated	<u>\$ 96,260,674</u>	<u>\$ 10,962,665</u>	<u>\$ 136,550</u>	<u>\$ 107,086,789</u>
Less: accumulated depreciation for				
Infrastructure	\$ 26,527,745	\$ 1,716,949	\$ -	\$ 28,244,694
Buildings and building improvements	4,487,180	310,039	-	4,797,219
Machinery, furniture, and equipment	5,335,509	415,641	123,410	5,627,740
Improvements other than buildings	24,205	1,315	-	25,520
Total accumulated depreciation	<u>\$ 36,374,639</u>	<u>\$ 2,443,944</u>	<u>\$ 123,410</u>	<u>\$ 38,695,173</u>
Total capital assets depreciated, net	<u>\$ 59,886,035</u>	<u>\$ 8,518,721</u>	<u>\$ 13,140</u>	<u>\$ 68,391,616</u>
Total Capital Assets, Net	<u>\$ 68,889,520</u>	<u>\$ 10,741,296</u>	<u>\$ 6,753,093</u>	<u>\$ 72,877,723</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 23,500	\$ -	\$ -	\$ 23,500
Capital assets depreciated				
Improvements other than buildings	\$ 58,536	\$ -	\$ -	\$ 58,536
Buildings and improvements	1,736,535	-	-	1,736,535
Machinery, furniture, and equipment	161,707	-	-	161,707
Total capital assets depreciated	\$ 1,956,778	\$ -	\$ -	\$ 1,956,778
Less: accumulated depreciation	1,406,958	34,601	-	1,441,559
Total capital assets depreciated, net	\$ 549,820	\$ (34,601)	\$ -	\$ 515,219
Total Capital Assets, Net	<u>\$ 573,320</u>	<u>\$ (34,601)</u>	<u>\$ -</u>	<u>\$ 538,719</u>

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

Governmental Activities	
General government	\$ 316,531
Public safety	125,205
Highways and streets, including depreciation of infrastructure assets	1,986,629
Human services	7,983
Culture and recreation	<u>7,596</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 2,443,944</u>
Business-Type Activities	
Housing and redevelopment	<u>\$ 34,601</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	\$ 2,306,576
	Public Health and Human Services Special Revenue Fund	2,434
	Public Works Special Revenue Fund	21
Total due to General Fund		\$ 2,309,031
Public Works Special Revenue Fund	General Fund	\$ 6,865
Public Health and Human Services Special Revenue Fund	General Fund	\$ 16
Total Due To/From Other Funds		\$ 2,315,912

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

C. Liabilities

1. Security Deposits Payable

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Contract Commitments

The County has active contract commitments as of December 31, 2019. The commitments include the following:

	Spent-to-Date	Remaining Commitment
Public Works Special Revenue Fund		
Highway projects	\$ 1,087,424	\$ 773,040
Capital Projects Fund		
Jail roof project	170,253	29,488

3. Operating Leases

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

Year Ending December 31	Amount
2020	\$ 10,389

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
General obligation bonds					
2012 G.O. Refunding Bonds	2021	\$230,000 - \$235,000	1.00 - 1.30	\$ 1,800,000	\$ 465,000
2017 G.O. Capital Improvement Bonds	2038	\$15,000 - \$360,000	2.00 - 3.25	5,085,000	5,070,000
Total General Obligation Bonds				\$ 6,885,000	\$ 5,535,000
General obligation special assessment bonds					
2012 G.O. Special Assessment Refunding Bonds	2023	\$50,000	1.65 - 2.35	\$ 645,000	\$ 200,000
2017 G.O. Bonds County Ditch 29	2038	\$35,000 - \$70,000	2.00 - 3.25	1,090,000	1,055,000
2017 G.O. Bonds County Ditch 39	2037	\$5,000 - \$10,000	2.00 - 3.25	130,000	125,000
2017 G.O. Bonds Joint Ditch 32 SM	2032	\$5,000 - \$10,000	2.00 - 3.00	85,000	80,000
2017 G.O. Bonds Joint Ditch 18 SM Redetermination	2023	\$50,000 - \$60,000	2.00	275,000	225,000
2017 G.O. Bonds Joint Ditch 18 SM Repair	2038	\$10,000 - \$20,000	2.00 - 3.25	330,000	320,000
Total General Obligation Special Assessment Bonds				\$ 2,555,000	\$ 2,005,000
General obligation revenue notes					
2001 G.O. Revenue Note – County-Wide	2021	\$5,330 - \$10,330	-	\$ 103,300	\$ 10,660
Minnesota Pollution Control Agency (MnPCA) loans					
High Island II	2021	\$20,390	2.00	\$ 367,955	\$ 79,562
Rush River II	2021	\$32,009	2.00	577,616	124,897
Buffalo Creek II	2022	\$1,279	2.00	23,089	7,416
Middle Minnesota I	2021	\$1,362	2.00	24,587	4,007
Middle Minnesota II	2023	\$2,419	2.00	43,657	18,512
Bevens Silver Creek	2023	\$7,332	2.00	132,304	56,100
Total MnPCA Loans				\$ 1,169,208	\$ 290,494
Minnesota Department of Agriculture loans					
Ag Best Management Loan Program (AgBMP)	2031	\$2,545 - \$155,103	-	\$ 1,996,709	\$ 1,249,969

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 290,000	\$ 139,828	\$ 175,000	\$ 48,650
2021	295,000	135,777	175,000	45,150
2022	235,000	131,300	175,000	41,563
2023	245,000	126,500	185,000	37,787
2024	250,000	121,550	75,000	35,100
2025 – 2029	1,330,000	521,287	385,000	150,306
2030 – 2034	1,510,000	330,213	455,000	93,356
2035 – 2038	1,380,000	89,637	380,000	24,063
Total	<u>\$ 5,535,000</u>	<u>\$ 1,596,092</u>	<u>\$ 2,005,000</u>	<u>\$ 475,975</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Revenue Notes		MnPCA Loans		AgBMP Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 5,330	\$ -	\$ 124,393	\$ 5,191	\$ 148,024	\$ -
2021	5,330	-	125,531	2,691	171,399	-
2022	-	-	21,356	705	179,041	-
2023	-	-	19,214	289	151,099	-
2024	-	-	-	-	136,353	-
2025 - 2029	-	-	-	-	439,750	-
2030 - 2031	-	-	-	-	24,303	-
Total	<u>\$ 10,660</u>	<u>\$ -</u>	<u>\$ 290,494</u>	<u>\$ 8,876</u>	<u>\$ 1,249,969</u>	<u>\$ -</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
long-term liabilities					
Bonds payable					
General obligation bonds	\$ 5,775,000	\$ -	\$ 240,000	\$ 5,535,000	\$ 290,000
Add: unamortized premium	108,329	-	5,674	102,655	-
General obligation special assessment bonds	2,160,000	-	155,000	2,005,000	175,000
Add: unamortized premium	41,492	-	2,174	39,318	-
Total bonds payable	<u>\$ 8,084,821</u>	<u>\$ -</u>	<u>\$ 402,848</u>	<u>\$ 7,681,973</u>	<u>\$ 465,000</u>
General obligation revenue Notes	20,990	-	10,330	10,660	5,330
MnPCA loans	417,523	-	127,029	290,494	124,393
AgBMP loans	1,143,540	325,154	218,725	1,249,969	148,024
Compensated absences	1,133,897	871,230	631,357	1,373,770	370,918
Governmental Activities Long-Term Liabilities	<u>\$ 10,800,771</u>	<u>\$ 1,196,384</u>	<u>\$ 1,390,289</u>	<u>\$ 10,606,866</u>	<u>\$ 1,113,665</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Beginning January 1, 2019, Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$ 539,853
Police and Fire Plan	142,816
Correctional Plan	52,576

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

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$5,622,765 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.1017 percent. It was 0.1009 percent measured as of June 30, 2018. The County recognized pension expense of \$1,087,185 for its proportionate share of the General Employees Plan's pension expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County also recognized \$13,093 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

The County's proportionate share of the net pension liability	\$	5,622,765
State of Minnesota's proportionate share of the net pension liability associated with the County		174,826
Total	\$	5,797,591

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 157,264	\$ -
Changes in actuarial assumptions	-	445,383
Difference between projected and actual investment earnings	-	588,215
Changes in proportion	142,900	92,567
Contributions paid to PERA subsequent to the measurement date	273,327	-
Total	\$ 573,491	\$ 1,126,165

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The \$273,327 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (242,474)
2021	(492,046)
2022	(100,542)
2023	9,061

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$851,681 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0800 percent. It was 0.0789 percent measured as of June 30, 2018. The County recognized pension expense of \$134,579 for its proportionate share of the Police and Fire Plan's pension expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County also recognized \$10,800 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 36,189	\$ 124,921
Changes in actuarial assumptions	689,090	967,364
Difference between projected and actual investment earnings	-	180,334
Changes in proportion	92,318	18,902
Contributions paid to PERA subsequent to the measurement date	<u>73,996</u>	<u>-</u>
Total	<u>\$ 891,593</u>	<u>\$ 1,291,521</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$73,996 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (38,117)
2021	(108,520)
2022	(325,062)
2023	(3,455)
2024	1,230

Correctional Plan

At December 31, 2019, the County reported a liability of \$37,409 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.2702 percent. It was 0.2415 percent measured as of June 30, 2018. The County recognized pension expense of \$71,000 for its proportionate share of the Correctional Plan's pension expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,228	\$ 5,762
Changes in actuarial assumptions	-	295,424
Difference between projected and actual investment earnings	-	44,300
Changes in proportion	47,326	-
Contributions paid to PERA subsequent to the measurement date	27,891	-
Total	\$ 76,445	\$ 345,486

