

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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

YEAR ENDED DECEMBER 31, 2005

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**Year Ended December 31, 2005**



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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2005**

Office	Name	Term	
		From	To
<b>Commissioners</b>			
1st District	Leo "Lee" Anderly*	January 2003	January 2007
2nd District	William "Bill" Pinske	January 2003	January 2009
3rd District	Leo L. Bauer	January 1991	January 2009
4th District	Charles Woehler	January 1993	January 2007
5th District	Harold Pettis	January 1999	January 2007
<b>Officers</b>			
<b>Elected</b>			
Attorney	David E. Schauer	February 1988	January 2007
Auditor	Lisa Pfarr	January 1999	January 2007
Coroner	John Vener, M.D.	January 1987	January 2007
County Recorder	Kathy Dietz (appointed)	February 2005	January 2007
Registrar of Titles	Kathy Dietz (appointed)	February 2005	January 2007
Sheriff	Bruce Ponath	January 2003	January 2007
Surveyor	LeRoy Grewe	November 1978	January 2007
Treasurer	Mary Fisher	January 1999	January 2007
<b>Appointed</b>			
Assessor	Calvin Roberts	November 1978	December 2008
Public Works Director	Darin Mielke	March 2005	March 2006
Veterans Services/Emergency Services Director	Steven Schow		Indefinite
Human Services Director	Vicki Stock		Indefinite
Court Administrator	Karen Messner (State)		Indefinite
Examiner of Titles	Gregory Engwall		Indefinite
Public Health Director	Alethea Freidrichs, Interim		Indefinite
Environmental Services Director	Jeffrey Majeski		Indefinite
Court Services Director	Mary Karl (State)		Indefinite
Information Service Director	Beth Wilson		Indefinite
Human Resource Director	Roseann Nagel		Indefinite
Extension/Economic Development Director	Tim Dolan		Indefinite

\*Chair

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# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Sibley County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sibley County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Sibley County as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison schedules for the General Fund and the Road and Bridge and Human Services Special Revenue Funds are not a required part of the basic financial statements but are supplementary information required by the

Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Sibley County's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents as supplementary information and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Sibley County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006, on our consideration of Sibley County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: August 18, 2006

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005  
(Unaudited)**

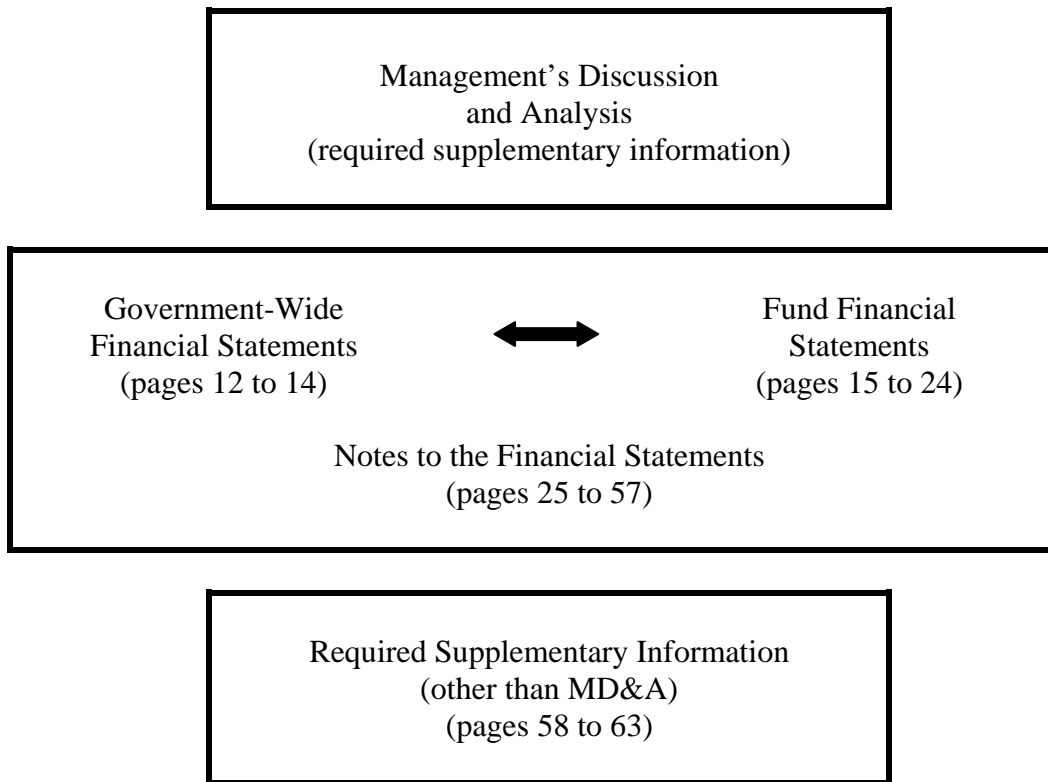
Sibley County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2005. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements beginning on page 12.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$43,210,759, of which \$31,278,721 is invested in capital assets, net of related debt, and \$1,663,727 is restricted for specific purposes.
- Sibley County's net assets increased by \$3,136,710 for the year ended December 31, 2005.
- The net cost of governmental activities increased by \$1,270,480 to \$6,562,163 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$9,698,873.
- The fund balances of governmental funds increased by \$3,493,296. This increase was mainly due to the sale of crossover refunding bonds with the proceeds being \$2,587,920 in the Debt Service Fund; the General Fund revenues exceeded expenditures by \$363,881; the Road and Bridge Special Revenue Fund revenues exceeded expenditures and transfers out by \$504,117; and the Human Services Special Revenue Fund revenues exceeded expenditures by \$500,790.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This 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 (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.



There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a 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 Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins with Exhibits 1 and 2. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in net assets. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

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.

### **Fund Financial Statements**

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes 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.

Governmental Funds--The County's basic services are reported in governmental funds, which focus on the flow of money in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.

### **Reporting the County's Fiduciary Responsibilities**

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

## THE COUNTY AS A WHOLE

The County's combined net assets increased from \$40,074,049 (as restated) to \$43,137,064 from year-end 2004 to year-end 2005. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

**Table 1**  
**Net Assets**

	Governmental Activities	
	2005	2004 (Restated)
Current and other assets	\$ 18,954,217	\$ 15,406,034
Capital assets	35,544,535	33,537,993
<b>Total Assets</b>	<b>\$ 54,498,752</b>	<b>\$ 48,944,027</b>
Long-term debt outstanding	\$ 8,906,478	\$ 6,679,637
Other liabilities	2,381,515	2,190,341
<b>Total Liabilities</b>	<b>\$ 11,287,993</b>	<b>\$ 8,869,978</b>
Net Assets		
Invested in capital assets, net of related debt	\$ 31,278,721	\$ 28,967,993
Restricted	1,663,727	1,756,745
Unrestricted	10,268,311	9,349,311
<b>Total Net Assets</b>	<b>\$ 43,210,759</b>	<b>\$ 40,074,049</b>

Net assets of the County's governmental activities increased by 7.8 percent (\$43.2 million compared to \$40.1 million). Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--increased from \$9.3 million as of December 31, 2004, to \$10.3 million at the end of 2005.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2005	2004 (Restated)
Revenues		
Program revenues		
Fees, fines, and charges	\$ 2,538,241	\$ 2,795,831
Operating grants and contributions	3,994,083	3,971,866
Capital grants and contributions	1,862,044	2,185,583
General revenues		
Property taxes	7,477,383	6,593,210
Other taxes	97,428	70,281
Grants and contributions not restricted to specific programs	1,630,931	1,510,706
Other general revenues	493,131	305,919
<b>Total Revenues</b>	<b>\$ 18,093,241</b>	<b>\$ 17,433,396</b>

(Unaudited)

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	Governmental Activities	
	2005	2004 (Restated)
Expenses		
General government	\$ 2,777,767	\$ 2,819,958
Public safety	1,952,601	1,691,606
Highways and streets	3,472,890	2,934,149
Sanitation	202,841	219,013
Human services	3,485,164	3,205,441
Health	1,249,110	1,126,507
Culture and recreation	275,458	254,895
Conservation of natural resources	1,077,401	1,012,728
Economic development	172,417	179,095
Interest	290,882	259,798
Total Expenditures	\$ 14,956,531	\$ 13,703,190
Increase in Net Assets	\$ 3,136,710	\$ 3,730,206
Net Assets - Beginning January 1, restated	40,074,049	36,343,843
Net Assets - Ending December 31	\$ 43,210,759	\$ 40,074,049

## GOVERNMENTAL ACTIVITIES

The County's total revenues increased by 3.8 percent (\$659,845). The total cost of all programs and services increased by 9.1 percent (\$1,253,341, as restated).

As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was only \$6,562,163 because some of the cost was paid by those who directly benefited from the programs (\$2,538,241) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,856,127).

Table 3 presents the cost of each of the County's five largest 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 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2005	2004 (Restated)	2005	2004 (Restated)
Human services	\$ 3,485,164	\$ 3,205,441	\$ 1,509,877	\$ 1,328,453
Highways and streets	3,472,890	2,934,149	(34,637)	(706,988)
General government	2,777,767	2,819,958	1,760,527	1,932,303
Public safety	1,952,601	1,691,606	1,653,750	1,378,811
Health	1,249,110	1,126,507	720,599	(40,359)
All others	2,018,999	1,925,529	952,047	857,690
Total	\$ 14,956,531	\$ 13,703,190	\$ 6,562,163	\$ 4,749,910

(Unaudited)

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## **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds (as presented in the balance sheet on Exhibit 3) reported a combined fund balance of \$14,190,588, which is above last year's total of \$10,697,292. The governmental funds' change in fund balance (an increase of \$3,493,296 for 2005) represents a 32.7 percent increase in governmental fund balances. Most of this increase is due to the sale of \$2,630,000 in crossover refunding bonds; also, the County's fees for service collected by various funds were \$363,565 more than anticipated.

### **General Fund Budgetary Highlights**

Over the course of the year, the County Board revised the County's General Fund budget several times. These budget amendments fall into two categories: new information changing original budget estimates and less than anticipated revenues or increased costs and transfers.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$740,657 below the final budget amounts. There was a variance in general government expenditures due to the state taking over the court system, with the result being an under-spent budget of \$131,575; the Data Processing Department under-spent its budget by \$69,010; and the unallocated expenditures were under-spent by \$72,619. Public safety under-spent the budgeted amount by \$169,529, and culture and recreation under-spent the budgeted amount by \$217,744.

On the other hand, resources available for appropriation were \$112,552 below the final budgeted amount. This is due to over-budgeting the intergovernmental revenues by \$270,976, under-budgeting charges for services by \$335,634, under-budgeting interest revenue by \$104,022, over-budgeting miscellaneous revenues by \$332,840, and the other minor categories that were under-budgeted by \$51,608.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2005, the County had \$35,544,535 invested in a broad range of capital assets including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$2,006,542, or six percent, over last year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities	
	2005	2004 (Restated)
Land	\$ 1,194,070	\$ 1,189,864
Construction in progress	673,869	623,308
Buildings	4,278,493	4,339,514
Improvements other than buildings	12,202	8,022
Machinery and equipment	1,816,715	1,417,080
Infrastructure	27,569,186	25,960,205
<b>Total</b>	<b>\$ 35,544,535</b>	<b>\$ 33,537,993</b>

The capital asset events this year were primarily the construction of bridges and highways.

The County's fiscal year 2005 capital budget called for spending of \$1,560,850 on highway and bridge construction, all to be financed with resources on hand in existing County state-aid funds. For the other projects, the plan was to use resources on hand in the County's Road and Bridge Special Revenue Fund.

### Debt

At the end of the current fiscal year, the County had total outstanding debt of \$8,906,478 versus \$6,679,637 last year--an increase of 33.3 percent--as shown in Table 5.

**Table 5**  
**Outstanding Debt at Year-End**

	2005	2004
Bonds payable		
General obligation capital improvement bonds	\$ 5,575,000	\$ 3,065,000
Other general obligation bonds	1,220,000	1,505,000
Revenue note	103,300	103,300
Special assessment debt with governmental commitment	1,120,000	1,225,000
Less: deferred amounts for issuance discounts	(43,611)	(1,854)
<b>Total bonds and notes payable</b>	<b>\$ 7,974,689</b>	<b>\$ 5,896,446</b>
Promissory notes	60,509	12,093
Compensated absences	871,280	771,098
<b>Long-Term Liabilities</b>	<b>\$ 8,906,478</b>	<b>\$ 6,679,637</b>

New debt in the form of a promissory note resulted from Sibley County entering into an agreement with the Minnesota Pollution Control Agency to fund construction of individual septic systems. The maximum amount of this debt is limited to \$545,000, with an interest rate of two percent.

The County maintains a general obligation bond rating of "A3." This rating is assigned by national rating agencies. The state limits the amount of net debt that counties can issue to two percent of the market value of all taxable property (\$1,377,051,500) in the County. The County's outstanding net debt (\$7,974,689) is significantly below this \$27,541,030 state-imposed limit.

The County does not purchase commercial insurance for employee health and dental coverage and has claims and judgments of \$79,994 outstanding at year-end compared with \$73,299 last year. Other obligations include accrued vacation pay and sick leave payable.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for government services.