The \$27,891 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (142,376)
2021	(145,408)
2022	(9,509)
2023	361

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$1,292,764.

e. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

Police and Fire Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

Correctional Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

h. Pension Liability Sensitivity

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

	<u>General Employees Plan</u>		<u>Proportionate Share of the Police and Fire Plan</u>		<u>Correctional Plan</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability</u>	<u>Discount Rate</u>	<u>Net Pension Liability</u>	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease	6.50%	\$ 9,243,523	6.50%	\$ 1,861,616	6.50%	\$ 398,704
Current	7.50	5,622,765	7.50	851,681	7.50	37,409
1% Increase	8.50	2,633,110	8.50	16,481	8.50	(251,686)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. Pension Plan Fiduciary Net Position

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

2. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

2. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Sibley County during the year ended December 31, 2019, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,999	\$ 7,999
Percentage of covered payroll	5.00%	5.00%

E. Other Postemployment Benefits (OPEB)

Plan Description

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

The plan offers medical, dental, and life insurance coverage to qualifying retirees and their spouses. Medical coverage is administered by Medica. Dental coverage is administered through Health Partners. Sun Life is the life insurance provider. The County is self-insured for medical coverage through the McLeod/Sibley Joint Health Insurance Program. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minn. Stat. ch. 471.61, subd. 2b. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate “subsidy.” As of January 1, 2019, there were three retirees receiving health benefits from the County’s health plan and three retirees receiving dental coverage through Health Partners. It is the County’s policy to periodically review its medical, dental, and life insurance coverage in order to provide the most favorable benefits and premiums for County employees and retirees.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

As of the January 1, 2019, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active plan participants	<u>158</u>
Total	<u><u>161</u></u>

Total OPEB Liability

The County's total OPEB liability of \$542,547 was measured as of January 1, 2019, and was determined by an actuarial valuation dated January 1, 2019. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend	6.50 percent in 2019 grading to 5.00 percent over six years

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the current valuation, the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay the benefits as they become due.

Mortality rates are based on the Society of Actuaries RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and File personnel).

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of January 1, 2019.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2018	\$ 579,905
Changes for the year	
Service cost	\$ 48,477
Interest	20,316
Assumption changes	(143,634)
Differences between expected and actual experience	63,160
Benefit payments	(25,677)
Net change	\$ (37,358)
Balance at December 31, 2019	\$ 542,547

OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	\$ 585,975
Current	3.80	542,547
1% Increase	4.80	502,120

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 485,495
Current	6.50% Decreasing to 5.00%	542,547
1% Increase	7.50% Decreasing to 6.00%	609,798

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

For the year ended December 31, 2019, the County recognized OPEB expense of \$57,296. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ -	\$ 123,114
Difference between actual and expected results	54,137	-
Contributions made subsequent to the measurement date	78,426	-
Total	\$ 132,563	\$ 123,114

The \$78,426 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2020	\$ (11,497)
2021	(11,497)
2022	(11,497)
2023	(11,497)
2024	(11,497)
Thereafter	(11,492)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for others) with the MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The retiree plan participation percentage was changed from 50 percent to 40 percent.

F. Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2019, for the County's governmental funds are as follows:

	Deferred Inflows of Resources
Unavailable revenue	
Delinquent property taxes	\$ 143,282
Special assessments receivable, delinquent and noncurrent	4,648,961
Highway allotments that do not provide current financial resources	2,044,447
Grants	21,715
Charges for services	342,993
Accrued interest	29,440
Total Governmental Funds	\$ 7,230,838

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

G. Fund Balance

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

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>	<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>
Nonspendable					
Inventories	\$ -	\$ 1,000,964	\$ -	\$ -	\$ -
Prepaid items	193,249	7,854	54,285	-	-
Federal lands	-	-	-	-	-
Loan security	-	-	-	-	25,000
Total nonspendable	\$ 193,249	\$ 1,008,818	\$ 54,285	\$ -	\$ 25,000
Restricted					
Highway maintenance and construction – wheelage tax	\$ -	\$ 747,381	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
Sub-surface sewage treatment systems	-	-	-	-	612,184
Economic development loans	-	-	-	-	-
Conservation projects	-	-	-	-	-
Juvenile fines	20,386	-	-	-	-
Law library	2,243	-	-	-	-
Ditch maintenance and construction	-	-	-	849,857	-
Land restoration – gravel tax	-	267,553	-	-	-
Attorney's forfeited property	5,916	-	-	-	-
Recorder's equipment purchases	174,203	-	-	-	-
Land records technology	241,889	-	-	-	-
Shoreland grant	9,438	-	-	-	-
E-911	1,084,630	-	-	-	-
Riparian protection	197,406	-	-	-	-
Park improvements	36,785	-	-	-	-
Aquatic invasive species program	31,049	-	-	-	-
Total restricted	\$ 1,803,945	\$ 1,014,934	\$ -	\$ 849,857	\$ 612,184
Committed					
Tobacco ordinance	\$ 17,760	\$ -	\$ -	\$ -	\$ -
County parks	104,619	-	-	-	-
Alcohol enforcement and education	8,612	-	-	-	-
Solid waste	419,368	-	-	-	-
Projects, technology, and equipment purchases	-	-	-	-	-
Total committed	\$ 550,359	\$ -	\$ -	\$ -	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

G. Fund Balance (Continued)

	General	Public Works	Public Health and Human Services	Ditch	Sub-Surface Sewage Treatment System Loans
Assigned					
Public works	\$ -	\$ 5,705,228	\$ -	\$ -	\$ -
Public health and human services	-	-	4,687,730	-	-
Total assigned	\$ -	\$ 5,705,228	\$ 4,687,730	\$ -	\$ -
Unassigned	\$ 3,360,048	\$ -	\$ -	\$ (2,230,548)	\$ -
Total Fund Balance	<u>\$ 5,907,601</u>	<u>\$ 7,728,980</u>	<u>\$ 4,742,015</u>	<u>\$ (1,380,691)</u>	<u>\$ 637,184</u>
		Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable					
Inventories		\$ -	\$ -	\$ -	\$ 1,000,964
Prepaid items		-	-	-	255,388
Federal lands		-	-	130,417	130,417
Loan security		-	-	-	25,000
Total nonspendable		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,417</u>	<u>\$ 1,411,769</u>
Restricted					
Highway maintenance and construction – wheelage tax		\$ -	\$ -	\$ -	\$ 747,381
Debt service		599,766	-	-	599,766
Sub-surface sewage treatment systems		-	-	-	612,184
Economic development loans		-	-	280,223	280,223
Conservation projects		-	-	17,221	17,221
Juvenile fines		-	-	-	20,386
Law library		-	-	-	2,243
Ditch maintenance and construction		-	-	-	849,857
Land restoration – gravel tax		-	-	-	267,553
Attorney’s forfeited property		-	-	-	5,916
Recorder’s equipment purchases		-	-	-	174,203
Land records technology		-	-	-	241,889
Shoreland grant		-	-	-	9,438
E-911		-	-	-	1,084,630
Riparian protection		-	-	-	197,406
Park improvements		-	-	-	36,785
Aquatic invasive species program		-	-	-	31,049
Total restricted		<u>\$ 599,766</u>	<u>\$ -</u>	<u>\$ 297,444</u>	<u>\$ 5,178,130</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

G. Fund Balance (Continued)

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed				
Tobacco ordinance	\$ -	\$ -	\$ -	\$ 17,760
County parks	-	-	-	104,619
Alcohol enforcement and education	-	-	-	8,612
Solid waste	-	-	-	419,368
Projects, technology, and equipment purchases	-	5,309,764	-	5,309,764
Total committed	\$ -	\$ 5,309,764	\$ -	\$ 5,860,123
Assigned				
Public works	\$ -	\$ -	\$ -	\$ 5,705,228
Public health and human services	-	-	-	4,687,730
Total assigned	\$ -	\$ -	\$ -	\$ 10,392,958
Unassigned	\$ -	\$ -	\$ -	\$ 1,129,500
Total Fund Balance	\$ 599,766	\$ 5,309,764	\$ 427,861	\$ 23,972,480

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2016, the County entered into an agreement with McLeod County and Trailblazer Transit to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to the Sibley County Auditor-Treasurer, who provides bookkeeping services to the entity, including the payment of claims. For 2019, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$2,251,450 aggregate) for the health plan.

B. Contingent Liabilities

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

In 2000, the counties entered into a settlement agreement where each of the counties will approve a special tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of the housing units constructed. Sibley County's proportionate share of the operating deficit for 2019 is \$141,536. The proportionate shares of the counties may change for the years 2020 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Joint Ventures

Crow River Joint Powers Agreement

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

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

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. For 2019, Sibley County contributed \$391 to the Joint Powers Board. Current financial statements are not available.

Meeker-McLeod-Sibley Community Health Services Board

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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

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

McLeod, Sibley, Trailblazer Joint Self-Insurance Pool

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

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

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During 2019, Sibley County contributed \$3,790 to the Board.

Rush River Clean Water Partnership

Sibley County entered into a joint powers agreement with Nicollet County to create and operate Rush River Clean Water Partnership, pursuant to Minn. Stat. § 471.59 and a joint powers agreement effective February 26, 2008. Management of Rush River Clean Water

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rush River Clean Water Partnership (Continued)

Partnership is vested in the Board of Directors, which consists of five representatives, three from the Sibley County Board of Commissioners and two from the Nicollet County Board of Commissioners. The purpose of this joint powers agreement is to organize, govern, train, equip, and maintain clean water projects that promote citizen participation and water quality improvement.

The joint powers agreement is financed primarily from state and federal grants. Sibley County is the fiscal agent. Sibley County did not make any contributions to the Partnership for the current year. Current financial statements are not available.

High Island Watershed Evaluation Project

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

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

Sibley County Children's Collaborative

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Sibley County Children's Collaborative (Continued)

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

Sibley County is the fiscal agent of the Collaborative. Sibley County has no operational or financial control over the Collaborative. During the year, the County contributed \$1,000 to the Collaborative.

Audited financial statements can be obtained from the Collaborative's office at the Sibley County Courthouse, 400 Court Avenue, PO Box 207, Gaylord, Minnesota 55334.

South Central Emergency Communications Board

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

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

Blue Earth County acts as the fiscal agent for the Board. During 2019, Sibley County did not contribute to the Board.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Emergency Communications Board (Continued)

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

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Waseca, and Watonwan Counties, creating the South Central Workforce Service Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is comprised of one voting member and one alternate member for each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota. Sibley County did not make any payments to this organization in 2019.

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

South Country Health Alliance

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. Sibley County's equity interest in the SCHA at December 31, 2019, was \$1,791,741. The equity interest is reported as an investment in joint venture on the County's government-wide statement of net position. Changes in equity are included in the County's government-wide statement of activities as human services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from the South Country Health Alliance, 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

Three Counties for Kids Children's Mental Health Collaborative

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

The Collaborative is financed by Local Collaborative Time Study (LCTS) funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Human Services acts as a fiscal agent for the Collaborative. During 2019, Sibley County did not provide funding to the Collaborative.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

As the administrative county, Brown County Human Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Children’s Mental Health Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative’s implementation of the LCTS or any of the other state and federal funding sources and their related requirements. In the event of any such audit disallowance or sanction, the following participating partners—Brown, Sibley, and Watonwan Counties; the River Bend Education District; Greater Minnesota Family Services; and Sioux Trails Mental Health Center—share the liability.

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

Trailblazer Transit Board

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

Financing is primarily provided from state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2019, Sibley County contributed \$32,535 to the Board.

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

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

C. Joint Ventures (Continued)

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$74,603 in 2019. Nicollet County is the fiscal agent. Current financial statements are not available.

D. Jointly-Governed Organizations

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

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

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

Sentencing to Service

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

South Central Community Based Initiative

The South Central Community Based Initiative Joint Powers Board was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost-effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Sibley County did not contribute to the Joint Powers Board in 2019.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

South Central Emergency Medical Service

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. During the year, Sibley County made payments of \$5,000 to SCEMS.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Sibley County did not contribute to the SW-MIIC during 2019.

E. Property Assessed Clean Energy (MinnPACE) Loan Program

The County has entered into an agreement with the Saint Paul Port Authority to facilitate the implementation and administration of the MinnPACE loan program. Through this program, qualifying commercial building owners within the County can receive loans from the Port Authority for the purpose of financing energy efficiency and conservation building improvement projects. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. By participating, the County has agreed to: (1) levy assessments against the related properties in accordance with the loan agreements between the Port Authority and property owners, (2) collect scheduled assessment payments, and (3) transfer all collections to the Port Authority. The County has met those responsibilities for 2019.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

F. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021. The County did have additional expenses spent on COVID-19 related costs such as cleaning, sanitizing, personal protective equipment supplies, modifications to its building, IT equipment and services to allow for social distancing and remote working. The County does anticipate to use and distribute the funds from the CARES Act.

5. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation and Basis of Accounting

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies

Basis of Presentation and Basis of Accounting (Continued)

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

B. Detailed Notes

1. Assets

Deposits

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

Cash held by the County Auditor-Treasurer	\$ 238,296
Cash with the Henderson Branch	<u>4,950</u>
Total Cash and Pooled Investments	<u>\$ 243,246</u>

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

1. Assets (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Sibley County Library System's deposits may not be returned to it. The Sibley County Library System follows the County's policy regarding custodial credit risk for deposits, which is to obtain collateral or bond to cover any uninsured portion of deposits and to comply with state law. As of December 31, 2019, the Sibley County Library System's deposits were not exposed to custodial credit risk.

2. Liabilities

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Compensated absences	\$ 36,253	\$ 12,432	\$ 8,170	\$ 40,515	\$ 10,939

3. Defined Benefit Pension Plan

a. Plan Description

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

a. Plan Description (Continued)

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

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

b. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

c. Contributions (Continued)

In 2019, the Sibley County Library System was required to contribute 7.50 percent of annual covered salary. The employee and employer rates did not change from the previous year.

The Sibley County Library System's contribution for the General Employees Plan for the year ended December 31 2019, was \$18,151. The contributions are equal to the statutorily required contributions as set by state statute.

d. Pension Costs

At December 31, 2019, the Sibley County Library System reported a liability of \$182,450 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Sibley County Library System's proportion of the net pension liability was based on the Sibley County Library System's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Sibley County Library System's proportion was 0.0033 percent. It was 0.0034 percent measured as of June 30, 2018. The Sibley County Library System recognized pension expense of \$40,127 for its proportionate share of the General Employees Plan's pension expense.

The Sibley County Library System also recognized \$424 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

d. Pension Costs (Continued)

The Sibley County Library System's proportionate share of the net pension liability	\$	182,450
State of Minnesota's proportionate share of the net pension liability associated with the Sibley County Library System		5,666
Total	\$	188,116

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,990	\$ -
Changes in actuarial assumptions	-	14,258
Difference between projected and actual investment earnings	-	19,179
Changes in proportion	10,444	4,161
Contributions paid to PERA subsequent to the measurement date	9,289	-
Total	\$ 24,723	\$ 37,598

The \$9,289 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

d. Pension Costs (Continued)

Year Ended December 31	Pension Expense Amount
2020	\$ (4,514)
2021	(12,790)
2022	(5,155)
2023	295

e. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. Inflation and investment assumptions were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following change in actuarial assumption occurred in 2019.

- The mortality projection scale was changed from MP-2017 to MP-2018.

h. Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 299,937
Current	7.50	182,450
1% Increase	8.50	85,440

i. Pension Plan Fiduciary Net Position

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

C. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Sibley County Library System in a method and amount to be determined by MCIT.

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

REQUIRED SUPPLEMENTARY INFORMATION

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,550,783	\$ 6,550,783	\$ 6,432,956	\$ (117,827)
Special assessments	132,840	132,840	134,693	1,853
Licenses and permits	55,445	55,445	39,830	(15,615)
Intergovernmental	1,166,662	1,166,662	1,462,498	295,836
Charges for services	811,502	811,502	811,942	440
Fines and forfeits	9,442	9,442	9,522	80
Gifts and contributions	2,225	2,225	6,806	4,581
Investment earnings	300,250	300,250	855,503	555,253
Miscellaneous	276,060	276,060	367,312	91,252
Total Revenues	\$ 9,305,209	\$ 9,305,209	\$ 10,121,062	\$ 815,853
Expenditures				
Current				
General government				
Commissioners	\$ 288,942	\$ 288,942	\$ 193,659	\$ 95,283
Courts	110,320	110,320	150,404	(40,084)
Law library	20,500	20,500	10,137	10,363
County auditor	408,601	408,601	430,793	(22,192)
County treasurer	176,919	176,919	183,327	(6,408)
Audit services	93,500	93,500	87,385	6,115
Information services	644,033	644,033	674,830	(30,797)
Elections/voter registration	68,747	68,747	65,719	3,028
County administrator/human resources	543,060	543,060	553,669	(10,609)
County attorney	535,152	535,152	517,039	18,113
County recorder	348,057	348,057	349,240	(1,183)
County surveyor	42,500	42,500	36,135	6,365
County assessor	481,745	481,745	479,381	2,364
Planning and zoning	97,580	97,580	140,554	(42,974)
Courthouse building	83,175	83,175	105,194	(22,019)
Building custodians	171,528	171,528	161,522	10,006
Sibley County food shelf	93	93	18	75
Jail building	81,308	81,308	99,505	(18,197)
Sibley County service center	68,457	68,457	88,248	(19,791)
Sheriff shed	1,165	1,165	1,501	(336)
Sibley East and West	4,600	4,600	-	4,600
Veterans service officer	126,964	126,964	143,407	(16,443)
Public transit	89,965	89,965	32,535	57,430
County fleet car	51,000	51,000	24,793	26,207
Shoreland ordinance	2,700	2,700	881	1,819
Other general government activities	16,800	16,800	285,513	(268,713)
Total general government	\$ 4,557,411	\$ 4,557,411	\$ 4,815,389	\$ (257,978)