- Sibley County is anticipating no extraordinary changes in state aids to local governments. The County will be able to maintain a stable services environment if no further state reductions are implemented.
- The County fund expenditures for 2006 are budgeted to increase or decrease by the percentage indicated from the 2005 original budget: the General Fund increased 6.75 percent, the Road and Bridge Special Revenue Fund increased 3.62 percent, the Human Services Special Revenue Fund decreased 0.66 percent, and the Debt Service Fund increased 1.18 percent.
- Property tax levies have increased 8.77 percent for 2006.

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

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

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

**Assets**

**Current assets**

Cash and pooled investments	\$	11,571,769
Petty cash and change funds		6,050
Departmental cash		16,930
Cash with fiscal agent		2,849,364
Investments		9,000
Taxes receivable		
Prior - net		121,138
Special assessments receivable		
Prior - net		2,311
Noncurrent - net		1,286,043
Accounts receivable - net		655,894
Accrued interest receivable		94,862
Due from other governments		1,096,883
Loans receivable		159,301
Inventories		700,723

**Noncurrent assets**

Advance to other governments		190,370
Deferred charges		33,960
Long-term receivables		159,619

**Capital assets**

Non-depreciable		1,867,939
Depreciable - net of accumulated depreciation		33,676,596

<b>Total Assets</b>	<b>\$</b>	<b>54,498,752</b>
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**Liabilities**

**Current liabilities**

Accounts payable	\$	787,139
Salaries payable		264,255
Contracts payable		115,079
Due to other governments		275,156
Accrued interest payable		81,559
Claims payable		79,994
Unearned revenue		778,333
Compensated absences payable - current		217,820
General obligation bonds payable - current		425,000
General obligation special assessment debt payable - current		100,000

**Noncurrent liabilities**

General obligation bonds payable		6,370,000
General obligation special assessment debt payable		1,020,000
Revenue notes payable		103,300
Certificate of indebtedness		60,509
Compensated absences payable		653,460
Discounts on bonds		(43,611)

<b>Total Liabilities</b>	<b>\$</b>	<b>11,287,993</b>
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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

**Net Assets**

Invested in capital assets - net of related debt	\$ 31,278,721
Restricted for	
General government	106,838
Public safety	88,133
Highways and streets	67,271
Culture and recreation	70,940
Sanitation	46,292
Capital projects	362,182
Debt service	922,071
Unrestricted	<u>10,268,311</u>
<b>Total Net Assets</b>	<b><u>\$ 43,210,759</u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Expenses	Fees, Charges, Fines, and Other	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
		Operating Grants and Contributions			
<b>Functions/Programs</b>					
<b>Governmental activities</b>					
General government	\$ 2,777,767	\$ 942,318	\$ 74,922	\$ -	\$ (1,760,527)
Public safety	1,952,601	163,786	135,065	-	(1,653,750)
Highways and streets	3,472,890	62,889	1,582,594	1,862,044	34,637
Sanitation	202,841	193,638	-	-	(9,203)
Human services	3,485,164	225,118	1,750,169	-	(1,509,877)
Health	1,249,110	234,937	293,574	-	(720,599)
Culture and recreation	275,458	38,140	-	-	(237,318)
Conservation of natural resources	1,077,401	659,944	149,481	-	(267,976)
Economic development	172,417	17,471	8,278	-	(146,668)
Interest	290,882	-	-	-	(290,882)
<b>Total</b>	<b>\$ 14,956,531</b>	<b>\$ 2,538,241</b>	<b>\$ 3,994,083</b>	<b>\$ 1,862,044</b>	<b>\$ (6,562,163)</b>
<b>General Revenues</b>					
Property taxes					\$ 7,477,383
Gravel taxes					97,428
Payments in lieu of tax					9,719
Grants and contributions not restricted to specific programs					1,630,931
Investment income					373,586
Miscellaneous					109,826
<b>Total general revenues</b>					<b>\$ 9,698,873</b>
<b>Change in Net Assets</b>					<b>\$ 3,136,710</b>
<b>Net Assets - Beginning (Note 1.F.)</b>					<b>40,074,049</b>
<b>Net Assets - Ending</b>					<b>\$ 43,210,759</b>

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## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 4,881,312	\$ 742,716	\$ 3,372,386
Petty cash and change funds	6,050	-	-
Departmental cash	16,930	-	-
Cash with fiscal agent	320,178	-	-
Investments	-	-	-
Taxes receivable		-	
Delinquent	59,706	21,531	28,257
Special assessments receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts receivable	679	6,622	178,821
Accrued interest receivable	94,853	-	-
Due from other funds	82,919	-	21
Due from other governments	125,418	719,935	232,644
Loans receivable	-	-	-
Inventories	-	700,723	-
Advances to other governments	190,370	-	-
Long-term receivables	159,619	-	-
	<b>\$ 5,938,034</b>	<b>\$ 2,191,527</b>	<b>\$ 3,812,129</b>
<b>Total Assets</b>	<b>\$ 5,938,034</b>	<b>\$ 2,191,527</b>	<b>\$ 3,812,129</b>

**EXHIBIT 3**

<u>Ditch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 639,266	\$ 995,856	\$ 523,306	\$ 416,927	\$ 11,571,769
-	-	-	-	6,050
-	-	-	-	16,930
-	2,529,186	-	-	2,849,364
-	-	-	9,000	9,000
-	11,644	-	-	121,138
2,311	-	-	-	2,311
1,158,861	-	-	127,182	1,286,043
469,772	-	-	-	655,894
-	-	-	9	94,862
-	-	-	-	82,940
-	7,774	-	11,112	1,096,883
-	-	-	159,301	159,301
-	-	-	-	700,723
-	-	-	-	190,370
-	-	-	-	159,619
<u>\$ 2,270,210</u>	<u>\$ 3,544,460</u>	<u>\$ 523,306</u>	<u>\$ 723,531</u>	<u>\$ 19,003,197</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 72,070	\$ 227,051	\$ 136,695
Salaries payable	147,040	53,519	54,238
Contracts payable	-	115,079	-
Due to other funds	21	-	1,519
Due to other governments	104,463	105,802	47,714
Deferred revenue - unavailable	59,706	410,951	189,286
Deferred revenue - unearned	177,205	601,128	-
Claims payable	79,994	-	-
	<b>\$ 640,499</b>	<b>\$ 1,513,530</b>	<b>\$ 429,452</b>
<b>Fund Balances</b>			
Reserved for			
Petty cash	\$ 6,050	\$ -	\$ -
Law library	36,979	-	-
Recorder's equipment	36,823	-	-
Inventories	-	700,723	-
Gravel pit closure	-	67,271	-
Advances to other governments	190,370	-	-
Encumbrances	-	14,125	-
Loans receivable	-	-	-
Long term receivable	159,619	-	-
Unused loan proceeds	-	-	-
Sheriff's contingency	3,886	-	-
Gun permits	2,362	-	-
Alcohol education	11,028	-	-
Parks	70,940	-	-
DARE	2	-	-
Land records technology	24,057	-	-
Drug task force	63,009	-	-
Drug task force forfeitures	7,846	-	-
Attorney's forfeited property	8,979	-	-
Check diversion	255	-	-
Debt service	-	-	-
Unreserved			
Designated for cash flows	2,976,379	-	3,382,677
Designated for capital improvements	-	-	-
Undesignated	1,698,951	(104,122)	-
Unreserved, reported in nonmajor Special revenue funds	-	-	-
	<b>\$ 5,297,535</b>	<b>\$ 677,997</b>	<b>\$ 3,382,677</b>
<b>Total Fund Balances</b>	<b>\$ 5,297,535</b>	<b>\$ 677,997</b>	<b>\$ 3,382,677</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,938,034</b>	<b>\$ 2,191,527</b>	<b>\$ 3,812,129</b>

**EXHIBIT 3**  
**(Continued)**

<u>Ditch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 179,774	\$ -	\$ 161,124	\$ 10,425	\$ 787,139
-	-	-	9,458	264,255
-	-	-	-	115,079
81,400	-	-	-	82,940
101	-	-	17,076	275,156
1,630,944	11,644	-	127,182	2,429,713
-	-	-	-	778,333
-	-	-	-	79,994
<b>\$ 1,892,219</b>	<b>\$ 11,644</b>	<b>\$ 161,124</b>	<b>\$ 164,141</b>	<b>\$ 4,812,609</b>
\$ -	\$ -	\$ -	\$ -	\$ 6,050
-	-	-	-	36,979
-	-	-	-	36,823
-	-	-	-	700,723
-	-	-	-	67,271
-	-	-	-	190,370
428,859	-	-	-	442,984
-	-	-	159,301	159,301
-	-	-	-	159,619
-	-	-	46,292	46,292
-	-	-	-	3,886
-	-	-	-	2,362
-	-	-	-	11,028
-	-	-	-	70,940
-	-	-	-	2
-	-	-	-	24,057
-	-	-	-	63,009
-	-	-	-	7,846
-	-	-	-	8,979
-	-	-	-	255
-	3,532,816	-	-	3,532,816
-	-	-	-	6,359,056
-	-	362,182	-	362,182
(50,868)	-	-	-	1,543,961
-	-	-	353,797	353,797
<b>\$ 377,991</b>	<b>\$ 3,532,816</b>	<b>\$ 362,182</b>	<b>\$ 559,390</b>	<b>\$ 14,190,588</b>
<b>\$ 2,270,210</b>	<b>\$ 3,544,460</b>	<b>\$ 523,306</b>	<b>\$ 723,531</b>	<b>\$ 19,003,197</b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Fund balance - total governmental funds (Exhibit 3)</b>	<b>\$ 14,190,588</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	35,544,535
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	2,429,713
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	\$ (7,915,000)
Revenue notes payable	(103,300)
Promissory notes	(60,509)
Compensated absences	(871,280)
Accrued interest payable	(81,559)
Deferred debt issuance charges	33,960
Discount on bonds issued	43,611
	<u>(8,954,077)</u>
<b>Net assets of governmental activities (Exhibit 1)</b>	<b><u>\$ 43,210,759</u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 3,707,694	\$ 1,551,237	\$ 1,739,415
Special assessments	132,656	-	-
Licenses and permits	70,902	-	-
Intergovernmental	1,556,714	4,012,221	2,178,262
Charges for services	1,240,350	51,649	72,062
Fines and forfeits	20,650	-	-
Gifts and contributions	2,000	-	-
Investment earnings	336,402	-	-
Miscellaneous	254,413	87,014	140,061
<b>Total Revenues</b>	<b>\$ 7,321,781</b>	<b>\$ 5,702,121</b>	<b>\$ 4,129,800</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 2,642,138	\$ -	\$ -
Public safety	1,942,841	-	-
Highways and streets	-	4,684,476	-
Sanitation	154,130	-	-
Human services	-	-	3,629,010
Health	1,270,180	-	-
Culture and recreation	20,128	-	-
Conservation of natural resources	347,203	-	-
Economic development	165,006	-	-
<b>Capital outlay</b>	-	-	-
<b>Intergovernmental</b>	-	234,528	-
<b>Debt service</b>			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Administrative charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 6,541,626</b>	<b>\$ 4,919,004</b>	<b>\$ 3,629,010</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 780,155</b>	<b>\$ 783,117</b>	<b>\$ 500,790</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(416,274)	(279,000)	-
Discount on bonds	-	-	-
Refunding bonds issued	-	-	-
Notes issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (416,274)</b>	<b>\$ (279,000)</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 363,881</b>	<b>\$ 504,117</b>	<b>\$ 500,790</b>
<b>Fund Balance - January 1</b>	<b>4,933,654</b>	<b>218,007</b>	<b>2,881,887</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(44,127)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,297,535</b>	<b>\$ 677,997</b>	<b>\$ 3,382,677</b>

**EXHIBIT 5**

<u>Ditch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 566,561	\$ -	\$ -	\$ 7,564,907
530,403	-	-	35,848	698,907
-	-	-	-	70,902
-	73,343	-	36,040	7,856,580
-	-	-	38,360	1,402,421
-	-	-	-	20,650
-	-	-	12,000	14,000
12,834	28,318	-	8,867	386,421
2,075	-	-	13,300	496,863
<b>\$ 545,312</b>	<b>\$ 668,222</b>	<b>\$ -</b>	<b>\$ 144,415</b>	<b>\$ 18,511,651</b>
\$ -	\$ -	\$ -	\$ 88	\$ 2,642,226
-	-	-	-	1,942,841
-	-	-	-	4,684,476
-	-	-	56,932	211,062
-	-	-	-	3,629,010
-	-	-	1,105	1,271,285
-	-	-	250,985	271,113
642,800	-	-	83,441	1,073,444
-	-	-	7,581	172,587
-	-	636,709	-	636,709
-	-	-	-	234,528
105,000	405,000	-	-	510,000
65,242	238,903	-	-	304,145
-	24,664	-	-	24,664
1,877	597	-	-	2,474
<b>\$ 814,919</b>	<b>\$ 669,164</b>	<b>\$ 636,709</b>	<b>\$ 400,132</b>	<b>\$ 17,610,564</b>
<b>\$ (269,607)</b>	<b>\$ (942)</b>	<b>\$ (636,709)</b>	<b>\$ (255,717)</b>	<b>\$ 901,087</b>
\$ -	\$ -	\$ 485,707	\$ 209,567	\$ 695,274
-	-	-	-	(695,274)
-	(42,080)	-	-	(42,080)
-	2,630,000	-	-	2,630,000
-	-	-	48,416	48,416
<b>\$ -</b>	<b>\$ 2,587,920</b>	<b>\$ 485,707</b>	<b>\$ 257,983</b>	<b>\$ 2,636,336</b>
<b>\$ (269,607)</b>	<b>\$ 2,586,978</b>	<b>\$ (151,002)</b>	<b>\$ 2,266</b>	<b>\$ 3,537,423</b>
<b>647,598</b>	<b>945,838</b>	<b>513,184</b>	<b>557,124</b>	<b>10,697,292</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,127)</b>
<b>\$ 377,991</b>	<b>\$ 3,532,816</b>	<b>\$ 362,182</b>	<b>\$ 559,390</b>	<b>\$ 14,190,588</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 3,537,423**

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

In the funds, under the modified accrual basis, receivables not available for expenditures are deferred. 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 (decrease) in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 2,429,713	
Deferred revenue - January 1	(2,593,889)	(164,176)

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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 3,218,037	
Net book value of assets disposed of	(16,601)	
Current year depreciation	(1,194,894)	2,006,542

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Debt issued		
Refunding bond issued	\$ (2,630,000)	
Discount on bonds issued	42,080	
Bond issuance costs	24,664	
Notes issued	(48,416)	(2,611,672)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
General obligation bonds		510,000

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 governmental funds.