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,613,952	\$ 2,613,952	\$ 2,649,639	\$ (35,687)
Enhanced 911 system	49,500	49,500	64,123	(14,623)
Probation officer	228,439	228,439	170,067	58,372
Sentence to Serve	65,798	65,798	68,899	(3,101)
Emergency management	93,154	93,154	102,824	(9,670)
South Central Minnesota Regional Emergency Communications Board	3,540	3,540	6,628	(3,088)
Total public safety	\$ 3,054,383	\$ 3,054,383	\$ 3,062,180	\$ (7,797)
Sanitation				
SCORE solid waste	\$ 188,434	\$ 188,434	\$ 156,900	\$ 31,534
County landfill	1,142	1,142	413	729
Total sanitation	\$ 189,576	\$ 189,576	\$ 157,313	\$ 32,263
Culture and recreation				
Historical society	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Sibley County Library System	333,767	333,767	333,767	-
Parks	85,825	85,825	51,879	33,946
County seat trail	-	-	58,544	(58,544)
Tourism	-	-	768	(768)
Total culture and recreation	\$ 434,592	\$ 434,592	\$ 459,958	\$ (25,366)
Conservation of natural resources				
Soil and water conservation	\$ 176,155	\$ 176,155	\$ 176,155	\$ -
County extension	155,148	155,148	155,341	(193)
Agriculture ditch inspector	184,990	184,990	196,951	(11,961)
County fair	25,000	25,000	25,000	-
Aquatic invasive species	62,178	62,178	62,097	81
Total conservation of natural resources	\$ 603,471	\$ 603,471	\$ 615,544	\$ (12,073)
Economic development				
Housing and Redevelopment Authority	\$ 141,996	\$ 141,996	\$ 142,073	\$ (77)
Minnesota Valley Action Council	7,034	7,034	7,034	-
Economic Development Commission	118,731	118,731	153,414	(34,683)
Total economic development	\$ 267,761	\$ 267,761	\$ 302,521	\$ (34,760)

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Capital outlay				
General government	\$ 172,115	\$ 172,115	\$ 159,599	\$ 12,516
Public safety	180,750	180,750	16,437	164,313
Culture and recreation	34,600	34,600	150	34,450
Conservation of natural resources	22,500	22,500	17,904	4,596
Total capital outlay	\$ 409,965	\$ 409,965	\$ 194,090	\$ 215,875
Total Expenditures	\$ 9,517,159	\$ 9,517,159	\$ 9,606,995	\$ (89,836)
Excess of Revenues Over (Under) Expenditures	\$ (211,950)	\$ (211,950)	\$ 514,067	\$ 726,017
Other Financing Sources (Uses)				
Transfers out	(25,000)	(25,000)	-	25,000
Net Change in Fund Balance	\$ (236,950)	\$ (236,950)	\$ 514,067	\$ 751,017
Fund Balance – January 1, as restated (Note 1.F.)	5,393,534	5,393,534	5,393,534	-
Fund Balance – December 31	\$ 5,156,584	\$ 5,156,584	\$ 5,907,601	\$ 751,017

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,809,899	\$ 3,809,899	\$ 3,746,416	\$ (63,483)
Intergovernmental	4,949,237	4,949,237	4,458,807	(490,430)
Charges for services	83,500	83,500	131,254	47,754
Miscellaneous	30,950	30,950	61,769	30,819
Total Revenues	\$ 8,873,586	\$ 8,873,586	\$ 8,398,246	\$ (475,340)
Expenditures				
Current				
Highways and streets				
Maintenance	\$ 3,005,179	\$ 3,005,179	\$ 2,856,676	\$ 148,503
Engineering/construction	5,778,072	5,778,072	4,870,058	908,014
Equipment, shop maintenance, and repairs	811,858	811,858	906,159	(94,301)
Administration	356,477	356,477	368,721	(12,244)
Township allotments	-	-	38,300	(38,300)
Total highways and streets	\$ 9,951,586	\$ 9,951,586	\$ 9,039,914	\$ 911,672
Intergovernmental				
Highways and streets	-	-	374,018	(374,018)
Total Expenditures	\$ 9,951,586	\$ 9,951,586	\$ 9,413,932	\$ 537,654
Net Change in Fund Balance	\$ (1,078,000)	\$ (1,078,000)	\$ (1,015,686)	\$ 62,314
Fund Balance – January 1	8,685,542	8,685,542	8,685,542	-
Increase (decrease) in inventories	-	-	59,124	59,124
Fund Balance – December 31	\$ 7,607,542	\$ 7,607,542	\$ 7,728,980	\$ 121,438

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,715,937	\$ 3,715,937	\$ 3,623,341	\$ (92,596)
Intergovernmental	3,168,511	3,168,511	3,631,408	462,897
Charges for services	472,198	472,198	406,997	(65,201)
Gifts and contributions	-	-	100	100
Miscellaneous	113,103	113,103	254,484	141,381
Total Revenues	\$ 7,469,749	\$ 7,469,749	\$ 7,916,330	\$ 446,581
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,460,271	\$ 1,460,271	\$ 1,610,497	\$ (150,226)
Social services	5,300,873	5,300,873	4,998,994	301,879
Miscellaneous social service programs	19,924	19,924	17,728	2,196
Total human services	\$ 6,781,068	\$ 6,781,068	\$ 6,627,219	\$ 153,849
Health				
Public health nurse	1,002,681	1,002,681	963,941	38,740
Total Expenditures	\$ 7,783,749	\$ 7,783,749	\$ 7,591,160	\$ 192,589
Net Change in Fund Balance	\$ (314,000)	\$ (314,000)	\$ 325,170	\$ 639,170
Fund Balance – January 1	4,416,845	4,416,845	4,416,845	-
Fund Balance – December 31	\$ 4,102,845	\$ 4,102,845	\$ 4,742,015	\$ 639,170

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 48,477	\$ 47,312
Interest	20,316	18,785
Differences between expected and actual experience	63,160	-
Changes of assumption or other inputs	(143,634)	-
Benefit payments	(25,677)	(16,141)
Net change in total OPEB liability	\$ (37,358)	\$ 49,956
Total OPEB Liability – Beginning	579,905	529,949
Total OPEB Liability – Ending	\$ 542,547	\$ 579,905
Covered-employee payroll	\$ 8,057,449	\$ 7,995,844
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.73%	7.25%

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Sibley County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.1017 %	\$ 5,622,765	\$ 174,826	\$ 5,797,591	\$ 6,967,775	80.70 %	80.23 %
2018	0.1009	5,597,518	183,591	5,781,109	6,745,832	82.98	79.53
2017	0.1038	6,626,523	83,359	6,709,882	6,689,908	99.05	75.90
2016	0.0984	7,989,592	104,363	8,093,955	6,109,384	130.78	68.91
2015	0.0984	5,099,599	N/A	5,099,599	5,784,914	88.15	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 539,853	\$ 539,853	\$ -	\$ 7,198,039	7.50 %
2018	513,409	513,409	-	6,846,445	7.50
2017	491,539	491,539	-	6,553,854	7.50
2016	479,622	479,622	-	6,394,957	7.50
2015	455,148	455,148	-	6,069,024	7.50

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-7

**SIBLEY COUNTY LIBRARY SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the Sibley County Library System (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0033 %	\$ 182,450	\$ 5,666	\$ 188,116	\$ 234,823	77.70 %	80.23 %
2018	0.0034	188,618	6,167	194,785	217,306	86.80	79.53
2017	0.0032	204,286	2,600	206,886	208,953	97.77	75.90
2016	0.0030	243,585	3,140	246,725	184,309	132.16	68.91
2015	0.0029	150,293	N/A	150,293	172,103	87.33	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-8

**SIBLEY COUNTY LIBRARY SYSTEM
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 18,151	\$ 18,151	-	\$ 242,012	7.50 %
2018	17,016	17,016	-	226,875	7.50
2017	16,066	16,066	-	214,215	7.50
2016	14,355	14,355	-	191,393	7.50
2015	13,845	13,845	-	184,592	7.50

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0800 %	\$ 851,681	\$ 820,896	103.75 %	89.26 %
2018	0.0789	840,993	776,552	108.30	88.84
2017	0.0810	1,093,596	829,012	131.92	85.43
2016	0.0780	3,130,276	691,357	452.77	63.88
2015	0.0740	840,813	680,776	123.51	86.61

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 142,816	\$ 142,816	\$ -	\$ 842,571	16.95 %
2018	129,212	129,212	-	797,606	16.20
2017	128,446	128,446	-	792,876	16.20
2016	124,191	124,191	-	766,611	16.20
2015	110,069	110,069	-	679,436	16.20

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.2702 %	\$ 37,409	\$ 570,626	6.56 %	98.17 %
2018	0.2415	39,720	480,324	8.27	97.64
2017	0.2300	655,502	467,262	140.29	67.89
2016	0.2000	730,628	385,659	189.45	58.16
2015	0.2400	37,104	423,611	8.76	96.95

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 52,576	\$ 52,576	\$ -	\$ 600,873	8.75 %
2018	47,621	47,621	-	544,235	8.75
2017	38,771	38,771	-	443,093	8.75
2016	37,078	37,078	-	423,745	8.75
2015	34,698	34,698	-	396,549	8.75

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. Budgetary Information

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

2. Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2019:

Fund	Expenditures	Final Budget	Excess
General Fund	\$ 9,606,995	\$ 9,517,159	\$ 89,836

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

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

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

General Employees Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

General Employees Retirement Plan (Continued)

2017

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

2016

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

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

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2016 (Continued)

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

4. Other Postemployment Benefits Funded Status

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

5. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for others) with the MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The retiree plan participation percentage was changed from 50 percent to 40 percent.