Change in accrued interest payable	\$ 5,318	
Amortization of deferred debt issuance costs	(2,093)	
Amortization of bond discounts	(323)	
Change in compensated absences	(100,182)	
Change in inventories	(44,127)	(141,407)

**Change in net assets of governmental activities (Exhibit 2) \$ 3,136,710**

**FIDUCIARY FUNDS**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<b>Private-Purpose Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 17,490	\$ 383,846
Investments	38,947	-
Accrued interest	268	-
Due from other governments	-	44,087
	<b>\$ 56,705</b>	<b>\$ 427,933</b>
<b><u>Liabilities</u></b>		
Cash overdraft	\$ -	\$ 29,127
Accounts payable	-	99,659
Salaries payable	-	1,822
Due to other governments	-	297,325
	<b>\$ -</b>	<b>\$ 427,933</b>
<b><u>Net Assets</u></b>		
Net assets, held in trust	<b>\$ 56,705</b>	

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Interest	\$ 596
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<u>13,418</u>
<b>Change in Net Assets</b>	<b>\$ (12,822)</b>
<b>Net Assets - Beginning of the Year</b>	<u><b>69,527</b></u>
<b>Net Assets - End of the Year</b>	<u><u><b>\$ 56,705</b></u></u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The government-wide statement of net assets: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

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

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

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

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

Additionally, the County reports the following fund types:

Private-Purpose trust funds are used to account for resources legally held in trust for others.

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2005 were \$336,402.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables

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

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

All inventories are valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are reported as expenses when consumed.

4. Capital Assets

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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

5. Compensated Absences

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

6. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds and the government-wide statements also defer revenue

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Deferred Revenue (Continued)

recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 121,138	\$ -
Special assessments receivable	1,288,354	-
Highway allotments that do not provide current financial resources	388,847	-
Other receivables that do not provide current financial resources	161,602	-
Receivable from Ditch Fund petitioners	469,772	-
Grant drawdowns and highway allotments prior to meeting all eligibility requirements	-	778,333
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 2,429,713	\$ 778,333

7. Long-Term Obligations

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Fund Equity

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

9. Use of Estimates

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

E. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal 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.

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental 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.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues (Continued)

Intergovernmental

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

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

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

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 - Government-Wide Statements

Net Assets - January 1, as previously reported		\$	39,532,276
Prior period adjustment			
Capital assets - depreciable	\$	568,293	
Accumulated depreciation		<u>(26,520)</u>	<u>541,773</u>
Net Assets - January 1, as restated		<u>\$</u>	<u>40,074,049</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

F. Prior Period Adjustment - Government-Wide Statements (Continued)

Additional costs necessary to put the Services Center building into service were incurred in the previous year but were not included when the cost of the building was originally recorded.

2. Stewardship, Compliance, and Accountability

A. Ditch Fund Equity

On the full accrual basis of accounting, seven of the 135 drainage systems have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance as of December 31, 2005, using the full accrual basis of accounting.

Account balances	\$ 973,989
Account deficits	<u>(85,054)</u>
Fund Balance - Accrual Basis	<u>\$ 888,935</u>

Using the modified accrual basis of accounting, noncurrent receivables and bonds payable do not affect fund balance. Noncurrent receivables are deferred and bonds payable are not reported. Using this basis of accounting, 19 ditches had fund deficits.

Account balances	\$ 1,024,372
Account deficits	<u>(646,381)</u>
Fund Balance - Modified Accrual Basis	<u>\$ 377,991</u>

B. Expenditures in Excess of Appropriations

For the year ended December 31, 2005, expenditures exceeded appropriations by \$694,397 in the Road and Bridge Special Revenue Fund and \$44,324 in the Debt Service Fund. In the Road and Bridge Special Revenue Fund, expenditures exceeded appropriations because necessary bridge repairs were done during 2005 that were not included in the budget. Interest paid by the escrow agent for the 2005 crossover refunding bonds was not budgeted for in the Debt Service Fund.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County’s total deposits, cash on hand, and investments to the basic financial statements follows:

Governmental funds			
Cash and pooled investments	\$	11,571,769	
Petty cash and change funds		6,050	
Cash with fiscal agent		2,849,364	
Fund investments		9,000	
Fiduciary funds			
Private-purpose trust funds			
Cash and pooled investments		17,490	
Fund investments		38,947	
Agency funds			
Cash and pooled investments		383,846	
Cash overdraft		(29,127)	
Total Cash and Investments	\$	14,847,339	
Deposits	\$	3,569,881	
Petty cash and change funds		6,050	
Investments		11,271,408	
Total deposits, cash on hand, and investments	\$	14,847,339	

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits 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 plus accrued interest 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 or revenue obligations rated “AA” or better; irrevocable standard letters of credit issued

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, County deposits may not be returned to it. As of December 31, 2005, Sibley County's deposits were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (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) bankers' acceptances of United States banks;

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both shorter and longer-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 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. It is the County's policy to invest 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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

an outside party. The County has no policy concerning custodial credit risk. At December 31, 2005, the investments held in the fiscal agent accounts listed below totaled \$2,837,074 and were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. agency securities may be held without limit.

The following table presents the County's investment balances at December 31, 2005, and information relating to potential investment risks:

Investment - Issuer	Credit Risk		Concentration Risk	Interest Rate Risk	Fair Value
	Credit Rating	Rating Agency	Percent of Portfolio (%)	Maturity Date	
Wachovia Securities					
Federal Home Loan Bank	Aaa	Moody's		12/5/2008	\$ 97,972
Federal Home Loan Bank	Aaa	Moody's		12/9/2010	97,233
Federal Home Loan Bank	Aaa	Moody's		12/30/2008	220,538
Federal Home Loan Bank	Aaa	Moody's		12/30/2008	97,484
Federal Home Loan Bank	Aaa	Moody's		6/30/2008	116,378
Federal Home Loan Bank	Aaa	Moody's		7/29/2008	196,526
Federal Home Loan Bank	Aaa	Moody's		8/13/2008	196,664
Federal Home Loan Bank	Aaa	Moody's		8/20/2008	197,884
Federal Home Loan Bank	Aaa	Moody's		10/15/2008	99,078
Federal Home Loan Bank	Aaa	Moody's		5/24/2007	99,357
Federal Home Loan Bank	Aaa	Moody's		1/21/2009	98,771
Federal Home Loan Bank	Aaa	Moody's		8/19/2009	98,541
Federal Home Loan Bank	Aaa	Moody's		2/27/2007	98,958
Federal Home Loan Bank	Aaa	Moody's		2/27/2009	246,963
Federal Home Loan Bank	Aaa	Moody's		9/17/2007	99,299
Federal Home Loan Bank	Aaa	Moody's		3/30/2010	97,817
Federal Home Loan Bank	Aaa	Moody's		5/12/2009	99,420

**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	Fair Value
	Credit Rating	Rating Agency	Percent of Portfolio (%)	Maturity Date	
Federal Home Loan Bank	Aaa	Moody's		11/9/2007	172,981
Federal Home Loan Bank	Aaa	Moody's		12/15/2006	199,208
Federal Home Loan Bank	Aaa	Moody's		8/17/2006	149,357
Federal Home Loan Bank	Aaa	Moody's		3/23/2006	199,880
Federal Home Loan Bank	Aaa	Moody's		10/12/2006	199,628
Federal Home Loan Bank	Aaa	Moody's		6/22/2006	99,831
Federal Home Loan Bank	Aaa	Moody's		10/27/2006	199,580
Federal Home Loan Bank	Aaa	Moody's		7/19/2006	249,240
Federal Home Loan Bank	Aaa	Moody's		6/30/2006	149,984
Wells Fargo Brokerage					
Federal Home Loan Bank	Aaa	Moody's		4/16/2007	97,260
Federal Home Loan Bank	Aaa	Moody's		2/20/2007	195,580
Federal Home Loan Bank	Aaa	Moody's		10/27/2006	196,520
Federal Home Loan Bank	Aaa	Moody's		4/25/2006	199,100
Federal Home Loan Bank	Aaa	Moody's		4/5/2007	198,100
Federal Home Loan Bank	Aaa	Moody's		8/8/2008	99,110
Federal Home Loan Bank	Aaa	Moody's		8/3/2007	99,030
Federal Home Loan Bank	Aaa	Moody's		7/23/2009	198,960
Federal Home Loan Bank	Aaa	Moody's		6/5/2007	199,700
Federal Home Loan Bank	Aaa	Moody's		6/23/2009	199,700
Total Federal Home Loan Bank			49.34%		\$ 5,561,632
Negotiable Certificates of Deposit					
Wachovia Securities					
Florida Bank - Tampa, FL	N/A	N/A	0.85%	2/27/2007	\$ 96,084
LaSalle Bank	N/A	N/A	0.86%	11/2/2007	97,104
GMAC Bank - Midvale, UT	N/A	N/A	0.87%	6/2/2006	98,000
LaSalle Bank Midwest	N/A	N/A	0.88%	1/28/2006	99,000
Wells Fargo Brokerage					
RG Premier Bank	N/A	N/A	0.84%	5/1/2006	94,376
Sovereign Bank	N/A	N/A	0.85%	2/23/2006	95,827
Allegiance Bank	N/A	N/A	0.84%	9/11/2006	94,225
Morgan Stanley	N/A	N/A	0.84%	4/6/2006	94,755
Bank of Vernon, AL	N/A	N/A	0.83%	6/22/2007	93,677
First Charter Bank - Charlotte	N/A	N/A	0.83%	6/22/2007	93,744
Advanta Bank Corporation	N/A	N/A	0.87%	8/10/2006	97,544
Total Negotiable Certificates of Deposit					\$ 1,054,336

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

<u>Investment - Issuer</u>	<u>Credit Risk</u>		<u>Concentration Risk</u>	<u>Interest Rate Risk</u>	<u>Fair Value</u>
	<u>Credit Rating</u>	<u>Rating Agency</u>	<u>Percent of Portfolio (%)</u>	<u>Maturity Date</u>	
<b>Mutual Fund</b>					
Federated - Prime Cash Obligation Fund	N/A	N/A	16.13%	N/A	\$ <u>1,818,366</u>
<b>Fiscal Agent Securities</b>					
<b>Northland Trust Services</b>					
Federal National Mortgage Assn - STRIPS	N/A	N/A		8/15/2006	\$ 46,773
Federal National Mortgage Assn - STRIPS	N/A	N/A		2/15/2006	46,667
Federal National Mortgage Assn - STRIPS	N/A	N/A		8/15/2006	44,669
Federal National Mortgage Assn - STRIPS	N/A	N/A		2/12/2007	44,728
Federal National Mortgage Assn - STRIPS	N/A	N/A		7/15/2007	<u>2,345,529</u>
Total Federal National Mortgage Assn - STRIPS			22.43%		\$ <u>2,528,366</u>
<b>Negotiable Certificates of Deposit</b>					
<b>Wells Fargo</b>					
WesternBank - Puerto Rico	N/A	N/A	0.33%	1/26/2006	\$ 37,600
San Diego Community Bank CA	N/A	N/A	0.33%	2/21/2006	37,600
Spirit Bank - Tulsa, OK	N/A	N/A	0.33%	3/28/2006	37,600
Universal SVGS - Milwaukee, WI	N/A	N/A	0.33%	4/12/2006	37,600
Discover Bank - Greenwood, DE	N/A	N/A	0.33%	5/16/2006	<u>37,600</u>
Total Negotiable Certificates of Deposit					\$ <u>188,000</u>
<b>Mutual Fund</b>					
Wells Fargo Adv Government MMF Service	N/A	N/A	N/A	N/A	\$ <u>120,708</u>
Total Fiscal Agent Securities					\$ <u>2,837,074</u>
Total Investments			100.00%		\$ <u>11,271,408</u>

N/A - Not Applicable

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

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

Year Ending December 31	Long-Term Receivables Principal
2006	\$ 8,164
2007	8,496
2008	8,843
2009	9,203
2010	8,765
2011 - 2014	116,148
Total	\$ 159,619

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Restated Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,189,864	\$ 4,206	\$ -	\$ 1,194,070
Construction in progress	623,308	673,869	623,308	673,869
Total capital assets not depreciated	\$ 1,813,172	\$ 678,075	\$ 623,308	\$ 1,867,939
Capital assets depreciated				
Buildings	\$ 6,007,902	\$ 52,048	\$ -	\$ 6,059,950
Improvements other than buildings	11,739	5,426	-	17,165
Machinery, furniture, and equipment	4,381,499	753,897	69,593	5,065,803
Infrastructure	32,299,201	2,351,899	4,206	34,646,894
Total capital assets depreciated	\$ 42,700,341	\$ 3,163,270	\$ 73,799	\$ 45,789,812

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Restated Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 1,668,388	\$ 113,069	\$ -	\$ 1,781,457
Improvements other than buildings	3,717	1,246	-	4,963
Machinery, furniture, and equipment	2,964,419	341,699	57,030	3,249,088
Infrastructure	<u>6,338,996</u>	<u>738,880</u>	<u>168</u>	<u>7,077,708</u>
 Total accumulated depreciation	 <u>\$ 10,975,520</u>	 <u>\$ 1,194,894</u>	 <u>\$ 57,198</u>	 <u>\$ 12,113,216</u>
 Total capital assets depreciated, net	 <u>\$ 31,724,821</u>	 <u>\$ 1,968,376</u>	 <u>\$ 16,601</u>	 <u>\$ 33,676,596</u>
 Total Capital Assets, Net	 <u>\$ 33,537,993</u>	 <u>\$ 2,646,451</u>	 <u>\$ 639,909</u>	 <u>\$ 35,544,535</u>

The beginning balance of buildings and the accumulated depreciation for buildings was restated (see Note 1. F.).

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

Governmental Activities	
General government	\$ 152,333
Public safety	107,555
Highways and streets, including depreciation of infrastructure assets	926,417
Human services	3,641
Sanitation	166
Conservation of natural resources	<u>4,782</u>
 Total Depreciation Expense	 <u>\$ 1,194,894</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, 2005, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services Special Revenue	\$ 1,519
	Ditch Special Revenue	81,400
Human Services Special Revenue	General	21
Total Due To/From Other Funds		\$ 82,940

The above interfund balances between the General Fund and Human Services Special Revenue Fund are for services performed. The Ditch Special Revenue Fund owes the General Fund for temporary loans.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to the Capital Projects Fund from the General Fund	\$ 206,707	Provide funds for equipment
Transfers to the Capital Projects Fund from the Road and Bridge Special Revenue Fund	279,000	Provide funds for equipment
Transfers to nonmajor governmental fund from the General Fund	209,567	Provide funds for library services
Total Interfund Transfers	\$ 695,274	

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Operating Leases

During 2004, the County entered into an operating lease for a copier finisher. Minimum future rental payments are:

2006	\$ 4,265
2007	4,265
2008	4,265

In June 2005, the County entered into an operating lease for a Toshiba copier. Minimum future rental payments are:

2006	\$ 892
2007	892
2008	396

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
General Obligation Bonds					
2001 G.O. Law Enforcement Refunding Bonds	2009	\$125,000 - \$160,000	2.25 - 3.70	\$ 1,005,000	\$ 610,000
2001A G.O. Capital Improvement Bonds	2021	\$100,000 - \$260,000	3.30 - 5.10	3,405,000	2,945,000
2003 G.O. Courthouse Bonds	2008	\$80,000 - \$100,000	3.00 - 3.50	450,000	285,000
2003 G.O. Jail Facility Refunding Bonds	2010	\$60,000 - \$70,000	1.65 - 3.55	385,000	325,000
2005 G.O. Capital Improvement Refunding Bonds	2021	\$165,000 - \$250,000	2.65 - 4.15	<u>2,630,000</u>	<u>2,630,000</u>
Total General Obligation Bonds				<u>\$ 7,875,000</u>	\$ 6,795,000
Less: unamortized discount					<u>(43,611)</u>
Total General Obligation Bonds, Net					<u>\$ 6,751,389</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
General Obligation Special Assessment Bonds					
1996 G.O. Special Assessment Drainage Ditch Bonds	2017	\$20,000 - \$95,000	4.00 - 5.70	\$ 700,000	\$ 240,000
1998 G.O. Special Assessment Drainage Ditch Bonds	2008	\$25,000 - \$70,000	3.75 - 4.75	380,000	50,000
2002 G.O. Special Assessment Watershed District Bonds	2023	\$25,000 - \$60,000	2.00 - 5.00	800,000	745,000
2003 G.O. Special Assessment Refunding Drainage Ditch Bonds	2009	\$10,000 - \$30,000	1.65 - 3.20	115,000	85,000
Total General Obligation Special Assessment Bonds				<u>\$ 1,995,000</u>	<u>\$ 1,120,000</u>
General Obligation Revenue Notes					
1998 G.O. Revenue Note	2023	\$50,000	-	\$ 50,000	\$ 50,000
2001 G.O. Revenue Note	2023	\$53,300	-	53,300	53,300
Total General Obligation Revenue Notes				<u>\$ 103,300</u>	<u>\$ 103,300</u>
G. O. Promissory Notes	2016	N/A	2.00	\$ 60,509	\$ 60,509

3. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 425,000	\$ 265,673	\$ 100,000	\$ 49,079
2007	445,000	251,296	100,000	45,562
2008	460,000	235,445	75,000	41,781
2009	540,000	217,873	60,000	39,203
2010	385,000	201,833	55,000	36,813
2011 - 2015	1,810,000	806,063	285,000	146,147
2016 - 2020	2,220,000	379,210	275,000	74,590
2021 - 2023	510,000	11,818	170,000	13,000
Total	<u>\$ 6,795,000</u>	<u>\$ 2,369,211</u>	<u>\$ 1,120,000</u>	<u>\$ 446,175</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

The General Obligation Revenue Notes principal of \$103,300 and no interest are due and payable in the year ending December 31, 2023.

Reported as General Obligation Promissory Notes are amounts borrowed against a loan agreement with the Minnesota Pollution Control Agency. According to the 2004 agreement, the County may borrow as much as \$545,000. Repayment of the principal will not begin until 2007. Since the County is uncertain as to how much it will have borrowed by that time, a repayment schedule is not being presented here.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities Long-Term Liabilities					
Bonds and Notes Payable					
General Obligation Bonds	\$ 4,570,000	\$ 2,630,000	\$ 405,000	\$ 6,795,000	\$ 425,000
General Obligation Special Assessment Bonds	1,225,000	-	105,000	1,120,000	100,000
General Obligation Revenue Notes	103,300	-	-	103,300	-
General Obligation Promissory Notes	12,093	48,416	-	60,509	-
Less: discounts	(1,854)	(42,080)	(323)	(43,611)	(323)
Total Bonds and Notes Payable	\$ 5,908,539	\$ 2,636,336	\$ 509,677	\$ 8,035,198	\$ 524,677
Compensated Absences	771,098	489,735	389,553	871,280	217,820
Governmental Activities Long-Term Liabilities	\$ 6,679,637	\$ 3,126,071	\$ 899,230	\$ 8,906,478	\$ 742,497

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Defeased Debt

At December 31, 2005, the County had \$85,000 outstanding on the 1993 Special Assessment Drainage Ditch Bonds that have been defeased.

6. Crossover Refunding

On January 25, 2005, the County Board authorized issuance of \$2,630,000 General Obligation Capital Improvement Crossover Refunding Bonds, Series 2005A. Together with other available funds, the Crossover Refunding Bonds will finance the cost of refunding the 2009 - 2021 maturities of the County's General Obligation Capital Improvement Bonds of 2001, Series A, dated March 1, 2001, which are outstanding in the amount of \$2,540,000. Interest rates on the Refunding Bonds range from 2.60 percent to 4.15 percent.

Until the crossover date in 2009, both bonds will be reported on the County's statement of net assets. The County will continue to pay principal and interest payments on the 2001 bonds. An escrow agent will make interest payments on the 2005 bonds until that time.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

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

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased to 5.50 percent in 2006. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005 and 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2005	\$ 259,376	\$ 47,137	\$ 27,639
2004	262,905	44,230	27,937
2003	267,064	38,212	26,122

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. 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. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$2,341, \$2,311, and \$2,217, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance 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 and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$760,000 per claim in 2005 and \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2000, the County entered into an agreement with McLeod County to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to MCIT

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

which provides bookkeeping services to the counties, including the payment of claims. For 2005, the County has retained risk up to an \$80,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

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

	Year Ended December 31	
	2005	2004
Unpaid claims, beginning of fiscal year	\$ 73,299	\$ 42,527
Incurred claims (including IBNRs)	632,459	736,769
Claims payments	(625,764)	(705,997)
Unpaid Claims, End of Fiscal Year	\$ 79,994	\$ 73,299

B. Contingent Liabilities

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Sibley County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of the housing units constructed. Sibley County's proportionate share of the operating deficit for 2005 is \$107,268. The proportionate shares of the counties may change for the years 2006 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Joint Ventures

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$68,013 in 2005. Sibley County is the fiscal agent. Current audited financial statements are not available.

Meeker-McLeod-Sibley Community Health Services Board

The Meeker-McLeod-Sibley Community Health Services Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.13, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Health Services Board consists of

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

C. Joint Ventures

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

15 members, five each from Meeker, McLeod, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services.

The joint venture is financed primarily from state and federal grants. McLeod County is the fiscal agent. Complete audited financial statements for the Health Services Board can be obtained at P. O. Box 398, Hutchinson, Minnesota 55350.

Minnesota River Basin

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

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

Financing is provided by a contribution from each member county based on its share of the annual budget. Sibley County did not make any contributions during 2005.

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

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. The agreement was 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 nine participating member counties' health care functions, referred to as county-based purchasing.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

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 above-listed member counties.

While the SCHA was created on July 2, 1998, it did not begin providing health maintenance services until November 1, 2001. At that time, the SCHA began coverage of the beneficiaries enrolled under Medicaid and General Assistance Medical Care in the specified counties. Funding is provided from the State of Minnesota based on eligible participants within the member counties. Sibley County's contribution for start-up costs through October 31, 2001, was \$50,935. In the event the SCHA incurs operating deficits, the member counties would maintain the SCHA's reserves to meet statutory and regulatory reserve requirements. Minnesota statutes require the SCHA to maintain capital surplus equal to or greater than one month's expenditures. The SCHA is in compliance with these requirements at December 31, 2005.

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

Trailblazer Transit Board

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

Financing is primarily provided from user fees and state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2005, Sibley County made no contributions.

Complete financial statements for the Trailblazer Transit Board can be obtained from the administrative office at 312 West Alden, Arlington, Minnesota 55307.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Meeker, Pope, Renville, Stearns, and Wright Counties, creating the Crow River Joint Powers Agreement. The agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Board. The purpose of this agreement is the joint exercise of powers by the member counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement.

The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds. Current audited financial statements are 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:

Sibley County Children's Collaborative

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Three Counties for Kids Collaborative

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

Brown County is the fiscal agent of the Collaborative. Sibley County has no operational or financial control over the Collaborative. Currently, the Collaborative is not required to be audited; therefore, no audited financial statements are available.