The following changes in actuarial assumptions occurred in 2018:

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

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 237,176	\$ 237,176	\$ 231,442	\$ (5,734)
Intergovernmental	-	-	5,582	5,582
Total Revenues	\$ 237,176	\$ 237,176	\$ 237,024	\$ (152)
Expenditures				
Debt service				
Principal	\$ 259,151	\$ 259,151	\$ 240,000	\$ 19,151
Interest	143,025	143,025	143,025	-
Administrative charges	-	-	1,029	(1,029)
Total Expenditures	\$ 402,176	\$ 402,176	\$ 384,054	\$ 18,122
Net Change in Fund Balance	\$ (165,000)	\$ (165,000)	\$ (147,030)	\$ 17,970
Fund Balance – January 1	746,796	746,796	746,796	-
Fund Balance – December 31	\$ 581,796	\$ 581,796	\$ 599,766	\$ 17,970

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT B-2

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 7,604	\$ 7,604
Miscellaneous	-	-	3,710	3,710
Total Revenues	\$ -	\$ -	\$ 11,314	\$ 11,314
Expenditures				
Capital outlay				
General government	\$ 902,000	\$ 902,000	\$ 809,705	\$ 92,295
Public safety	-	-	72,169	(72,169)
Highways and streets	-	-	607,985	(607,985)
Total Expenditures	\$ 902,000	\$ 902,000	\$ 1,489,859	\$ (587,859)
Net Change in Fund Balance	\$ (902,000)	\$ (902,000)	\$ (1,478,545)	\$ (576,545)
Fund Balance - January 1	6,788,309	6,788,309	6,788,309	-
Fund Balance - December 31	\$ 5,886,309	\$ 5,886,309	\$ 5,309,764	\$ (576,545)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NONMAJOR FUNDS

Nonmajor Special Revenue Funds

Revolving Loan – To account for housing rehabilitation, working capital, expansion, renovation, or start-up financing for the County’s economic development program.

Water Projects – To account for the administration of the water quality and flowage of the High Island Creek, Rush River, and Bevens Silver Creek Watershed Districts, which make up the Lower Minnesota River Watershed.

Nonmajor Permanent Fund

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
	<u>Revolving Loan</u>	<u>Water Projects</u>	<u>Total</u>	<u>Federal Lands</u>	
<u>Assets</u>					
Cash and pooled investments	\$ 201,584	\$ 20,351	\$ 221,935	\$ 137,519	\$ 359,454
Loans receivable	78,639	-	78,639	-	78,639
Total Assets	\$ 280,223	\$ 20,351	\$ 300,574	\$ 137,519	\$ 438,093
<u>Liabilities and Fund Balances</u>					
Liabilities					
Unearned revenue	\$ -	\$ 10,232	\$ 10,232	\$ -	\$ 10,232
Fund Balances					
Nonspendable for Federal lands	\$ -	\$ -	\$ -	\$ 130,417	\$ 130,417
Restricted for Economic development loans	280,223	-	280,223	-	280,223
Conservation projects	-	10,119	10,119	7,102	17,221
Total Fund Balances	\$ 280,223	\$ 10,119	\$ 290,342	\$ 137,519	\$ 427,861
Total Liabilities and Fund Balances	\$ 280,223	\$ 20,351	\$ 300,574	\$ 137,519	\$ 438,093

**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, 2019**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
	<u>Revolving Loan</u>	<u>Water Projects</u>	<u>Total</u>		
Revenues					
Intergovernmental	\$ -	\$ 25,261	\$ 25,261	\$ 7,102	\$ 32,363
Investment earnings	2,800	-	2,800	-	2,800
Total Revenues	\$ 2,800	\$ 25,261	\$ 28,061	\$ 7,102	\$ 35,163
Expenditures					
Current					
Conservation of natural resources	-	22,789	22,789	-	22,789
Net Change in Fund Balance	\$ 2,800	\$ 2,472	\$ 5,272	\$ 7,102	\$ 12,374
Fund Balance – January 1	277,423	7,647	285,070	130,417	415,487
Fund Balance – December 31	\$ 280,223	\$ 10,119	\$ 290,342	\$ 137,519	\$ 427,861

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1, as restated	Additions	Deductions	Balance December 31
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 161,749</u>	<u>\$ 1,304,703</u>	<u>\$ 1,286,347</u>	<u>\$ 180,105</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,612	\$ 719,125	\$ 671,072	\$ 51,665
Due to other governments	<u>158,137</u>	<u>585,578</u>	<u>615,275</u>	<u>128,440</u>
Total Liabilities	<u>\$ 161,749</u>	<u>\$ 1,304,703</u>	<u>\$ 1,286,347</u>	<u>\$ 180,105</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 204,422</u>	<u>\$ 30,783,836</u>	<u>\$ 30,680,251</u>	<u>\$ 308,007</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 204,422</u>	<u>\$ 30,783,836</u>	<u>\$ 30,680,251</u>	<u>\$ 308,007</u>
 <u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 34,970</u>	<u>\$ 34,866</u>	<u>\$ 104</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ -</u>	<u>\$ 34,970</u>	<u>\$ 34,866</u>	<u>\$ 104</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1, as restated	Additions	Deductions	Balance December 31
<u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 646	\$ 75,170	\$ 75,816	\$ -
<u>Liabilities</u>				
Accounts payable	\$ 646	\$ 75,170	\$ 75,816	\$ -
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 366,817	\$ 32,198,679	\$ 32,077,280	\$ 488,216
<u>Liabilities</u>				
Accounts payable	\$ 4,258	\$ 794,295	\$ 746,888	\$ 51,665
Due to other governments	362,559	31,404,384	31,330,392	436,551
Total Liabilities	\$ 366,817	\$ 32,198,679	\$ 32,077,280	\$ 488,216

SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT E-1

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT
DECEMBER 31, 2019**

	General Fund	Adjustments	Governmental Activities
<u>Assets and Deferred Outflows of Resources</u>			
Current assets			
Cash and pooled investments	\$ 243,246	\$ -	\$ 243,246
Petty cash and change funds	20	-	20
Due from other governments	16,355	-	16,355
Prepaid items	261	-	261
Total Assets	\$ 259,882	\$ -	\$ 259,882
Deferred outflows of resources			
Deferred pension outflows	\$ -	\$ 24,723	\$ 24,723
Total Assets and Deferred Outflows of Resources	\$ 259,882	\$ 24,723	\$ 284,605
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 19,550	\$ -	\$ 19,550
Salaries payable	10,874	-	10,874
Due to other governments	4,700	-	4,700
Compensated absences payable – current	-	10,939	10,939
Noncurrent liabilities			
Compensated absences payable	-	29,576	29,576
Net pension liability	-	182,450	182,450
Total Liabilities	\$ 35,124	\$ 222,965	\$ 258,089
Deferred Inflows of Resources			
Deferred pension inflows	\$ -	\$ 37,598	\$ 37,598
Fund Balance			
Nonspendable – prepaid items	\$ 261	\$ (261)	
Unassigned	224,497	(224,497)	
Total Fund Balance	\$ 224,758	\$ (224,758)	
Net Position			
Unrestricted		\$ (11,082)	\$ (11,082)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 259,882	\$ 24,723	\$ 284,605

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT E-1
(Continued)**

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT
DECEMBER 31, 2019**

Reconciliation of the General Fund Balance to Net Position

Fund Balance – General Fund		\$ 224,758
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.		24,723
Long-term liabilities, including compensated absences and pension liability are not due and payable in the current period and, therefore, are not reported in the governmental fund.		
Compensated absences	\$ (40,515)	
Net pension liability	<u>(182,450)</u>	(222,965)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.		<u>(37,598)</u>
Net Position – Governmental Activities		<u><u>\$ (11,082)</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT E-2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 328,465	\$ -	\$ 328,465
Charges for services	3,539	-	3,539
Gifts and contributions	29,949	-	29,949
Miscellaneous	160,594	-	160,594
Total Revenues	\$ 522,547	\$ -	\$ 522,547
Expenditures/Expenses			
Current			
Culture and recreation			
County library	545,936	15,058	560,994
Net Change in Fund Balance/Net Position	\$ (23,389)	\$ (15,058)	\$ (38,447)
Fund Balance/Net Position – January 1	248,147	(220,782)	27,365
Fund Balance/Net Position – December 31	\$ 224,758	\$ (235,840)	\$ (11,082)

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

Net Change in Fund Balance **\$ (23,389)**

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

Change in compensated absences payable	(4,262)
Change in net pension liability	6,168
Change in deferred pension outflows	(25,166)
Change in deferred pension inflows	8,202

Change in Net Position of Governmental Activities **\$ (38,447)**

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SCHEDULES

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET – BY DITCH – ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2019**