South Central Minnesota Emergency Medical Services

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

6. Subsequent Event

On June 23, 2006, the Board approved issuing two notes, one for the Rush River Project for \$1,000,000, and another for the Buffalo Creek Project for \$250,000. The Minnesota Pollution Control Agency Agreement (see Note 3.C.3.) permits the County to draw up to \$259,000 on the Rush River Note and \$50,000 on the Buffalo Creek Note at this time.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 4,132,548	\$ 3,691,454	\$ 3,707,694	\$ 16,240
Special assessments	130,000	130,000	132,656	2,656
Licenses and permits	59,260	59,260	70,902	11,642
Intergovernmental	1,380,616	1,827,690	1,556,714	(270,976)
Charges for services	904,696	904,696	1,240,350	335,654
Fines and forfeits	600	600	20,650	20,050
Gifts and contributions	-	1,000	2,000	1,000
Investment earnings	232,380	232,380	336,402	104,022
Miscellaneous	587,253	587,253	254,413	(332,840)
<b>Total Revenues</b>	<b>\$ 7,427,353</b>	<b>\$ 7,434,333</b>	<b>\$ 7,321,781</b>	<b>\$ (112,552)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 172,078	\$ 172,078	\$ 166,946	\$ 5,132
Courts	141,108	141,108	9,533	131,575
Law library	25,000	25,000	42,461	(17,461)
County auditor	341,291	341,291	319,860	21,431
County treasurer	130,699	130,699	126,686	4,013
Audit services	58,500	58,500	61,528	(3,028)
Data processing	315,277	280,607	211,597	69,010
Truth in taxation	4,050	4,050	4,394	(344)
Elections	132,745	22,745	14,600	8,145
Human resources	100,882	100,882	83,267	17,615
Attorney	320,951	320,951	292,212	28,739
Recorder	227,036	227,036	195,987	31,049
Surveyor	14,500	14,500	19,785	(5,285)
County assessor	253,848	253,848	262,129	(8,281)
Planning and zoning	70,780	70,780	93,616	(22,836)
Courthouse building	94,600	94,600	137,639	(43,039)
Building custodians	136,034	136,034	127,402	8,632
Jail building	56,792	56,792	70,780	(13,988)
Service center	41,400	41,400	68,153	(26,753)
Veterans service officer	58,500	58,500	75,813	(17,313)
Feedlot program	52,770	52,770	54,883	(2,113)
Shoreland ordinance	3,076	3,076	3,173	(97)
Other general government	272,313	272,313	199,694	72,619
<b>Total general government</b>	<b>\$ 3,024,230</b>	<b>\$ 2,879,560</b>	<b>\$ 2,642,138</b>	<b>\$ 237,422</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,907,625	\$ 1,907,625	\$ 1,734,291	\$ 173,334
Probation officer	153,960	153,960	157,533	(3,573)
Sentenced to serve	17,285	16,435	16,947	(512)
Emergency management	34,350	34,350	34,070	280
<b>Total public safety</b>	<b>\$ 2,113,220</b>	<b>\$ 2,112,370</b>	<b>\$ 1,942,841</b>	<b>\$ 169,529</b>
<b>Sanitation</b>				
Solid waste	\$ 169,314	\$ 169,314	\$ 153,524	\$ 15,790
County landfill	441	441	606	(165)
<b>Total sanitation</b>	<b>\$ 169,755</b>	<b>\$ 169,755</b>	<b>\$ 154,130</b>	<b>\$ 15,625</b>
<b>Health</b>				
Nursing service	\$ 1,348,185	\$ 1,348,185	\$ 1,268,238	\$ 79,947
Community health services	2,163	2,163	1,942	221
<b>Total health</b>	<b>\$ 1,350,348</b>	<b>\$ 1,350,348</b>	<b>\$ 1,270,180</b>	<b>\$ 80,168</b>
<b>Culture and recreation</b>				
Historical society	\$ 8,325	\$ 8,325	\$ 8,325	\$ -
Regional library	210,892	210,892	1,675	209,217
Parks	16,300	16,300	8,458	7,842
Tourism	2,355	2,355	1,670	685
<b>Total culture and recreation</b>	<b>\$ 237,872</b>	<b>\$ 237,872</b>	<b>\$ 20,128</b>	<b>\$ 217,744</b>
<b>Conservation of natural resources</b>				
Soil and water conservation	\$ 106,345	\$ 106,345	\$ 106,345	\$ -
County extension	139,954	139,954	135,795	4,159
Agriculture ditch inspector	103,990	103,990	98,753	5,237
County fair	6,310	6,310	6,310	-
<b>Total conservation of natural resources</b>	<b>\$ 356,599</b>	<b>\$ 356,599</b>	<b>\$ 347,203</b>	<b>\$ 9,396</b>
<b>Economic development</b>				
Housing and Redevelopment Authority	\$ 108,568	\$ 108,568	\$ 107,993	\$ 575
Minnesota Valley Action Council	8,519	8,519	8,846	(327)
Economic Development Commission	58,692	58,692	48,167	10,525
<b>Total economic development</b>	<b>\$ 175,779</b>	<b>\$ 175,779</b>	<b>\$ 165,006</b>	<b>\$ 10,773</b>
<b>Total Expenditures</b>	<b>\$ 7,427,803</b>	<b>\$ 7,282,283</b>	<b>\$ 6,541,626</b>	<b>\$ 740,657</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (450)	\$ 152,050	\$ 780,155	\$ 628,105
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	(144,670)	(416,274)	(271,604)
<b>Net Change in Fund Balance</b>	\$ (450)	\$ 7,380	\$ 363,881	\$ 356,501
<b>Fund Balance - January 1</b>	4,933,654	4,933,654	4,933,654	-
<b>Fund Balance - December 31</b>	<u>\$ 4,933,204</u>	<u>\$ 4,941,034</u>	<u>\$ 5,297,535</u>	<u>\$ 356,501</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,671,240	\$ 1,530,790	\$ 1,551,237	\$ 20,447
Intergovernmental	2,702,372	3,233,622	4,012,221	778,599
Charges for services	48,000	48,000	51,649	3,649
Miscellaneous	82,095	163,752	87,014	(76,738)
<b>Total Revenues</b>	<b>\$ 4,503,707</b>	<b>\$ 4,976,164</b>	<b>\$ 5,702,121</b>	<b>\$ 725,957</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 317,077	\$ 317,077	\$ 310,821	\$ 6,256
Maintenance	1,284,358	1,284,358	1,290,387	(6,029)
Engineering/construction	1,758,593	1,758,593	2,470,497	(711,904)
Equipment, maintenance, and shop	589,579	589,579	584,019	5,560
Materials and services for resale	48,000	48,000	28,752	19,248
<b>Total highways and streets</b>	<b>\$ 3,997,607</b>	<b>\$ 3,997,607</b>	<b>\$ 4,684,476</b>	<b>\$ (686,869)</b>
<b>Intergovernmental</b>	227,000	227,000	234,528	(7,528)
<b>Total Expenditures</b>	<b>\$ 4,224,607</b>	<b>\$ 4,224,607</b>	<b>\$ 4,919,004</b>	<b>\$ (694,397)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 279,100</b>	<b>\$ 751,557</b>	<b>\$ 783,117</b>	<b>\$ 31,560</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(279,000)	(279,000)
<b>Net Change in Fund Balance</b>	<b>\$ 279,100</b>	<b>\$ 751,557</b>	<b>\$ 504,117</b>	<b>\$ (247,440)</b>
<b>Fund Balance - January 1</b>	<b>\$ 218,007</b>	<b>\$ 218,007</b>	<b>\$ 218,007</b>	<b>\$ -</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(44,127)</b>	<b>(44,127)</b>
<b>Fund Balance - December 31</b>	<b>\$ 497,107</b>	<b>\$ 969,564</b>	<b>\$ 677,997</b>	<b>\$ (291,567)</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,941,470	\$ 1,726,735	\$ 1,739,415	\$ 12,680
Intergovernmental	1,739,339	2,484,915	2,178,262	(306,653)
Charges for services	47,800	47,800	72,062	24,262
Miscellaneous	91,187	91,187	140,061	48,874
<b>Total Revenues</b>	<b><u>\$ 3,819,796</u></b>	<b><u>\$ 4,350,637</u></b>	<b><u>\$ 4,129,800</u></b>	<b><u>\$ (220,837)</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 841,405	\$ 841,405	\$ 834,849	\$ 6,556
Social services	2,949,891	2,949,891	2,732,336	217,555
Transit authority	28,500	28,500	13,790	14,710
Miscellaneous	-	-	48,035	(48,035)
<b>Total Expenditures</b>	<b><u>\$ 3,819,796</u></b>	<b><u>\$ 3,819,796</u></b>	<b><u>\$ 3,629,010</u></b>	<b><u>\$ 190,786</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ 530,841</u></b>	<b><u>\$ 500,790</u></b>	<b><u>\$ (30,051)</u></b>
<b>Fund Balance - January 1</b>	<b><u>2,881,887</u></b>	<b><u>2,881,887</u></b>	<b><u>2,881,887</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$ 2,881,887</u></b>	<b><u>\$ 3,412,728</u></b>	<b><u>\$ 3,382,677</u></b>	<b><u>\$ (30,051)</u></b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, Road and Bridge Special Revenue, and Human Services Special Revenue Funds. The Sibley County Board of Commissioners holds 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 alter 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.

Expenditures in Excess of Appropriations

Expenditures were in excess of appropriations in the Road and Bridge Fund by \$694,397 for the year ended December 31, 2005. The County did necessary repair work on bridges during 2005 that was not included in the budget.

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**SUPPLEMENTARY INFORMATION**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 624,840	\$ 624,840	\$ 566,561	\$ (58,279)
Intergovernmental	-	81,451	73,343	(8,108)
Investment earnings	-	-	28,318	28,318
<b>Total Revenues</b>	<b>\$ 624,840</b>	<b>\$ 706,291</b>	<b>\$ 668,222</b>	<b>\$ (38,069)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 410,000	\$ 410,000	\$ 405,000	\$ 5,000
Interest	182,101	182,101	238,903	(56,802)
Bond issuance costs	-	-	24,664	(24,664)
Administrative charges	32,739	32,739	597	32,142
<b>Total Expenditures</b>	<b>\$ 624,840</b>	<b>\$ 624,840</b>	<b>\$ 669,164</b>	<b>\$ (44,324)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 81,451</b>	<b>\$ (942)</b>	<b>\$ (82,393)</b>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	\$ -	\$ -	\$ 2,630,000	\$ 2,630,000
Discount on bond issued	-	-	(42,080)	(42,080)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,587,920</b>	<b>\$ 2,587,920</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 81,451</b>	<b>\$ 2,586,978</b>	<b>\$ 2,505,527</b>
<b>Fund Balance - January 1</b>	<b>945,838</b>	<b>945,838</b>	<b>945,838</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 945,838</b>	<b>\$ 1,027,289</b>	<b>\$ 3,532,816</b>	<b>\$ 2,505,527</b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

NONMAJOR SPECIAL REVENUE FUNDS

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

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

Individual Sewage Treatment System Loans - To account for loans provided to private landowners for the installation and replacement of individual sewage treatment systems.

Library - To account for revenues and expenditures related to public library services.

High Island Water Assessment Project - To account for the administration of the water quality and flowage of the High Island Watershed.

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

Nurse Development - To account for a donation to be used for training of the nursing staff.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2005**

	Federal Land	Economic Development Revolving Loan	Individual Sewage Treatment System Loans
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 80,917	\$ 61,607	\$ 46,292
Investments	-	-	-
Special assessments receivable			
Noncurrent	-	-	127,182
Accrued interest	-	-	-
Due from other governments	-	-	-
Loans receivable	-	159,301	-
	<b>\$ 80,917</b>	<b>\$ 220,908</b>	<b>\$ 173,474</b>
<b>Total Assets</b>	<b>\$ 80,917</b>	<b>\$ 220,908</b>	<b>\$ 173,474</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Salaries payable	-	-	-
Due to other governments	-	-	-
Deferred revenue - unavailable	-	-	127,182
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,182</b>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,182</b>
 <b>Fund Balances</b>			
Reserved for loans receivable	\$ -	\$ 159,301	\$ -
Reserved for unused loan proceeds	-	-	46,292
Unreserved			
Undesignated	80,917	61,607	-
	<b>\$ 80,917</b>	<b>\$ 220,908</b>	<b>\$ 46,292</b>
<b>Total Fund Balances</b>	<b>\$ 80,917</b>	<b>\$ 220,908</b>	<b>\$ 46,292</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 80,917</b>	 <b>\$ 220,908</b>	 <b>\$ 173,474</b>

**Statement 1**

<u>Library</u>	<u>High Island Water Assessment Project</u>	<u>Forfeited Tax</u>	<u>Nurse Development</u>	<u>Total</u>
\$ 63,873	\$ 162,632	\$ 25	\$ 1,581	\$ 416,927
-	-	-	9,000	9,000
-	-	-	-	127,182
-	-	-	9	9
11,112	-	-	-	11,112
-	-	-	-	159,301
<b><u>\$ 74,985</u></b>	<b><u>\$ 162,632</u></b>	<b><u>\$ 25</u></b>	<b><u>\$ 10,590</u></b>	<b><u>\$ 723,531</u></b>
\$ 10,387	\$ 38	\$ -	\$ -	\$ 10,425
9,458	-	-	-	9,458
1,253	15,798	25	-	17,076
-	-	-	-	127,182
<b><u>\$ 21,098</u></b>	<b><u>\$ 15,836</u></b>	<b><u>\$ 25</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 164,141</u></b>
\$ -	\$ -	\$ -	\$ -	\$ 159,301
-	-	-	-	46,292
53,887	146,796	-	10,590	353,797
<b><u>\$ 53,887</u></b>	<b><u>\$ 146,796</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,590</u></b>	<b><u>\$ 559,390</u></b>
<b><u>\$ 74,985</u></b>	<b><u>\$ 162,632</u></b>	<b><u>\$ 25</u></b>	<b><u>\$ 10,590</u></b>	<b><u>\$ 723,531</u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Federal Land</u>	<u>Economic Development Revolving Loan</u>	<u>Individual Sewage Treatment System Loans</u>
<b>Revenues</b>			
Special assessments	\$ -	\$ -	\$ 35,848
Intergovernmental	4,788	-	-
Charges for services	-	-	-
Gifts and contributions	-	-	-
Investment earnings	1,861	6,800	-
Miscellaneous	-	12,391	-
<b>Total Revenues</b>	<b>\$ 6,649</b>	<b>\$ 19,191</b>	<b>\$ 35,848</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ -	\$ -	\$ -
Sanitation	-	-	56,932
Health	-	-	-
Culture and recreation	-	-	-
Conservation of natural resources	6,649	-	-
Economic development	-	7,581	-
<b>Total Expenditures</b>	<b>\$ 6,649</b>	<b>\$ 7,581</b>	<b>\$ 56,932</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 11,610</b>	<b>\$ (21,084)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Notes issued	-	-	48,416
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,416</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 11,610</b>	<b>\$ 27,332</b>
<b>Fund Balance - January 1</b>	<b>80,917</b>	<b>209,298</b>	<b>18,960</b>
<b>Fund Balance - December 31</b>	<b>\$ 80,917</b>	<b>\$ 220,908</b>	<b>\$ 46,292</b>

Statement 2

<u>Library</u>	<u>High Island Water Assessment Project</u>	<u>Forfeited Tax</u>	<u>Nurse Development</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 35,848
-	31,252	-	-	36,040
38,222	138	-	-	38,360
-	12,000	-	-	12,000
-	-	-	206	8,867
821	-	88	-	13,300
<b>\$ 39,043</b>	<b>\$ 43,390</b>	<b>\$ 88</b>	<b>\$ 206</b>	<b>\$ 144,415</b>
\$ -	\$ -	\$ 88	\$ -	\$ 88
-	-	-	-	56,932
-	-	-	1,105	1,105
250,985	-	-	-	250,985
-	76,792	-	-	83,441
-	-	-	-	7,581
<b>\$ 250,985</b>	<b>\$ 76,792</b>	<b>\$ 88</b>	<b>\$ 1,105</b>	<b>\$ 400,132</b>
<b>\$ (211,942)</b>	<b>\$ (33,402)</b>	<b>\$ -</b>	<b>\$ (899)</b>	<b>\$ (255,717)</b>
\$ 209,567	\$ -	\$ -	\$ -	\$ 209,567
-	-	-	-	48,416
<b>\$ 209,567</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 257,983</b>
\$ (2,375)	\$ (33,402)	\$ -	\$ (899)	\$ 2,266
56,262	180,198	-	11,489	557,124
<b>\$ 53,887</b>	<b>\$ 146,796</b>	<b>\$ -</b>	<b>\$ 10,590</b>	<b>\$ 559,390</b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

TRUST AND AGENCY FUNDS

Private-Purpose Trust Funds

Court Estate - To account for court-appointed estate activity.

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

Agency Funds

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

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

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

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
DECEMBER 31, 2005**

	<b>Court Estate</b>	<b>Missing Heirs</b>	<b>Total</b>
<u>Assets</u>			
Cash and pooled investments	\$ -	\$ 17,490	\$ 17,490
Investments	7,610	31,337	38,947
Accrued interest	-	268	268
	<b>\$ 7,610</b>	<b>\$ 49,095</b>	<b>\$ 56,705</b>
<u>Net Assets</u>			
Net assets, held in trust	<b>\$ 7,610</b>	<b>\$ 49,095</b>	<b>\$ 56,705</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Statement 4

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Court Estate</b>	<b>Missing Heirs</b>	<b>Total</b>
<b><u>Additions</u></b>			
Interest	\$ 131	\$ 465	\$ 596
<b><u>Deductions</u></b>			
Payments in accordance with trust agreements	13,418	-	13,418
<b>Change in Net Assets</b>	<b>\$ (13,287)</b>	<b>\$ 465</b>	<b>\$ (12,822)</b>
<b>Net Assets - Beginning of the Year</b>	<b>20,897</b>	<b>48,630</b>	<b>69,527</b>
<b>Net Assets - End of the Year</b>	<b>\$ 7,610</b>	<b>\$ 49,095</b>	<b>\$ 56,705</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Statement 5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>OTHER AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 99,274	\$ 1,099,657	\$ 1,010,910	\$ 188,021
<b><u>Liabilities</u></b>				
Accounts payable	\$ 36,849	\$ 36,094	\$ 36,849	\$ 36,094
Due to other governments	62,425	151,927	62,425	151,927
<b>Total Liabilities</b>	<b>\$ 99,274</b>	<b>\$ 188,021</b>	<b>\$ 99,274</b>	<b>\$ 188,021</b>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 71,734	\$ 15,470,721	\$ 15,410,195	\$ 132,260
<b><u>Liabilities</u></b>				
Unapportioned taxes and special assessments	\$ -	\$ 74,029	\$ 74,029	\$ -
Due to other governments	71,734	132,260	71,734	132,260
<b>Total Liabilities</b>	<b>\$ 71,734</b>	<b>\$ 206,289</b>	<b>\$ 145,763</b>	<b>\$ 132,260</b>
 <b><u>TRI-COUNTY SOLID WASTE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 296,340	\$ 296,340	\$ -
Accounts receivable	14,533	-	14,533	-
Due from other governments	90,560	44,087	90,560	44,087
<b>Total Assets</b>	<b>\$ 105,093</b>	<b>\$ 340,427</b>	<b>\$ 401,433</b>	<b>\$ 44,087</b>
<b><u>Liabilities</u></b>				
Cash overdraft	\$ 86,444	\$ 29,127	\$ 86,444	\$ 29,127
Accounts payable	1,230	-	1,230	-
Salaries payable	3,090	1,822	3,090	1,822
Due to other governments	14,329	13,138	14,329	13,138
<b>Total Liabilities</b>	<b>\$ 105,093</b>	<b>\$ 44,087</b>	<b>\$ 105,093</b>	<b>\$ 44,087</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Statement 5  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 77,144</u>	<u>\$ 109,198</u>	<u>\$ 122,777</u>	<u>\$ 63,565</u>
<b><u>Liabilities</u></b>				
Accounts payable	<u>\$ 77,144</u>	<u>\$ 63,565</u>	<u>\$ 77,144</u>	<u>\$ 63,565</u>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 248,152	\$ 16,975,916	\$ 16,840,222	\$ 383,846
Accounts receivable	14,533	-	14,533	-
Due from other governments	<u>90,560</u>	<u>44,087</u>	<u>90,560</u>	<u>44,087</u>
<b>Total Assets</b>	<b><u>\$ 353,245</u></b>	<b><u>\$ 17,020,003</u></b>	<b><u>\$ 16,945,315</u></b>	<b><u>\$ 427,933</u></b>
<b><u>Liabilities</u></b>				
Cash overdraft	\$ 86,444	\$ 29,127	\$ 86,444	\$ 29,127
Accounts payable	115,223	99,659	115,223	99,659
Salaries payable	3,090	1,822	3,090	1,822
Unapportioned taxes and special assessments	-	74,029	74,029	-
Due to other governments	<u>148,488</u>	<u>297,325</u>	<u>148,488</u>	<u>297,325</u>
<b>Total Liabilities</b>	<b><u>\$ 353,245</u></b>	<b><u>\$ 501,962</u></b>	<b><u>\$ 427,274</u></b>	<b><u>\$ 427,933</u></b>

## **OTHER SCHEDULES**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Schedule 5

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS  
DECEMBER 31, 2005**

	Taxes Levied for Collection					
	2004		2005		2006	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real Property	\$ 10,040,259		\$ 11,599,324		\$ 13,362,857	
Personal Property	571,239		629,484		611,886	
<b>Total Tax Capacity</b>	<b><u>\$ 10,611,498</u></b>		<b><u>\$ 12,228,808</u></b>		<b><u>\$ 13,974,743</u></b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 3,854,729	36.326	\$ 4,468,313	36.539	\$ 4,862,987	34.798
Road and Bridge	1,011,484	9.532	1,778,842	14.546	2,113,350	15.123
Human Services	1,811,399	17.070	2,117,143	17.313	2,083,088	14.906
Debt Service	1,208,830	11.392	624,840	5.110	632,200	4.524
<b>Total Taxes Levied for County Purposes</b>	<b><u>\$ 7,886,442</u></b>	<b><u>74.320</u></b>	<b><u>\$ 8,989,138</u></b>	<b><u>73.508</u></b>	<b><u>\$ 9,691,625</u></b>	<b><u>69.351</u></b>
<b>Less Credits Payable by State</b>	<u>531,394</u>		<u>637,338</u>		<u>607,092</u>	
<b>Net Taxes Levied for County Purposes</b>	<b><u>\$ 7,355,048</u></b>		<b><u>\$ 8,351,800</u></b>		<b><u>\$ 9,084,533</u></b>	
<b>Tax Capacity - Light and Power</b>						
Transmission Lines	\$ 2,714		\$ 3,486		\$ 2,964	
Distribution Lines	1,847		1,917		1,979	
<b>Total Tax Capacity - Light and Power</b>	<b><u>\$ 4,561</u></b>		<b><u>\$ 5,403</u></b>		<b><u>\$ 4,943</u></b>	
<b>Tax Levies - Light and Power</b>						
Transmission Lines	\$ 3,144	115.828	\$ 3,972	113.297	\$ 3,301	111.355
Distribution Lines	2,139	115.828	2,172	113.297	2,204	111.355
<b>Total Tax Levies - Light and Power</b>	<b><u>\$ 5,283</u></b>		<b><u>\$ 6,144</u></b>		<b><u>\$ 5,505</u></b>	
<b>Special Assessments</b>						
Ditch Liens and Assessments	<b><u>\$ 928,849</u></b>		<b><u>\$ 1,235,964</u></b>		<b><u>\$ 464,907</u></b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>98.90%</b>		<b>98.78%</b>			

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2005**

	Cash		Special	
			Delinquent	
<b>County Ditches</b>				
C.D. #1A	\$	68	\$	-
C.D. #2		7,524		-
C.D. #4A		7,316		-
C.D. #4B		3,867		-
C.D. #6A		1,081		-
C.D. BEV CREEK 1		5,521		-
C.D. #9A		5,671		-
C.D. #10		2,955		-
C.D. #11		14,422		-
C.D. #12A		12		-
C.D. #13A		3,031		-
C.D. #18A		31		-
C.D. #21A		1,379		-
C.D. #22		3,463		-
C.D. #23A		3,192		-
C.D. #23B		9,987		-
C.D. #24A		682		-
C.D. #25A		253		-
C.D. #26		52		-
C.D. #29M		67		-
C.D. #29P		131		-
C.D. #29 SCHWARTZ		(1,760)		-
C.D. #30A		735		-
C.D. #31A		29,198		-
C.D. #32A		574		-
C.D. #37A		3,445		-
C.D. #38		23		-
C.D. #39A		6,494		-
C.D. #40A		1,325		-
C.D. #42		89		-
C.D. #43		67		-
C.D. #44		30		-
C.D. #45		10		-
C.D. #46		1,462		-
C.D. #47		6,053		-
C.D. #48		3,139		-
C.D. #49		2,816		-
C.D. #50		1,152		-
C.D. #54		21,228		345
C.D. #55		19,102		289

Assets				
Assessments Receivable Deferred	One Year Repair Liens	Accounts Receivable	Interditch Loans Receivable	Total
\$ -	\$ 9,028	\$ -	\$ -	\$ 9,096
-	18,634	-	-	26,158
-	-	-	-	7,316
-	-	-	-	3,867
-	-	-	-	1,081
-	-	-	-	5,521
-	-	-	-	5,671
-	-	-	-	2,955
-	-	-	-	14,422
-	9,916	-	-	9,928
-	-	-	-	3,031
-	42,782	-	-	42,813
-	-	-	-	1,379
-	-	-	-	3,463
-	-	-	-	3,192
-	-	-	25,000	34,987
-	-	-	-	682
-	1,006	-	-	1,259
-	784	-	-	836
-	3,580	-	-	3,647
-	697	-	-	828
-	-	8,460	-	6,700
-	-	-	-	735
-	-	-	-	29,198
-	4,296	-	-	4,870
-	-	-	-	3,445
-	-	-	-	23
-	12,802	-	-	19,296
-	-	-	-	1,325
-	38,371	-	-	38,460
-	7,984	-	-	8,051
-	14,744	-	-	14,774
-	994	-	-	1,004
-	-	-	-	1,462
-	-	-	-	6,053
-	-	-	-	3,139
-	-	-	-	2,816
-	6,735	-	-	7,887
-	-	-	-	21,573
-	-	-	-	19,391

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2005**

	<u>Accounts Payable</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>
<b>County Ditches</b>			
C.D. #1A	\$ -	\$ -	\$ -
C.D. #2	-	-	-
C.D. #4A	-	-	-
C.D. #4B	-	-	-
C.D. #6A	-	-	-
C. D. BEV CREEK 1	-	-	-
C.D. #9A	-	-	-
C.D. #10	-	-	-
C.D. #11	-	-	-
C.D. #12A	-	-	-
C.D. #13A	-	-	-
C.D. #18A	2,780	-	-
C.D. #21A	-	-	-
C.D. #22	-	-	-
C.D. #23A	-	-	-
C.D. #23B	-	-	-
C.D. #24A	-	-	-
C.D. #25A	-	-	-
C.D. #26	-	-	-
C.D. #29M	-	-	-
C.D. #29P	-	-	-
C.D. #29 SCHWARTZ	5,484	-	-
C.D. #30A	-	-	-
C.D. #31A	-	-	-
C.D. #32A	-	-	-
C.D. #37A	-	-	-
C.D. #38	-	-	-
C.D. #39A	64	-	101
C.D. #40A	-	-	-
C.D. #42	1,698	-	-
C.D. #43	190	-	-
C.D. #44	-	-	-
C.D. #45	-	-	-
C.D. #46	-	-	-
C.D. #47	-	-	-
C.D. #48	-	-	-
C.D. #49	-	-	-
C.D. #50	-	-	-
C.D. #54	-	-	-
C.D. #55	-	-	-