	Assets					
	Cash and Investments	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
County Ditches						
C.D. #1	\$ 18,585	\$ 55,228	\$ -	\$ 30,931	\$ -	\$ 104,744
C.D. #2	2,874	3	-	23,709	-	26,586
C.D. #4A	2,006	1,145	40,903	22,119	-	66,173
C.D. #9A	2,492	91	-	16,286	-	18,869
C.D. #10	1,931	-	-	8,345	-	10,276
C.D. #11	24,401	327	-	56,733	-	81,461
C.D. #12A	1,948	-	-	18,179	-	20,127
C.D. #13A	1,682	47	33,460	5,375	-	40,564
C.D. #18	31,722	102	-	53,852	-	85,676
C.D. #21A	1,472	-	15,897	28,632	-	46,001
C.D. #22	3,388	-	76,820	35,994	-	116,202
C.D. #23A	4,237	-	11,951	20,827	-	37,015
C.D. #24A	2,385	-	184	14,251	-	16,820
C.D. #25A	1,258	-	-	10,057	-	11,315
C.D. #26	1,834	-	-	6,530	-	8,364
C.D. #29	316,199	362	673,478	-	-	990,039
C.D. #29 Impr. SCHWARTZ	1,635	169	29,939	-	-	31,743
C.D. #30A	2,057	-	-	7,560	-	9,617
C.D. #31A	2,248	-	-	32,312	-	34,560
C.D. #32A	1,644	96	-	19,334	-	21,074
C.D. #37A	353	-	1,298	32,749	-	34,400
C.D. #38	399	-	-	-	-	399
C.D. #39	3,363	-	114,765	1,391	-	119,519
C.D. #40A	1,740	-	-	3,973	-	5,713
C.D. #42	5,236	301	72,156	77,275	-	154,968
C.D. #43	2,570	-	13,271	-	-	15,841
C.D. #44	2,998	-	20,296	14,840	-	38,134
C.D. #45	1,773	-	-	7,683	-	9,456
C.D. #46	560	-	227	9,814	-	10,601
C.D. #47	2,290	-	15,544	22,898	-	40,732
C.D. #48	1,469	-	15,020	22,453	-	38,942
C.D. #49	52,220	-	-	38,441	-	90,661
C.D. #50	3,770	9	102,754	30,862	-	137,395
C.D. #54	(32,399)	10	77,417	28,750	-	73,778
C.D. #55	41,000	-	-	86,030	-	127,030
C.D. #56	3,275	-	-	35,134	-	38,409
C.D. #57A	1,914	-	-	1,238	-	3,152
C.D. #58	8,208	-	-	4,252	-	12,460
C.D. #59	3,533	14	-	24,888	-	28,435
C.D. #60	1,814	-	26,753	19,728	-	48,295
C.D. #61	8,541	-	-	-	-	8,541
C.D. #64	21,484	-	200	-	-	21,684
C.D. #65	1,975	-	6,547	5,715	-	14,237
C.D. #66	19,361	-	-	-	-	19,361
C.D. #67	2,609	-	-	37,384	-	39,993
C.D. #70	4,192	2,384	120,467	-	-	127,043
Total County Ditches	\$ 590,246	\$ 60,288	\$ 1,469,347	\$ 916,524	\$ -	\$ 3,036,405

EXHIBIT F-1

Accounts and Contracts Payable	Liabilities				Total	Deferred Inflows of Resources Unavailable Revenue	Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
	Due to Other Funds	Due to Other Governments	Bonds Payable					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,744	\$ 104,744	
-	-	-	-	-	-	26,586	26,586	
36,689	58,561	-	-	95,250	-	(29,077)	66,173	
-	5,031	-	-	5,031	-	13,838	18,869	
-	22,207	-	-	22,207	-	(11,931)	10,276	
-	-	-	-	-	-	81,461	81,461	
1,130	16,183	-	-	17,313	-	2,814	20,127	
4,000	15,140	-	-	19,140	-	21,424	40,564	
5,297	-	-	-	5,297	-	80,379	85,676	
-	8,067	-	-	8,067	-	37,934	46,001	
3,900	121,180	-	-	125,080	-	(8,878)	116,202	
-	15,117	-	-	15,117	-	21,898	37,015	
-	124,208	-	-	124,208	-	(107,388)	16,820	
-	28,290	-	-	28,290	-	(16,975)	11,315	
-	28,263	-	-	28,263	-	(19,899)	8,364	
-	-	-	1,055,000	1,055,000	-	(64,961)	990,039	
-	25,234	-	-	25,234	-	6,509	31,743	
-	9,101	-	-	9,101	-	516	9,617	
-	15,131	-	-	15,131	-	19,429	34,560	
-	16,233	-	-	16,233	-	4,841	21,074	
-	-	-	-	-	-	34,400	34,400	
-	500	-	-	500	-	(101)	399	
249	27,251	5,065	125,000	157,565	-	(38,046)	119,519	
1,157	12,103	-	-	13,260	-	(7,547)	5,713	
1,968	191,887	-	-	193,855	-	(38,887)	154,968	
1,200	15,124	-	-	16,324	-	(483)	15,841	
2,668	18,163	-	-	20,831	-	17,303	38,134	
-	6,042	-	-	6,042	-	3,414	9,456	
-	1,005	-	-	1,005	-	9,596	10,601	
1,500	38,419	-	-	39,919	-	813	40,732	
-	10,085	-	-	10,085	-	28,857	38,942	
-	-	-	-	-	-	90,661	90,661	
354	93,892	-	-	94,246	-	43,149	137,395	
11,837	80,778	-	-	92,615	-	(18,837)	73,778	
15,288	131,261	-	-	146,549	-	(19,519)	127,030	
780	72,693	-	-	73,473	-	(35,064)	38,409	
-	3,034	-	-	3,034	-	118	3,152	
-	-	-	-	-	-	12,460	12,460	
-	45,420	-	-	45,420	-	(16,985)	28,435	
-	20,184	-	-	20,184	-	28,111	48,295	
-	-	-	-	-	-	8,541	8,541	
-	-	-	-	-	-	21,684	21,684	
900	12,100	-	-	13,000	-	1,237	14,237	
-	-	-	-	-	-	19,361	19,361	
1,283	25,232	-	-	26,515	-	13,478	39,993	
-	111,067	-	-	111,067	-	15,976	127,043	
\$ 90,200	\$ 1,424,186	\$ 5,065	\$ 1,180,000	\$ 2,699,451	\$ -	\$ 336,954	\$ 3,036,405	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET – BY DITCH – ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2019**

	Assets					
	Cash and Investments	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
High Island Project						
H.I. Proj. #2	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 20
H.I. Proj. #5	15	-	-	-	-	15
H.I. Proj. #8	10	-	-	-	-	10
H.I. Proj. #9	10	-	-	-	-	10
H.I. Proj. #10	36,610	-	-	-	-	36,610
H.I. Proj. #11	131,722	-	67,200	-	-	198,922
Total High Island Project	\$ 168,387	\$ -	\$ 67,200	\$ -	\$ -	\$ 235,587
Judicial Ditches						
JD #1A S&N	\$ 2,600	\$ -	\$ -	\$ 28,802	\$ 500	\$ 31,902
JD #2 SC	14,488	-	-	31,706	128	46,322
JD #3 SCM	10,122	-	-	32,381	4,868	47,371
JD #5 M&S	19,894	-	-	4,290	609	24,793
JD #5 S&N	(16,297)	-	-	9,642	19,343	12,688
JD #6A S&N	3,558	467	-	69,934	7,681	81,640
JD #8 S&R	5,118	-	-	3,509	1,260	9,887
JD #8 M&S	33	-	3,728	16,556	20,878	41,195
JD #11 RSM	2,117	81	-	93,427	65,311	160,936
JD #12 Sibley	1,905	-	-	23,772	-	25,677
JD #13 SRN	2,626	134	-	15,403	35,150	53,313
JD #13 N&S	2,219	-	-	-	48	2,267
JD #14 S&N	2,445	-	-	6,055	496	8,996
JD #15 S&M	2,328	-	-	-	110	2,438
JD #15 R&S	2,808	-	-	12,269	389	15,466
JD #15 N&S	1,533	-	-	8,407	1,360	11,300
JD #16 N&S	417	-	-	147	42	606
JD #17 S&M	3,959	-	-	4,455	41,982	50,396
JD #18 S&M	1,993	32	281,535	-	29,983	313,543
JD #19 S&M	3,005	-	-	10,934	3,888	17,827
JD #20 S&N	5,107	790	-	57,028	5,733	68,658
JD #21 S&C	3,974	-	-	1,248	10,343	15,565
JD #22 S&C	2,373	-	-	3,226	1,791	7,390
JD #24 RSM	4,665	803	-	35,883	8,384	49,735
JD #30 R&S	113	-	-	-	5	118
JD #31 RSN	4,363	-	-	1,416	156	5,935
JD #32 SM	27,838	-	56,023	-	16	83,877
JD #6 NS	270	-	-	513	29	812
JT #1A N&S	72,848	6	-	28,811	135	101,800
JT #1 RS	2,392	-	-	17,530	58	19,980
JT #7 SNR	4,301	21	-	43,614	1,767	49,703
JT #24 CS	2,802	-	-	-	637	3,439
JT #7 Lat 17 IMP Berger	5,761	46	45,048	-	-	50,855
JT #5 YAHNKE S&N Impr	38,267	-	27,949	-	-	66,216
Total Judicial Ditches	\$ 241,945	\$ 2,380	\$ 414,283	\$ 560,958	\$ 263,080	\$ 1,482,646
Total All Ditches	\$ 1,000,578	\$ 62,668	\$ 1,950,830	\$ 1,477,482	\$ 263,080	\$ 4,754,638
Reconcile to Exhibit 3	-	-	-	-	-	-
Total Modified Accrual	\$ 1,000,578	\$ 62,668	\$ 1,950,830	\$ 1,477,482	\$ 263,080	\$ 4,754,638

EXHIBIT F-1
(Continued)