**Schedule 6**  
**(Continued)**

<b>Liabilities</b>					<b>Total Liabilities and Fund Balance</b>
<b>Deferred Revenue</b>	<b>Interditch Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	
\$ -	\$ 1,900	\$ -	\$ 1,900	\$ 7,196	\$ 9,096
-	-	-	-	26,158	26,158
-	-	-	-	7,316	7,316
-	-	-	-	3,867	3,867
-	-	-	-	1,081	1,081
-	-	-	-	5,521	5,521
-	-	-	-	5,671	5,671
-	-	-	-	2,955	2,955
-	-	-	-	14,422	14,422
-	8,100	-	8,100	1,828	9,928
-	-	-	-	3,031	3,031
-	5,400	-	8,180	34,633	42,813
-	-	-	-	1,379	1,379
-	-	-	-	3,463	3,463
-	-	-	-	3,192	3,192
-	-	-	-	34,987	34,987
-	-	-	-	682	682
-	-	-	-	1,259	1,259
-	1,000	-	1,000	(164)	836
-	1,000	-	1,000	2,647	3,647
-	-	-	-	828	828
-	6,700	-	12,184	(5,484)	6,700
-	-	-	-	735	735
-	-	-	-	29,198	29,198
-	-	-	-	4,870	4,870
-	-	-	-	3,445	3,445
-	-	-	-	23	23
-	-	-	165	19,131	19,296
-	-	-	-	1,325	1,325
-	2,800	-	4,498	33,962	38,460
-	200	-	390	7,661	8,051
-	5,700	-	5,700	9,074	14,774
-	100	-	100	904	1,004
-	-	-	-	1,462	1,462
-	-	-	-	6,053	6,053
-	-	-	-	3,139	3,139
-	-	-	-	2,816	2,816
-	-	-	-	7,887	7,887
-	-	-	-	21,573	21,573
-	-	-	-	19,391	19,391

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2005**

	Cash	Special
		Delinquent
<b>County Ditches (Continued)</b>		
C.D. #56	3,535	-
C.D. #57A	1,026	-
C.D. #58	1,090	-
C.D. #59	4,538	25
C.D. #60	2,673	-
C.D. #61	9,769	-
C.D. #64	1,667	-
C.D. #65	5,416	-
C.D. #66	7,025	-
C.D. #67	7,656	453
C.D. #2A IMP	16,659	-
C.D. #24B IMP	10,177	-
C.D. #18C IMP	18,749	-
C.D. #2 Lat A	3,366	-
C.D. #4A Lat A	3,911	-
C.D. #4A Lat B	2,345	-
C.D. #4A Lat C	1,341	-
C.D. #22 Lat A & 1Br	4,336	-
C.D. #22 Lat B & 1Br	2,578	-
C.D. #22 Lat B Impr	504	-
C.D. #23A Lat 1 & 1Br	5,511	-
C.D. #23A Lat 2	2,172	-
C.D. #23A Lat 3	6,781	-
C.D. #23A Lat 4	6,278	-
C.D. #29A Lat 1 Spur 5	12,156	-
C.D. #31A Lat A to 3	1,610	-
C.D. #31A Lat 3	1,539	-
C.D. #37 Lat 1A	6,825	-
C.D. #44 Lat A	1,978	-
C.D. #50 Lat A	3,677	-
C.D. #55 Lat 1 of Lat C	280	-
C.D. #55 Lat 1 of Lat C Impr	80	-
C.D. #55 Ret Pond Impr	31	-
C.D. #56 Lat A	1,251	-
C.D. #59 Lat A	613	-
C.D. #59 Lat 1	351	-
C.D. #61 Outlet Impr	89	-
<b>Total County Ditches</b>	<b>\$ 325,470</b>	<b>\$ 1,112</b>

***Schedule 6***  
***(Continued)***

Assets				
Assessments Receivable Deferred	One Year Repair Liens	Accounts Receivable	Interditch Loans Receivable	Total
-	-	-	-	3,535
-	-	-	-	1,026
-	-	-	-	1,090
-	-	-	-	4,563
-	-	-	-	2,673
-	-	-	-	9,769
-	-	-	20,000	21,667
-	-	-	8,000	13,416
-	-	-	12,000	19,025
35,371	-	-	60,000	103,480
17,347	-	-	15,000	49,006
8,485	-	-	5,000	23,662
17,506	-	-	15,000	51,255
-	-	-	-	3,366
-	-	-	-	3,911
-	-	-	-	2,345
-	-	-	-	1,341
-	-	-	-	4,336
-	-	-	-	2,578
-	-	-	-	504
-	-	-	-	5,511
-	-	-	-	2,172
-	-	-	-	6,781
-	-	-	-	6,278
-	-	-	-	12,156
-	-	-	-	1,610
-	-	-	-	1,539
-	-	-	-	6,825
-	-	-	-	1,978
-	-	-	-	3,677
-	259	-	-	539
-	-	1,524	-	1,604
-	-	-	-	31
-	-	-	-	1,251
-	-	-	-	613
-	238	-	-	589
-	-	41,511	-	41,600
<b>\$ 78,709</b>	<b>\$ 172,850</b>	<b>\$ 51,495</b>	<b>\$ 160,000</b>	<b>\$ 789,636</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2005**

	<u>Accounts Payable</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>
<b>County Ditches (Continued)</b>			
C.D. #56	-	-	-
C.D. #57A	-	-	-
C.D. #58	-	-	-
C.D. #59	737	-	-
C.D. #60	-	-	-
C.D. #61	-	-	-
C.D. #64	-	-	-
C.D. #65	-	-	-
C.D. #66	-	-	-
C.D. #67	300	-	-
C.D. #2A IMP	-	-	-
C.D. #24B IMP	-	-	-
C.D. #18C IMP	-	-	-
C.D. #2 Lat A	-	-	-
C.D. #4A Lat A	-	-	-
C.D. #4A Lat B	-	-	-
C.D. #4A Lat C	-	-	-
C.D. #22 Lat A & 1Br	-	-	-
C.D. #22 Lat B & 1Br	-	-	-
C.D. #22 Lat B Impr	-	-	-
C.D. #23A Lat 1 & 1Br	-	-	-
C.D. #23A Lat 2	-	-	-
C.D. #23A Lat 3	-	-	-
C.D. #23A Lat 4	-	-	-
C.D. #29A Lat 1 Spur 5	-	-	-
C.D. #31A Lat A to 3	-	-	-
C.D. #31A Lat 3	-	-	-
C.D. #37 Lat 1A	-	-	-
C.D. #44 Lat A	-	-	-
C.D. #50 Lat A	-	-	-
C.D. #55 Lat 1 of Lat C	-	-	-
C.D. #55 Lat 1 of Lat C Impr	-	-	-
C.D. #55 Ret Pond Impr	-	-	-
C.D. #56 Lat A	-	-	-
C.D. #59 Lat A	-	-	-
C.D. #59 Lat 1	-	-	-
C.D. #61 Outlet Impr	-	-	-
<b>Total County Ditches</b>	<b>\$ 11,253</b>	<b>\$ -</b>	<b>\$ 101</b>

**Schedule 6**  
**(Continued)**

<b>Liabilities</b>					<b>Total Liabilities and Fund Balance</b>
<b>Deferred Revenue</b>	<b>Interditch Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	
-	-	-	-	3,535	3,535
-	-	-	-	1,026	1,026
-	-	-	-	1,090	1,090
-	-	-	737	3,826	4,563
-	-	-	-	2,673	2,673
-	-	-	-	9,769	9,769
-	-	-	-	21,667	21,667
-	-	-	-	13,416	13,416
-	-	-	-	19,025	19,025
-	-	50,000	50,300	53,180	103,480
-	-	34,000	34,000	15,006	49,006
-	-	17,000	17,000	6,662	23,662
-	-	34,000	34,000	17,255	51,255
-	-	-	-	3,366	3,366
-	-	-	-	3,911	3,911
-	-	-	-	2,345	2,345
-	-	-	-	1,341	1,341
-	-	-	-	4,336	4,336
-	-	-	-	2,578	2,578
-	-	-	-	504	504
-	-	-	-	5,511	5,511
-	-	-	-	2,172	2,172
-	-	-	-	6,781	6,781
-	-	-	-	6,278	6,278
-	-	-	-	12,156	12,156
-	-	-	-	1,610	1,610
-	-	-	-	1,539	1,539
-	-	-	-	6,825	6,825
-	-	-	-	1,978	1,978
-	-	-	-	3,677	3,677
-	-	-	-	539	539
-	3,000	-	3,000	(1,396)	1,604
-	1,100	-	1,100	(1,069)	31
-	-	-	-	1,251	1,251
-	-	-	-	613	613
-	-	-	-	589	589
-	41,600	-	41,600	-	41,600
<b>\$ -</b>	<b>\$ 78,600</b>	<b>\$ 135,000</b>	<b>\$ 224,954</b>	<b>\$ 564,682</b>	<b>\$ 789,636</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2005**

	Cash		Special	
			Delinquent	
<b>Judicial Ditches</b>				
H.I. Proj. #2	\$	20	\$	-
H.I. Proj. #5		15		-
H.I. Proj. #7		(4)		-
H.I. Proj. #8		10		-
H.I. Proj. #9		10		-
H.I. Proj. #11		53,875		93
JD #1A S&N		42,326		-
JD #3A SCM		8,703		-
JD #5 M&S		595		-
JD #5 S&N		2,922		-
JD #6A S&N		7,092		559
JD #6 N&S		1,498		-
JD #8 S&R		784		-
JD #8 M&S		613		-
JD #11 RSM		92		-
JD #12 Sibley		113		-
JD #13 SRN		5,154		-
JD #13 SRN Turtle		4,981		-
JD #13 N&S		669		-
JD #14 S&N		1,340		-
JD #15 S&M		3,807		-
JD #15 R&S		1,860		-
JD #15 N&S		1,712		-
JD #16 N&S		1,161		-
JD #17 S&M		1,371		-
JD #18 S&M		4,195		-
JD #19 S&M		2,110		-
JD #20 S&N		14,069		-
JD #21 S&C		937		-
JD #22 S&C		1,124		-
JD #24 RSM		5,193		259
JD #30 R&S		72		-
JD #31 RSN		5,458		-
JD #1A Lts 1 & 3 Brs S&N		3,386		-
JD #1A Lt 2 N&S		11,113		-
JD #3A Lt 4 & Br 1 SCM		3,069		-
JD #6A Lt 2		10,865		-
JD #6A Lt 1 of Lt 2 S&N		984		-
JD #7 Lts 1, 2, 3, and 4		38,329		-
JD #7 Lts 16 & 17 SRN		7,509		-

Assets				
<u>Assessments Receivable</u>	<u>One Year</u>	<u>Accounts</u>	<u>Interditch</u>	<u>Total</u>
<u>Deferred</u>	<u>Repair Liens</u>	<u>Receivable</u>	<u>Loans</u>	
<u>Receivable</u>			<u>Receivable</u>	
\$ -	\$ -	\$ -	\$ -	\$ 20
-	-	-	-	15
-	-	-	-	(4)
-	-	-	-	10
-	-	-	-	10
602,414	-	-	110,000	766,382
-	-	-	-	42,326
-	-	-	-	8,703
-	-	-	-	595
-	-	-	-	2,922
-	-	-	-	7,651
-	-	-	-	1,498
-	-	-	-	784
-	-	-	-	613
-	16,502	-	-	16,594
-	7,043	-	-	7,156
-	-	-	-	5,154
-	-	-	-	4,981
-	-	-	-	669
-	-	-	-	1,340
-	-	-	-	3,807
-	-	-	-	1,860
-	-	-	-	1,712
-	-	-	-	1,161
-	-	-	-	1,371
-	-	-	-	4,195
-	-	-	-	2,110
-	-	-	-	14,069
-	-	-	-	937
-	-	-	-	1,124
-	-	-	-	5,452
-	-	-	-	72
-	-	-	-	5,458
-	-	-	-	3,386
-	-	-	25,000	36,113
-	-	-	-	3,069
-	-	-	-	10,865
-	1,427	-	-	2,411
194,579	-	-	130,000	362,908
-	-	-	-	7,509

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2005**

	<u>Accounts Payable</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>
<b>Judicial Ditches</b>			
H.I. Proj. #2	\$ -	\$ -	\$ -
H.I. Proj. #5	-	-	-
H.I. Proj. #7	-	-	-
H.I. Proj. #8	-	-	-
H.I. Proj. #9	-	-	-
H.I. Proj. #11	-	-	-
JD #1A S&N	-	-	-
JD #3A SCM	-	-	-
JD #5 M&S	-	-	-
JD #5 S&N	-	-	-
JD #6A S&N	-	-	-
JD #6 N&S	-	-	-
JD #8 S&R	170	-	-
JD #8 M&S	-	-	-
JD #11 RSM	-	-	-
JD #12 Sibley	-	-	-
JD #13 SRN	-	-	-
JD #13 SRN Turtle	-	-	-
JD #13 N&S	-	-	-
JD #14 S&N	-	-	-
JD #15 S&M	-	-	-
JD #15 R&S	-	-	-
JD #15 N&S	-	-	-
JD #16 N&S	-	-	-
JD #17 S&M	-	-	-
JD #18 S&M	-	-	-
JD #19 S&M	-	-	-
JD #20 S&N	-	-	-
JD #21 S&C	-	-	-
JD #22 S&C	-	-	-
JD #24 RSM	-	-	-
JD #30 R&S	-	-	-
JD #31 RSN	-	-	-
JD #1A Lts 1 & 3 Brs S&N	-	-	-
JD #1A Lt 2 N&S	-	-	-
JD #3A Lt 4 & Br 1 SCM	-	-	-
JD #6A Lt 2	-	-	-
JD #6A Lt 1 of Lt 2 S&N	-	-	-
JD #7 Lts 1, 2, 3, and 4	-	-	-
JD #7 Lts 16 & 17 SRN	-	-	-

**Schedule 6**  
**(Continued)**

<b>Liabilities</b>					<b>Total Liabilities and Fund Balance</b>
<b>Deferred Revenue</b>	<b>Interditch Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	
\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 20
-	-	-	-	15	15
-	-	-	-	(4)	(4)
-	-	-	-	10	10
-	-	-	-	10	10
-	-	745,000	745,000	21,382	766,382
-	-	-	-	42,326	42,326
-	-	-	-	8,703	8,703
-	-	-	-	595	595
-	-	-	-	2,922	2,922
-	-	-	-	7,651	7,651
-	-	-	-	1,498	1,498
-	-	-	170	614	784
-	-	-	-	613	613
-	100	-	100	16,494	16,594
-	300	-	300	6,856	7,156
-	-	-	-	5,154	5,154
-	-	-	-	4,981	4,981
-	-	-	-	669	669
-	-	-	-	1,340	1,340
-	-	-	-	3,807	3,807
-	-	-	-	1,860	1,860
-	-	-	-	1,712	1,712
-	-	-	-	1,161	1,161
-	-	-	-	1,371	1,371
-	-	-	-	4,195	4,195
-	-	-	-	2,110	2,110
-	-	-	-	14,069	14,069
-	-	-	-	937	937
-	-	-	-	1,124	1,124
-	-	-	-	5,452	5,452
-	-	-	-	72	72
-	-	-	-	5,458	5,458
-	-	-	-	3,386	3,386
-	-	-	-	36,113	36,113
-	-	-	-	3,069	3,069
-	-	-	-	10,865	10,865
-	-	-	-	2,411	2,411
-	-	240,000	240,000	122,908	362,908
-	-	-	-	7,509	7,509

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2005**

	<u>Cash</u>	<u>Special Delinquent</u>
<b>Judicial Ditches (Continued)</b>		
JD #7 Lts 32 & 33 SRN	2,358	-
JD #11 Lat H7 RSM	1,216	-
JD #11 Lt H8 & H9 RSM	1,434	-
JD #11 Lt O RSM	945	-
JD #11 Lt J RSM	3,070	-
JD #11 Lt I, I-1 & 1-2 RSM	3,040	-
JD #11 Lt A-13	400	-
JD #11 Lt I-3	2,431	-
JD #13 Lt A SRN	126	-
JD #13 Br5 SRN	506	-
JT #1A NS	4,159	-
JT #1 RS	3,323	-
JT #7 SNR	37,645	288
JT #24 CS	354	-
JT #1 Lat L SN MAIDL	1,178	-
JT #7 Lat 17 IMP Berger	933	-
JT #7 Lat 24, 25, and 26	1,556	-
JT 5 SN IMP YAHNKE*	(10)	-
<b>Total Judicial Ditches</b>	<b>\$ 313,796</b>	<b>\$ 1,199</b>
<b>Total All Ditches</b>	<b>\$ 639,266</b>	<b>\$ 2,311</b>
Reconcile to Exhibit 3	-	-
<b>Total Modified Accrual</b>	<b>\$ 639,266</b>	<b>\$ 2,311</b>

\* = JT 5 SN YAHNKE Ditch Fund Balance includes reserve for encumbrances of \$428,859.

***Schedule 6***  
***(Continued)***

Assets				
<u>Assessments Receivable</u> <u>Deferred</u>	<u>One Year</u> <u>Repair Liens</u>	<u>Accounts</u> <u>Receivable</u>	<u>Interditch</u> <u>Loans</u> <u>Receivable</u>	<u>Total</u>
-	-	-	-	2,358
-	-	-	-	1,216
-	-	-	-	1,434
-	-	-	-	945
-	-	-	-	3,070
-	-	-	-	3,040
-	-	-	-	400
-	-	-	-	2,431
-	-	-	-	126
-	-	-	-	506
-	-	-	-	4,159
-	-	-	-	3,323
65,714	-	-	-	103,647
-	-	-	-	354
-	-	-	-	1,178
-	-	319,067	-	320,000
-	19,623	-	-	21,179
-	-	99,210	-	99,200
<u>\$ 862,707</u>	<u>\$ 44,595</u>	<u>\$ 418,277</u>	<u>\$ 265,000</u>	<u>\$ 1,905,574</u>
<u>\$ 941,416</u>	<u>\$ 217,445</u>	<u>\$ 469,772</u>	<u>\$ 425,000</u>	<u>\$ 2,695,210</u>
-	-	-	(425,000)	(425,000)
<u><u>\$ 941,416</u></u>	<u><u>\$ 217,445</u></u>	<u><u>\$ 469,772</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,270,210</u></u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2005**

	<u>Accounts Payable</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>
<b>Judicial Ditches (Continued)</b>			
JD #7 Lts 32 & 33 SRN	-	-	-
JD #11 Lat H7 RSM	-	-	-
JD #11 Lt H8 & H9 RSM	-	-	-
JD #11 Lt O RSM	-	-	-
JD #11 Lt J RSM	-	-	-
JD #11 Lt I, I-1 & 1-2 RSM	-	-	-
JD #11 Lt A-13	-	-	-
JD #11 Lt I-3	-	-	-
JD #13 Lt A SRN	-	-	-
JD #13 Br5 SRN	-	-	-
JT #1A NS	-	-	-
JT #1 RS	887	-	-
JT #7 SNR	90,527	-	-
JT #24 CS	-	-	-
JT #1 Lat L SN MAIDL	-	-	-
JT #7 Lat 17 IMP Berger	22,421	-	-
JT #7 Lat 24, 25, and 26	-	-	-
JT 5 SN IMP YAHNKE*	54,516	81,400	-
<b>Total Judicial Ditches</b>	<b>\$ 168,521</b>	<b>\$ 81,400</b>	<b>\$ -</b>
<b>Total All Ditches</b>	<b>\$ 179,774</b>	<b>\$ 81,400</b>	<b>\$ 101</b>
Reconcile to Exhibit 3	-	-	-
<b>Total Modified Accrual</b>	<b>\$ 179,774</b>	<b>\$ 81,400</b>	<b>\$ 101</b>

\* = JT 5 SN YAHNKE Ditch Fund Balance includes reserve for encumbrances of \$428,859.

Schedule 6  
(Continued)

<b>Liabilities</b>					<b>Total Liabilities and Fund Balance</b>
<b>Deferred Revenue</b>	<b>Interditch Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	
-	-	-	-	2,358	2,358
-	-	-	-	1,216	1,216
-	-	-	-	1,434	1,434
-	-	-	-	945	945
-	-	-	-	3,070	3,070
-	-	-	-	3,040	3,040
-	-	-	-	400	400
-	-	-	-	2,431	2,431
-	-	-	-	126	126
-	-	-	-	506	506
-	-	-	-	4,159	4,159
-	-	-	887	2,436	3,323
-	8,200	-	98,727	4,920	103,647
-	-	-	-	354	354
-	-	-	-	1,178	1,178
-	320,000	-	342,421	(22,421)	320,000
-	-	-	-	21,179	21,179
-	17,800	-	153,716	(54,516)	99,200
<b>\$ -</b>	<b>\$ 346,400</b>	<b>\$ 985,000</b>	<b>\$ 1,581,321</b>	<b>\$ 324,253</b>	<b>\$ 1,905,574</b>
<b>\$ -</b>	<b>\$ 425,000</b>	<b>\$ 1,120,000</b>	<b>\$ 1,806,275</b>	<b>\$ 888,935</b>	<b>\$ 2,695,210</b>
1,630,944	(425,000)	(1,120,000)	85,944	(510,944)	(425,000)
<b>\$ 1,630,944</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,892,219</b>	<b>\$ 377,991</b>	<b>\$ 2,270,210</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 7*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Shared Revenue**

**State**

Highway users tax	\$ 3,677,381
Market value credit	683,428
Market value credit - mobile home	2,542
Market value credit - agricultural	226,007
PERA rate reimbursement	25,035
Disparity reduction aid	56,581
County program aid	637,338
Police aid	44,230
E-911	624
	<b>5,353,166</b>

**Total Shared Revenue**

**\$ 5,353,166**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 1,467,168
	<b>1,467,168</b>

**Payments**

**Local**

Local contributions	\$ 193,149
Payments in lieu of taxes	9,719
	<b>202,868</b>

**Total Payments**

**\$ 202,868**

**Grants**

**State**

Minnesota Department of Education	\$ 6,247
Corrections	30,751
Public Safety	6,008
Health	100,818
Natural Resources	3,076
Secretary of State	2,000
Human Services	58,285
Water and Soil Resources Board	85,326
Office of Environmental Assistance	49,079
Pollution Control Agency	31,252
	<b>372,842</b>

**Total State**

**\$ 372,842**

**Grants**

**Federal**

Department of Agriculture	\$ 77,504
Transportation	3,000
Health and Human Services	367,753
Homeland Security	10,509
Environmental Protection Agency	1,770
	<b>460,536</b>

**Total Federal**

**\$ 460,536**

**Total State and Federal Grants**

**\$ 833,378**

**Total Intergovernmental Revenue**

**\$ 7,856,580**



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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 8*

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

01-1 Library Board Operations

In our review of the Sibley County Library Board, we noted the following weaknesses in internal control:

- Collections for overdue books, photocopies, and some grants and donations are not deposited with a city or Sibley County. Instead, the collections are deposited into a separate checking account operated by the branch library.
- Several directors have the ability to collect funds, make deposits, authorize disbursements, write checks, and perform bank reconciliations.
- Several of the library branches use charge cards or open purchase accounts that have not been formally approved and are not governed by a formal policy.
- We were not provided with any documentation that the Library Board reported total financial activity to the governing body of a city or the County, as required by Minn. Stat § 134.13.
- There is no consistency in recording or reporting financial activity between the five libraries. Funding sources include the County, cities, library clubs, book clubs, and other sources. Likewise, some disbursements are reported/submitted to the County, some to the cities, and some are paid directly from the checking accounts maintained at each branch library.

We recommend that the Library Board work in conjunction with Sibley County to address the internal control weaknesses and legal compliance issues identified above. This should include centralizing the receipting and disbursement functions for the library as well as centralizing the payroll reporting function. Formal policies and procedures should be developed to ensure consistency from one library to another. The separate

checking accounts maintained at each library should be closed. The Library Board should implement procedures to ensure compliance with state statutes for reporting and bylaws.

01-2 Accounting Policies and Procedures

A formal policies and procedures manual does not exist for purchasing, journal entries, cash disbursements, or budget adjustments. The absence of this manual causes difficulty in assessing which controls are in place and functioning. A formal written policy that establishes required procedures enables management to determine if adequate controls exist and ensures that consistent policies and procedures will be passed on to new employees.

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

**II. OTHER FINDINGS AND RECOMMENDATIONS**

A. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

00-2 Outdated Disaster Recovery Plan

The County's Disaster Recovery Plan was last updated in December 1997. It has never been tested. An outdated, untested plan that assigns responsibility to untrained personnel may not prove to be nearly as effective as intended in times of actual need. In addition, the County has not entered into a reciprocal agreement with another county. A reciprocal agreement allows for continued processing of critical financial and other information at an alternative site in case of disaster.

We recommend the Information Services Department update the Disaster Recovery Plan on an annual basis and sufficiently train its team members so that it may be effectively implemented in times of need. We also recommend that the recovery plan be periodically tested. Lastly, we recommend the County enter into a reciprocal agreement with another governmental entity.

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees, such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit rate subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Sibley County, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2007 and 2008, respectively.

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**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Sibley County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sibley County as of and for the year ended December 31, 2005, which collectively comprise Sibley County's basic financial statements and have issued our report thereon dated August 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sibley County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Recommendations as items 01-1 and 01-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe neither of the reportable conditions indicated above is a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Sibley County complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of County Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: August 18, 2006