Accounts and Contracts Payable	Liabilities				Total	Deferred Inflows of Resources Unavailable Revenue	Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
	Due to Other Funds	Due to Other Governments	Bonds Payable					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 20	
-	-	-	-	-	-	15	15	
-	-	-	-	-	-	10	10	
-	-	-	-	-	-	10	10	
-	-	-	-	-	-	36,610	36,610	
-	-	-	200,000	200,000	-	(1,078)	198,922	
\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ 35,587	\$ 235,587	
\$ 150	\$ 90,880	\$ -	\$ -	\$ 91,030	\$ -	\$ (59,128)	\$ 31,902	
-	-	-	-	-	-	46,322	46,322	
-	-	8,525	-	8,525	-	38,846	47,371	
-	25,051	13	-	25,064	-	(271)	24,793	
-	42,585	-	-	42,585	-	(29,897)	12,688	
1,138	43,411	-	-	44,549	-	37,091	81,640	
-	-	2,584	-	2,584	-	7,303	9,887	
-	33,330	54,282	-	87,612	-	(46,417)	41,195	
10,621	217,616	28,036	-	256,273	-	(95,337)	160,936	
6,300	26,342	-	-	32,642	-	(6,965)	25,677	
-	43,410	1,617	-	45,027	-	8,286	53,313	
-	2,000	-	-	2,000	-	267	2,267	
-	8,056	-	-	8,056	-	940	8,996	
-	-	414	-	414	-	2,024	2,438	
-	5,022	2,510	-	7,532	-	7,934	15,466	
-	16,145	-	-	16,145	-	(4,845)	11,300	
-	-	-	-	-	-	606	606	
2,041	95,910	7,863	-	105,814	-	(55,418)	50,396	
30,315	40,380	28,571	545,000	644,266	-	(330,723)	313,543	
-	-	1,439	-	1,439	-	16,388	17,827	
-	106,014	-	-	106,014	-	(37,356)	68,658	
-	13,091	-	-	13,091	-	2,474	15,565	
-	4,016	-	-	4,016	-	3,374	7,390	
13,114	25,223	30,967	-	69,304	-	(19,569)	49,735	
-	-	19	-	19	-	99	118	
-	-	2,849	-	2,849	-	3,086	5,935	
1,256	-	6,439	80,000	87,695	-	(3,818)	83,877	
-	502	-	-	502	-	310	812	
-	-	-	-	-	-	101,800	101,800	
-	43,406	1,365	-	44,771	-	(24,791)	19,980	
-	-	80	-	80	-	49,623	49,703	
-	-	-	-	-	-	3,439	3,439	
-	-	-	-	-	-	50,855	50,855	
-	-	-	-	-	-	66,216	66,216	
\$ 64,935	\$ 882,390	\$ 177,573	\$ 625,000	\$ 1,749,898	\$ -	\$ (267,252)	\$ 1,482,646	
\$ 155,135	\$ 2,306,576	\$ 182,638	\$ 2,005,000	\$ 4,649,349	\$ -	\$ 105,289	\$ 4,754,638	
-	-	-	(2,005,000)	(2,005,000)	3,490,980	(1,485,980)	-	
\$ 155,135	\$ 2,306,576	\$ 182,638	\$ -	\$ 2,644,349	\$ 3,490,980	\$ (1,380,691)	\$ 4,754,638	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Appropriations and Shared Revenue				
State				
Highway users tax	\$ 4,014,383	\$ -	\$ 4,014,383	\$ -
Market value credit	334,395	-	334,395	-
PERA aid	49,277	-	49,277	-
Disparity reduction aid	55,206	-	55,206	-
County program aid	559,667	-	559,667	-
Police aid	100,755	-	100,755	-
E-911	87,933	-	87,933	-
Petroleum tax relief	2,406	-	2,406	-
SCORE	68,710	-	68,710	-
Aquatic invasive species prevention aid	62,097	-	62,097	-
Riparian protection aid	108,020	-	108,020	-
Total appropriations and shared revenue	\$ 5,442,849	\$ -	\$ 5,442,849	\$ -
Reimbursement for Services				
State				
Minnesota Department of Human Services	\$ 490,086	\$ -	\$ 490,086	\$ -
Payments				
Local				
Local contributions	\$ 22,750	\$ -	\$ 22,750	\$ 328,465
Payments in lieu of taxes	28,876	-	28,876	-
Total payments	\$ 51,626	\$ -	\$ 51,626	\$ 328,465
Grants				
State				
Minnesota Department/Board of				
Corrections	\$ 38,204	\$ -	\$ 38,204	\$ -
Public Safety	61,443	-	61,443	-
Transportation	72,842	-	72,842	-
Health	68,319	-	68,319	-
Natural Resources	58,545	-	58,545	-
Human Services	1,349,549	-	1,349,549	-
Veteran's Affairs	7,500	-	7,500	-
Water and Soil Resources	30,767	-	30,767	-
Peace Officer Standards and Training Board	9,942	-	9,942	-
Pollution Control Agency	38,889	-	38,889	-
Total state	\$ 1,736,000	\$ -	\$ 1,736,000	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*EXHIBIT F-2
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Grants (Continued)				
Federal				
Department of				
Agriculture	\$ 227,060	\$ -	\$ 227,060	\$ -
Transportation	131,928	-	131,928	-
Housing and Urban Development	-	155,742	155,742	-
Education	648	-	648	-
Health and Human Services	1,366,287	-	1,366,287	-
Homeland Security	139,202	-	139,202	-
Environmental Protection Agency	25,261	-	25,261	-
Total federal	<u>\$ 1,890,386</u>	<u>\$ 155,742</u>	<u>\$ 2,046,128</u>	<u>\$ -</u>
Total state and federal grants	<u>\$ 3,626,386</u>	<u>\$ 155,742</u>	<u>\$ 3,782,128</u>	<u>\$ -</u>
Total Intergovernmental Revenue	<u>\$ 9,610,947</u>	<u>\$ 155,742</u>	<u>\$ 9,766,689</u>	<u>\$ 328,465</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 57,038
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	144,577
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants fro the Supplemental Nutrition Assistance Program 10.561 \$170,022)	10.561	192MN127Q7503	25,445
Total U.S. Department of Agriculture			\$ 227,060
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Housing Finance Agency Housing Voucher Cluster Section 8 Housing Choice Vouchers	14.871	MN46-8023-001	\$ 155,742
U.S. Environmental Protection Agency			
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	97593511	\$ 25,261
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education – Grants for Infants and Families	84.181	H181A150029	\$ 648
U.S. Department of Health and Human Services			
Passed Through Meeker-McLeod-Sibley Community Health Services Early Hearing Detection and Intervention TANF Cluster	93.251	H61MC00035	\$ 525
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$136,047)	93.558	1901MNTANF	11,313
Medicaid Cluster Medical Assistance Program (Total Medical Assistance Program 93.778 \$727,097)	93.778	1905MN5ADM	31,592
Block Grants for Prevention and Treatment of Substance Abuse	93.959	S 2B08TIO10027-18	8,909
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	12,388
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster	93.556	G-1801MNFPS	5,044
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$136,047)	93.558	1901MNTANF	124,734
Child Support Enforcement	93.563	1901MNCEST	206,635
Child Support Enforcement (Total Child Support Enforcement 93.563 \$265,631)	93.563	1901MNCSES	58,996
Refugee and Entrant Assistance - State Administered Programs	93.566	1901MNRCA	164
Community-Based Child Abuse Prevention Grants	93.590	G-1802MNBCAP	5,599

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCDF	4,843
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	3,207
Foster Care – Title IV-E	93.658	1901MNFOST	89,220
Social Services Block Grant	93.667	G-1901MNSOSR	94,835
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	459
Children's Health Insurance Program	93.767	1905MN5R21	121
Medicaid Cluster			
Medical Assistance Program	93.778	1905MN5ADM	695,505
(Total Medical Assistance Program 93.778 \$727,097)			<u> </u>
Total U.S. Department of Health and Human Services			\$ 1,354,089
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4390/P07204390PA	\$ 69,040
Hazard Mitigation Grant	97.039	2018 SHSP SFY19	<u>50,726</u>
Total U.S. Department of Homeland Security			\$ 119,766
Total Federal Awards			\$ 1,882,566
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 170,022
Total expenditures for Housing Voucher Cluster			155,742
Total expenditures for TANF Cluster			136,047
Total expenditures for CCDF Cluster			4,843
Total expenditures for Medicaid Cluster			727,097

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2019.

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

A. 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.

B. 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, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Sibley County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Sibley County.

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of Sibley County. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

Sibley County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,046,128
Grants received more than 60 days after year-end, unavailable in 2019	
Temporary Assistance for Needy Families (CFDA No. 93.558)	21,715
Unavailable in 2018, recognized as revenue in 2019	
Highway Planning and Construction (CFDA No. 20.205)	(131,928)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(33,913)
Emergency Management Performance Grants (CFDA No. 97.042)	<u>(19,436)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,882,566</u>

**Other Information
Section**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT G-1

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS
DECEMBER 31, 2019**

	Taxes Levied for Collection					
	2018		2019		2020	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 24,103,731		\$ 24,747,193		\$ 27,136,258	
Personal property	1,874,762		1,933,081		1,768,594	
Total Tax Capacity	<u>\$ 25,978,493</u>		<u>\$ 26,680,274</u>		<u>\$ 28,904,852</u>	
Taxes Levied for County Purposes						
General government	\$ 6,527,946	23.877	\$ 6,902,645	24.647	\$ 7,636,994	25.149
Public works	3,796,587	14.559	3,620,799	13.508	3,792,322	13.035
Health and human services	3,661,703	13.651	3,865,440	14.056	4,052,263	13.573
Debt service	241,000	0.935	237,176	0.895	444,900	1.550
Total Levy for County Purposes	<u>\$ 14,227,236</u>		<u>\$ 14,626,060</u>		<u>\$ 15,926,479</u>	
Less: County program aid	557,272		559,667		620,990	
Net Levy for County Purposes	<u>\$ 13,669,964</u>	<u>53.022</u>	<u>\$ 14,066,393</u>	<u>53.106</u>	<u>\$ 15,305,489</u>	<u>53.307</u>
Tax Capacity – Light and Power						
Transmission lines	\$ 5,482		\$ 5,588		\$ 5,506	
Distribution lines	3,894		3,972		3,912	
Total Tax Capacity – Light and Power	<u>\$ 9,376</u>		<u>\$ 9,560</u>		<u>\$ 9,418</u>	
Tax Levies – Light and Power						
Transmission lines	\$ 7,774	99.877	\$ 5,576	99.782	\$ 5,387	97.841
Distribution lines	5,522	99.877	3,963	99.782	3,828	97.841
Total Tax Levies – Light and Power	<u>\$ 13,296</u>		<u>\$ 9,539</u>		<u>\$ 9,215</u>	
Special Assessments						
Ditch liens and all other assessments	<u>\$ 1,394,034</u>		<u>\$ 1,557,092</u>		<u>\$ 2,252,585</u>	
Percentage of Tax Collections for All Purposes		99.11%		99.34%		

(Unaudited)

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SIBLEY COUNTY

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Sibley County
Gaylord, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 4, 2020. Our report includes references to other auditors who audited the financial statements of Sibley Estates of Sibley County and the South Country Health Alliance joint venture, as described in our report on Sibley County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*. This report does not include the results of our audit testing of the Sibley County Library System component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Sibley County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Sibley County's Response to Findings

Sibley County's responses to the internal control findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 4, 2020

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

Independent Auditor's Report

Board of County Commissioners
Sibley County
Gaylord, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Sibley County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. Sibley County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sibley County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sibley County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Sibley County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding numbers 2019-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Sibley County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Sibley County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004. Our opinion on each major federal program is not modified with respect to this matters.

Sibley County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Sibley County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform

Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003, that we consider to be a material weakness, and deficiency 2019-004, that we consider to be a significant deficiency.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 4, 2020

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major federal programs: **Unmodified, except for the Medicaid Cluster, which is qualified.**

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

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Prior Period Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

Condition: A prior period adjustment was identified that resulted in significant changes to the County's financial statements.

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

Effect: The January 1, 2019, fund balance of the General Fund and net position in the governmental activities increased by \$181,349, and assets and liabilities of the Economic Development Agency Fund decreased by \$181,349.

Cause: The Sibley County Economic Development Commission was dissolved when the County internally hired an economic development employee to oversee the County's economic development activities. Due to various changes in County personnel, this change was not reflected in the County's financial statements.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Recommendation: We recommend County staff review the financial statement closing procedures to ensure they have accurate and complete information necessary to fairly present the County's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

View of Responsible Official: Acknowledged

Finding Number: 2019-002

Prior Year Finding Number: 2011-002

Repeat Finding Since: 2011

Audit Adjustments

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

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

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

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

- The General Fund required an adjustment of \$597,500 to reduce cash and increase general government expenditures to correct client's adjustment for the loans to the Ditch Special Revenue Fund.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

- The Ditch Special Revenue Fund required an adjustment of \$181,725 to decrease receivables and related unavailable revenue for interest that should not be included in the special assessments receivable balance.

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

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

View of Responsible Official: Acknowledge

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

Pass-Through Agency: Minnesota Department of Human Services

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Condition: The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by Sibley County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following instances were noted in the sample of 50 case files tested:

- For one case file, there was no documentation to verify the participant’s citizenship in METS.
- For six case files, the asset information in MAXIS was not updated or input correctly for the current application.
- For one MAXIS case file, the signed adoption assistance agreement and the letter from DHS indicating the participant qualifies for medical assistance was not included in the case file.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: Pursuant to Minnesota statutes, the County performs any “intake function” needed for this program, while the state maintains MAXIS and METS, which support the eligibility determination process and actually pay the benefits to the participants.

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

Effect: The lack of updated information and documented verification of key eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS and METS did not ensure all required information was input or updated in the systems correctly or that all required information was obtained and/or retained.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Recommendation: We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and METS and maintained in case files.

View of Responsible Official: Acknowledged

Finding Number: 2019-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Reporting

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are completed in accordance with DHS reporting instructions. As part of the County's reporting requirements, the County submits the Local Collaborative Time Study (LCTS) Cost Schedule DHS-3220 reports on a quarterly basis and the LCTS Annual Report Spending Report annually.

Condition: The following errors were noted in the reports submitted for 2019:

- The LCTS Cost Schedule DHS-3220 report prepared for Sibley County Corrections was not prepared on the cash basis. March expenditures that were not paid until April were included on the first quarter report.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

- Due to a spreadsheet formula error, the LCTS Annual Spending Report submitted to DHS excluded all May 2019 expenditures.

Questioned Costs: None.

Context: A revised LCTS Annual Spending Report has since been submitted by the County to correct for the error identified in the audit; however, the County was unable to submit corrections for the LCTS Cost Schedule DHS-3220 report.

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

Effect: Errors on the quarterly reports can result in the County receiving either more or less federal funding than can be justified based on the actual underlying activity. The expenditures reported on the first quarter DHS-3220 Sibley County Corrections report were overstated by \$144, while the second quarter DHS-3220 report was subsequently understated by the same amount. Expenditures on the LCTS Annual Spending Report were understated by \$11,117.

Cause: The County's controls over preparation of the quarterly reports were not sufficient to identify the related expenditures were not properly reported.

Recommendation: We recommend that the County implement controls that ensure that all eligible costs are reported on the reports in a manner that is consistent with DHS guidance.

View of Responsible Official: Acknowledged

IV. PREVIOUSLY REPORTED ITEMS RESOLVED

2017-001 Procurement, Suspension, and Debarment
2017-002 Individual Ditch System Cash Deficits

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Sibley County Auditor-Treasurer

Marilee Peterson

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REPRESENTATION OF SIBLEY COUNTY GAYLORD, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001

Finding Title: Prior Period Adjustment

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor-Treasurer

Corrective Action Planned:

The Sibley Economic Development Commission was in existence in Sibley County prior to 2015, when the role of the Sibley County Auditor switched hands to Marilee Peterson. However, it was considered inactive leading up to the change in Auditors. Therefore, in 2015, it was not recognized as a change in financial obligations when the Commission was transformed into the Sibley County Economic Development Committee. This occurred in October of 2015. Eventually, Sibley County internally hired an economic development employee to oversee the County's economic development activities. The Commission was then dissolved but the change in financial obligation was not captured.

Anticipated Completion Date:

August 31, 2020

Finding Number: 2019-002

Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor-Treasurer

• **Tara Ernst**
Assistant Treasurer

• **Charlene Pelletier**
Assistant Auditor

• **Kelly Nelson**
Finance & Accounting Manager

• **Annie Willmsen**
Auditor-Treasurer Technician

• **Jennie Radloff**
Elections Coordinator

• **Aaron Goemann**
Drainage Inspector

• **Greg DeVries**
Ditch & Ag Technician

• **Joe Sternberg**
Engineering Tech 1 - Ditches

Corrective Action Planned:

This finding stemmed from how we treat deficiencies in individual ditch accounts. For 2019, we began charging interest to all those ditches who had a negative balance at the end of the quarter. This process was in addition to our current practice of a one-month ditch loan at year's end. Due to this finding, we have updated our practice to having 3 months of interest charged at the end of every quarter, including year-end.

Anticipated Completion Date:

August 31, 2020

Finding Number: 2019-003

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

John Stepien, Income Maintenance and Child Support Supervisor

Corrective Action Planned:

The department will include a case file review for mandatory verifications at time of case transfer, renewal, or recertification. Verifications will be scanned to case file prior to case processing rather than after. Worker will get an electronic worklist to ensure documentation are in the case file prior to processing a new application or change in circumstance.

Anticipated Completion Date:

Ongoing

Finding Number: 2019-004

Finding Title: Reporting

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Rosy Quast, Fiscal Supervisor

Corrective Action Planned:

County partners will review all expenses to ascertain that all applicable costs are reported on a cash basis of accounting for all reports.

Sibley County will plan to review spreadsheet formulas as needed, and will implement more extensive review before report submission.

Anticipated Completion Date:

Ongoing

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Sibley County Auditor-Treasurer

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REPRESENTATION OF SIBLEY COUNTY GAYLORD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2011-002

Finding Title: Audit Adjustments

Summary of Condition: During the 2018 audit, material adjustments were identified that resulted in significant changes to the County's financial statements.

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

Status: Not Corrected. The Sibley County Auditor-Treasurer's Office staff has continued to learn reporting standards and will work to review the County-prepared trial balances and prepare the necessary (if any) audit adjustments and or reclassifications to ensure the County's financial statements reflect the accrual basis of accounting. According to OSA the audit adjustments have been improving each year for the last 3 years as our staff becomes more familiar with financial practices, the financial statements, grant schedules, and alike.

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

Yes _____ No X

• **Tara Ernst**
Assistant Treasurer

• **Charlene Pelletier**
Assistant Auditor

• **Kelly Nelson**
Finance & Accounting Manager

• **Annie Willmsen**
Auditor-Treasurer Technician

• **Jennie Radloff**
Elections Coordinator

• **Aaron Goemann**
Drainage Inspector

• **Greg DeVries**
Ditch & Ag Technician

• **Joe Sternberg**
Engineering Tech 1 - Ditches

Finding Number: 2017-001

Finding Title: Procurement, Suspension, and Debarment

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

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

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

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2017-002

Finding Title: Individual Ditch System Cash Deficits

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

Summary of Corrective Action Previously Reported: Sibley County began charging interest, payable to a ditch department that has a positive balance, for each system that is carrying a negative balance on a quarterly basis. This started with the first quarter of 2019.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT

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JULIE BLAHA
STATE AUDITOR

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sibley County, Minnesota, which include as supplementary information, the financial statements of the Sibley County Library System, a discretely presented component unit, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 4, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Sibley County Library System's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Sibley County Library System failed to comply with the provisions of the deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Sibley County Library System's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 4, 2020